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Apollo Global Management LLC
Form 10-Q
November 03, 2017
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 SEPTEMBER 30, 2017 OR

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

FOR THE TRANSITION PERIOD FROM _____ TO _____
Commission File Number: 001-35107

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

Delaware 20-8880053
(State or other jurisdiction of incorporation or organization) (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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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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 November 2, 2017 there were 193,540,853 Class A shares and 1 Class B share outstanding.

Table of Contents

TABLE OF CONTENTS		
		Page
PART I	<u>FINANCIAL INFORMATION</u>	
ITEM 1.	<u>FINANCIAL STATEMENTS</u>	8
	<u>Unaudited Condensed Consolidated Financial Statements</u>	
	<u>Condensed Consolidated Statements of Financial Condition (Unaudited) as of September 30, 2017 and December 31, 2016</u>	8
	<u>Condensed Consolidated Statements of Operations (Unaudited) for the Three and Nine Months Ended September 30, 2017 and 2016</u>	9
	<u>Condensed Consolidated Statements of Comprehensive Income (Unaudited) for the Three and Nine Months Ended September 30, 2017 and 2016</u>	10
	<u>Condensed Consolidated Statements of Changes in Shareholders' Equity (Unaudited) for the Nine Months Ended September 30, 2017 and 2016</u>	11
	<u>Condensed Consolidated Statements of Cash Flows (Unaudited) for the Nine Months Ended September 30, 2017 and 2016</u>	12
	<u>Notes to Condensed Consolidated Financial Statements (Unaudited)</u>	13
ITEM 1A.	<u>UNAUDITED SUPPLEMENTAL PRESENTATION OF STATEMENTS OF FINANCIAL CONDITION</u>	67
ITEM 2.	<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	69
ITEM 3.	<u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	122
ITEM 4.	<u>CONTROLS AND PROCEDURES</u>	124
PART II	<u>OTHER INFORMATION</u>	
ITEM 1.	<u>LEGAL PROCEEDINGS</u>	125
ITEM 1A.	<u>RISK FACTORS</u>	125
ITEM 2.	<u>UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	125
ITEM 3.	<u>DEFAULTS UPON SENIOR SECURITIES</u>	126
ITEM 4.	<u>MINE SAFETY DISCLOSURES</u>	126
ITEM 5.	<u>OTHER INFORMATION</u>	126

ITEM 6. EXHIBITS

127

SIGNATURES

- 2-

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, 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 assets funds, market conditions generally, our ability to manage our growth, fund performance, changes in our regulatory environment and tax status, the variability of our revenues, net income and cash flow, our use of leverage to finance our businesses and investments by our funds and litigation risks, among others. We believe these factors include but are not limited to those described under the section entitled “Risk Factors” in the Company’s

Annual Report on Form 10-K filed with the United States Securities and Exchange Commission (the “SEC”) on February 13, 2017 (the “2016 Annual Report”); as such factors may be updated from time to time in our periodic filings with the SEC, which are accessible on the SEC’s website at www.sec.gov. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this report and in our other filings. We undertake no obligation to publicly update or review any forward-looking statements, whether as a result of new information, future developments or otherwise, except as required by applicable law.

Terms Used in This Report

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

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

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

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

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

- (iv) the incremental value associated with the reinsurance investments of the portfolio company assets we manage or advise; and

- 3-

Table of Contents

the fair value of any other assets that we manage or advise for the funds, partnerships and accounts to which we provide investment management, advisory, or certain other investment-related services, plus unused credit (v) facilities, including capital commitments to such funds, partnerships and accounts for investments that may require pre-qualification or other conditions before investment plus any other capital commitments to such funds, partnerships and accounts available for investment that are not otherwise included in the clauses above.

Our AUM measure includes Assets Under Management for which we charge either nominal or zero fees. Our AUM measure also includes assets for which we do not have investment discretion, including certain assets for which we earn only investment-related service fees, rather than management or advisory 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. Our calculation also differs from the manner in which our affiliates registered with the SEC report “Regulatory Assets Under Management” on Form ADV and Form PF in various ways;

“Fee-Generating AUM” consists of assets of the funds, partnerships and accounts to which we provide investment management, advisory, or certain other investment-related services and on which we earn management fees, monitoring fees or other investment-related fees pursuant to management or other fee agreements on a basis that varies among the Apollo funds, partnerships and accounts. Management fees are normally based on “net asset value,” “gross assets,” “adjusted par asset value,” “adjusted cost of all unrealized portfolio investments,” “capital commitments,” “adjusted assets,” “stockholders’ equity,” “invested capital” or “capital contributions,” each as defined in the applicable management agreement. Monitoring fees, also referred to as advisory fees, with respect to the structured portfolio company investments of the funds, partnerships and accounts we manage or advise, are generally based on the total value of such structured portfolio company investments, which normally includes leverage, less any portion of such total value that is already considered in Fee-Generating AUM;

“Non-Fee-Generating AUM” refers to AUM that does not produce management fees or monitoring fees. This measure generally includes 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 interests;
- (iii) unused credit facilities;
- (iv) available commitments on those funds that generate management fees on invested capital;
- (v) structured portfolio company investments that do not generate monitoring fees; and
- (vi) the difference between gross asset and net asset value for those funds that earn management fees based on net asset value.

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

- “Carry-Generating AUM”, which refers to invested capital of the funds, partnerships and accounts we manage, advise, or to which we provide certain other investment-related services, that is currently above its hurdle rate or preferred return, and profit of such funds, partnerships and accounts is being allocated to the general partner in accordance with the applicable limited partnership agreements or other governing agreements;
- “AUM Not Currently Generating Carry”, which refers to invested capital of the funds, partnerships and accounts we manage, advise, or to which we provide certain other investment-related services, that is currently below its hurdle rate or preferred return; and

Table of Contents

“Uninvested Carry-Eligible AUM”, which refers to capital of the funds, partnerships and accounts we manage, advise, or to which we provide certain other investment-related services, that is available for investment or (iii) reinvestment subject to the provisions of applicable limited partnership agreements or other governing agreements, which capital is not currently part of the NAV or fair value of investments that may eventually produce carried interest income allocable to the general partner.

“AUM with Future Management Fee Potential” refers to the committed uninvested capital portion of total AUM not currently earning management fees. The amount depends on the specific terms and conditions of each fund; We use AUM as a performance measure of our funds’ investment activities, as well as to monitor fund size in relation to professional resource and infrastructure needs. Non-Fee-Generating AUM includes assets on which we could earn carried interest income;

“Advisory” refers to certain assets advised by Apollo Asset Management Europe PC LLP, a wholly-owned subsidiary of Apollo Asset Management Europe LLP (collectively, “AAME”). The AAME entities are subsidiaries of Apollo. Until AAME receives full authorization by the UK Financial Conduct Authority (“FCA”), references to AAME in this report mean AAME and Apollo Management International LLP, an existing FCA authorized and regulated subsidiary of Apollo in the United Kingdom;

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

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

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

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

“gross IRR” of a private equity fund represents the cumulative investment-related cash flows (i) for a given investment for the fund or funds which made such investment, and (ii) for a given fund, in the relevant fund itself (and not any one investor in the fund), in each case, on the basis of the actual timing of investment inflows and outflows (for unrealized investments assuming disposition on September 30, 2017 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. In addition, gross IRRs at the fund level will differ from those at the individual investor level as a result of, among other factors, timing of investor-level inflows and outflows. Gross IRR does not represent the return to any fund investor; “gross IRR” of a credit fund represents the annualized return of a fund based on the actual timing of all cumulative fund cash flows before management fees, carried interest income allocated to the general partner and certain other fund expenses. Calculations may include certain investors that do not pay fees. The terminal value is the net asset value as of the reporting date. Non-U.S. dollar denominated (“USD”) fund cash flows and residual values are converted to USD using the spot rate as of the reporting date. In addition, gross IRRs at the fund level will differ from those at the individual investor level as a result of, among other factors, timing of investor-level inflows and outflows. Gross IRR does not represent the return to any fund investor;

“gross IRR” of a real assets fund represents the cumulative investment-related cash flows in the fund itself (and not any one investor in the fund), on the basis of the actual timing of cash inflows and outflows (for unrealized investments assuming disposition on September 30, 2017 or other date specified) starting on the date that each investment closes, and the return is annualized and compounded before management fees, carried interest, and certain other fund expenses (including interest incurred by the fund itself) and measures the returns on the fund’s investments as a whole

without regard to whether all of the returns would, if distributed, be payable to the fund's investors. Non-USD fund cash flows and residual values are converted to USD using the spot rate as of the reporting date. In addition, gross IRRs at the fund level will differ from those at the individual investor level as a result of, among other factors, timing of investor-level inflows and outflows. Gross IRR does not represent the return to any fund investor;

- 5-

Table of Contents

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

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

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

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

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

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

“net IRR” of a credit fund represents the annualized return of a fund after management fees, carried interest income allocated to the general partner and certain other fund expenses, calculated on investors that pay such fees. The terminal value is the net asset value as of the reporting date. Non-USD fund cash flows and residual values are converted to USD using the spot rate as of the reporting date. In addition, net IRR at the fund level will differ from that at the individual investor level as a result of, among other factors, timing of investor-level inflows and outflows. Net IRR does not represent the return to any fund investor;

“net IRR” of a real assets fund represents the cumulative cash flows in the fund (and not any one investor in the fund), on the basis of the actual timing of cash inflows received from and outflows paid to investors of the fund (assuming the ending net asset value as of September 30, 2017 or other date specified is paid to investors), excluding certain non-fee and non-carry bearing parties, and the return is annualized and compounded after management fees, carried interest, and certain other expenses (including interest incurred by the fund itself) and measures the returns to investors of the fund as a whole. Non-USD fund cash flows and residual values are converted to USD using the spot rate as of the reporting date. In addition, net IRR at the fund level will differ from that at the individual investor level as a result of, among other factors, timing of investor-level inflows and outflows. Net IRR does not represent the return to any fund investor;

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

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

“permanent capital vehicles” refers to (a) assets that are owned by or related to Athene (“ATH”) or AGER Bermuda Holding Ltd. (“AGER”), (b) assets that are owned by or related to MidCap FinCo Designated Activity Company (“MidCap”) and managed by Apollo, (c) assets of publicly traded vehicles managed by Apollo such as Apollo

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Investment Corporation (“AINV”), Apollo Commercial Real Estate Finance, Inc. (“ARI”), Apollo Tactical Income Fund Inc. (“AIF”), and Apollo Senior Floating Rate Fund Inc. (“AFT”), in each case that do not have redemption provisions or a requirement to return capital to investors upon exiting the investments made with such capital, except as required by applicable law and (d) a non-traded business development company from which Apollo earns certain investment-related service fees. The investment management agreements of AINV, AIF and AFT have one year terms, are reviewed annually and remain in effect only if approved by the boards of directors of such companies or by the affirmative vote of the holders of a majority of the outstanding voting shares of such companies, including in either case, approval by a majority of the directors who are not “interested persons” as defined in the Investment Company Act of 1940. In

- 6-

Table of Contents

addition, the investment management agreements of AINV, AIF and AFT may be terminated in certain circumstances upon 60 days' written notice. The investment management agreement of ARI has a one year term and is reviewed annually by ARI's board of directors and may be terminated under certain circumstances by an affirmative vote of at least two-thirds of ARI's independent directors. The investment management or advisory arrangements between MidCap and Apollo and Athene and Apollo, may also be terminated under certain circumstances. The agreement pursuant to which Apollo earns certain investment-related service fees from a non-traded business development company may be terminated under certain limited circumstances;

"private equity fund appreciation (depreciation)" refers to gain (loss) and income for the traditional private equity funds (as defined below), Apollo Natural Resources Partners, L.P. ("ANRP I"), Apollo Natural Resources Partners II, L.P. ("ANRP II"), Apollo Special Situations Fund, L.P. and AION Capital Partners Limited ("AION") for the periods presented on a total return basis before giving effect to fees and expenses. The performance percentage is determined by dividing (a) the change in the fair value of investments over the period presented, minus the change in invested capital over the period presented, plus the realized value for the period presented, by (b) the beginning unrealized value for the period presented plus the change in invested capital for the period presented. Returns over multiple periods are calculated by geometrically linking each period's return over time;

"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;

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

"Remaining Cost" represents the initial investment of the fund in a portfolio investment, reduced for any return of capital distributed to date on such portfolio investment;

"Strategic Investor" refers to the California Public Employees' Retirement System, or "CalPERS";

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

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

"traditional private equity funds" refers to Apollo Investment Fund I, L.P. ("Fund I"), AIF II, L.P. ("Fund II"), a mirrored investment account established to mirror Fund I and Fund II for investments in debt securities ("MIA"), Apollo Investment Fund III, L.P. (together with its parallel funds, "Fund III"), Apollo Investment Fund IV, L.P. (together with its parallel fund, "Fund IV"), Apollo Investment Fund V, L.P. (together with its parallel funds and alternative investment vehicles, "Fund V"), Apollo Investment Fund VI, L.P. (together with its parallel funds and alternative investment vehicles, "Fund VI"), Apollo Investment Fund VII, L.P. (together with its parallel funds and alternative investment vehicles, "Fund VII"), Apollo Investment Fund VIII, L.P. (together with its parallel funds and alternative investment vehicles, "Fund VIII") and Apollo Investment Fund IX, L.P. (together with its parallel funds and alternative investment vehicles, "Fund IX");

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

"Vintage Year" refers to the year in which a fund's final capital raise occurred, or, for certain funds, the year in which a fund's investment period commences as per its governing agreements.

Table of Contents

PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

APOLLO GLOBAL MANAGEMENT, LLC

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (UNAUDITED)

AS OF SEPTEMBER 30, 2017 AND DECEMBER 31, 2016

(dollars in thousands, except share data)

	As of September 30, 2017	As of December 31, 2016
Assets:		
Cash and cash equivalents	\$930,848	\$806,329
Cash and cash equivalents held at consolidated funds	10,195	7,335
Restricted cash	4,165	4,680
U.S. Treasury securities, at fair value	198,900	—
Investments	1,708,064	1,494,744
Assets of consolidated variable interest entities:		
Cash and cash equivalents	44,226	41,318
Investments, at fair value	1,170,550	913,827
Other assets	63,723	46,666
Carried interest receivable	1,577,984	1,257,105
Due from related parties	287,352	254,853
Deferred tax assets	591,754	572,263
Other assets	164,588	118,860
Goodwill	88,852	88,852
Intangible assets, net	19,153	22,721
Total Assets	\$6,860,354	\$5,629,553
Liabilities and Shareholders' Equity		
Liabilities:		
Accounts payable and accrued expenses	\$79,062	\$57,465
Accrued compensation and benefits	144,664	52,754
Deferred revenue	155,081	174,893
Due to related parties	643,401	638,126
Profit sharing payable	710,873	550,148
Debt	1,361,044	1,352,447
Liabilities of consolidated variable interest entities:		
Debt, at fair value	972,632	786,545
Other liabilities	85,403	68,034
Other liabilities	116,211	81,613
Total Liabilities	4,268,371	3,762,025
Commitments and Contingencies (see note 14)		
Shareholders' Equity:		
Apollo Global Management, LLC shareholders' equity:		
Preferred shares (11,000,000 and 0 shares issued and outstanding as of September 30, 2017 and December 31, 2016, respectively)	264,398	—
Class A shares, no par value, unlimited shares authorized, 193,540,853 and 185,460,294 shares issued and outstanding at September 30, 2017 and December 31, 2016, respectively	—	—
Class B shares, no par value, unlimited shares authorized, 1 share issued and outstanding at September 30, 2017 and December 31, 2016	—	—
Additional paid in capital	1,627,767	1,830,025

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Accumulated deficit	(560,613)	(986,186)
Accumulated other comprehensive loss	(2,061)	(8,723)
Total Apollo Global Management, LLC shareholders' equity	1,329,491	835,116
Non-Controlling Interests in consolidated entities	149,736	90,063
Non-Controlling Interests in Apollo Operating Group	1,112,756	942,349
Total Shareholders' Equity	2,591,983	1,867,528
Total Liabilities and Shareholders' Equity	\$6,860,354	\$5,629,553
See accompanying notes to condensed consolidated financial statements.		

- 8-

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
 FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016
 (dollars in thousands, except share data)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2017	2016	2017	2016
Revenues:				
Management fees from related parties	\$301,443	\$274,313	\$852,291	\$775,171
Advisory and transaction fees from related parties, net	16,209	29,801	54,905	102,699
Carried interest income from related parties	346,580	199,617	833,459	407,134
Total Revenues	664,232	503,731	1,740,655	1,285,004
Expenses:				
Compensation and benefits:				
Salary, bonus and benefits	108,853	92,591	316,011	290,013
Equity-based compensation	24,485	26,163	70,332	74,203
Profit sharing expense	137,296	90,152	339,679	179,767
Total Compensation and Benefits	270,634	208,906	726,022	543,983
Interest expense	13,303	12,832	39,497	30,505
General, administrative and other	68,149	58,566	189,918	187,285
Placement fees	5,397	1,953	12,560	5,781
Total Expenses	357,483	282,257	967,997	767,554
Other Income:				
Net gains from investment activities	68,932	17,746	102,936	50,287
Net gains from investment activities of consolidated variable interest entities	845	800	11,085	2,817
Income from equity method investments	47,488	23,213	102,877	64,356
Interest income	1,504	1,192	2,929	3,073
Other income (loss), net	25,387	(40)	44,776	485
Total Other Income	144,156	42,911	264,603	121,018
Income before income tax provision	450,905	264,385	1,037,261	638,468
Income tax provision	(16,542)	(29,667)	(54,926)	(62,508)
Net Income	434,363	234,718	982,335	575,960
Net income attributable to Non-Controlling Interests	(231,411)	(140,099)	(542,507)	(340,077)
Net Income Attributable to Apollo Global Management, LLC	202,952	94,619	439,828	235,883
Net income attributable to Preferred Shareholders	(4,383)	—	(9,155)	—
Net Income Attributable to Apollo Global Management, LLC Class A Shareholders	\$198,569	\$94,619	\$430,673	\$235,883
Distributions Declared per Class A Share	\$0.52	\$0.37	\$1.46	\$0.90
Net Income Per Class A Share:				
Net Income Available to Class A Share – Basic	\$1.00	\$0.50	\$2.19	\$1.24
Net Income Available to Class A Share – Diluted	\$1.00	\$0.50	\$2.19	\$1.24
Weighted Average Number of Class A Shares Outstanding – Basic	192,882,082	184,438,515	190,014,240	183,602,982
Weighted Average Number of Class A Shares Outstanding – Diluted	192,882,082	184,438,515	190,014,240	183,602,982

See accompanying notes to condensed consolidated financial statements.

Table of Contents

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

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016

(dollars in thousands, except share data)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2017	2016	2017	2016
Net Income	\$434,363	\$234,718	\$982,335	\$575,960
Other Comprehensive Income, net of tax:				
Currency translation adjustments, net of tax	5,643	1,144	14,583	3,103
Net gain from change in fair value of cash flow hedge instruments, net of tax	27	26	78	79
Net income on available-for-sale securities	290	900	189	450
Total Other Comprehensive Income, net of tax	5,960	2,070	14,850	3,632
Comprehensive Income	440,323	236,788	997,185	579,592
Comprehensive Income attributable to Non-Controlling Interests	(236,410)	(140,644)	(550,695)	(341,539)
Comprehensive Income Attributable to Apollo Global Management, LLC	\$203,913	\$96,144	\$446,490	\$238,053

See accompanying notes to condensed consolidated financial statements.

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES
IN SHAREHOLDERS' EQUITY (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016
(dollars in thousands, except share data)

Apollo Global Management, LLC Shareholders

	Class A Shares	Class B Shares	Preferred Shares	Additional Paid in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Apollo Global Management, LLC Shareholders' Equity	Non-Controlling Interests in Consolidated Entities	Non-Controlling Interests in Apollo Operating Group	Total Share Equity
Balance at January 1, 2016	181,078,937	1	\$—	\$2,005,509	\$(1,348,384)	\$(7,620)	\$649,505	\$86,561	\$652,915	\$1,388,951
Dilution impact of issuance of Class A shares	—	—	—	340	—	—	340	—	—	340
Capital increase related to equity-based compensation	—	—	—	53,910	—	—	53,910	—	—	53,910
Capital contributions	—	—	—	—	—	—	—	12,933	—	12,933
Distributions	—	—	—	(172,095)	—	—	(172,095)	(10,555)	(194,371)	(376,921)
Payments related to issuances of Class A shares for equity-based awards	4,245,086	—	—	41	(35,297)	—	(35,256)	—	—	(35,256)
Repurchase of Class A Shares	(954,447)	—	—	(12,902)	—	—	(12,902)	—	—	(12,902)
Exchange of AOG Units for Class A shares	374,223	—	—	1,539	—	—	1,539	—	(1,251)	288
Net income	—	—	—	—	235,883	—	235,883	3,891	336,186	575,960
Currency translation adjustments, net of tax	—	—	—	—	—	1,683	1,683	1,670	(250)	3,106
Net gain from change in fair value of cash flow hedge instruments	—	—	—	—	—	37	37	—	42	79
Net loss on available-for-sale securities	—	—	—	—	—	450	450	—	—	450
	184,743,799	1	\$—	\$1,876,342	\$(1,147,798)	\$(5,450)	\$723,094	\$94,500	\$793,271	\$1,616,865

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Balance at September 30, 2016										
Balance at January 1, 2017	185,460,294	1	\$—	\$1,830,025	\$(986,186)) \$(8,723)	\$835,116	\$90,063	\$942,349	\$1
Adoption of new accounting guidance	—	—	—	22,901	—	22,901	—	—	—	22,901
Dilution impact of issuance of Class A shares	—	—	(295)	) —	—	(295)	) —	—	—	(295)
Equity issued in connection with Preferred shares offering	—	—	264,398	—	—	—	264,398	—	—	264,398
Capital increase related to equity-based compensation	—	—	52,442	—	—	52,442	—	—	—	52,442
Capital contributions	—	—	—	—	—	—	43,758	—	—	43,758
Distributions	—	—	(9,155)	) (288,726)	) —	—	(297,881)	) (4,570)	) (329,172)	) (63,448)
Payments related to issuances of Class A shares for equity-based awards	2,096,389	—	—	(28,001)	) —	(28,001)	) —	—	—	(28,001)
Repurchase of Class A shares	(233,248)	) —	(6,903)	) —	—	(6,903)	) —	—	—	(6,903)
Exchange of AOG Units for Class A shares	6,217,418	—	41,224	—	—	41,224	—	(30,631)	) 10,593	10,593
Net income	—	—	9,155	—	430,673	—	439,828	8,967	533,540	982,950
Currency translation adjustments, net of tax	—	—	—	—	6,436	6,436	11,518	(3,371)	) 14,883	14,883
Net gain from change in fair value of cash flow hedge instruments	—	—	—	—	37	37	—	41	—	78
Net income on available-for-sale securities	—	—	—	—	189	189	—	—	—	189
Balance at September 30, 2017	193,540,853	1	\$264,398	\$1,627,767	\$(560,613)	) \$(2,061)	\$1,329,491	\$149,736	\$1,112,756	\$2

See accompanying notes to condensed consolidated financial statements.

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016
(dollars in thousands, except share data)

	For the Nine Months Ended September 30,	
	2017	2016
Cash Flows from Operating Activities:		
Net income	\$982,335	\$575,960
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity-based compensation	70,332	74,203
Depreciation and amortization	15,241	14,139
Unrealized gains from investment activities	(107,803)	(50,084)
Income from equity method investments	(102,877)	(64,356)
Change in fair value of contingent obligations	4,619	11,736
Deferred taxes, net	49,817	52,184
Other non-cash amounts included in net income, net	1,310	(10,766)
Cash flows due to changes in operating assets and liabilities:		
Carried interest receivable	(325,786)	(348,815)
Due from related parties	(47,536)	(49,863)
Accounts payable and accrued expenses	21,597	24,306
Accrued compensation and benefits	91,910	65,602
Deferred revenue	(17,285)	29,168
Due to related parties	(12,776)	68,726
Profit sharing payable	179,703	168,741
Other assets and other liabilities, net	(14,409)	(8,082)
Cash distributions of earnings from equity method investments	41,335	17,079
Satisfaction of contingent obligation	(23,597)	(10,096)
Apollo Fund and VIE related:		
Net realized and unrealized (gains) losses from investing activities and debt	(10,111)	621
Change in cash held at consolidated variable interest entities	2,157	4,139
Purchases of investments	(517,652)	(396,810)
Proceeds from sale of investments	385,035	422,922
Changes in other assets and other liabilities, net	1,925	(17,483)
Net Cash Provided by Operating Activities	\$667,484	\$573,171
Cash Flows from Investing Activities:		
Purchases of fixed assets	\$(5,929)	\$(4,921)
Purchase of investments	(14,774)	(44,530)
Purchase of U.S. Treasury securities	(198,868)	—
Cash contributions to equity method investments	(116,233)	(188,572)
Cash distributions from equity method investments	80,360	68,685
Issuance of related party loans	(5,834)	(3,906)
Repayment of related party loans	17,700	—
Other investing activities	(626)	919
Net Cash Used in Investing Activities	\$(244,204)	\$(172,325)
Cash Flows from Financing Activities:		
Issuance of Preferred shares (net of issuance costs)	\$264,398	\$—
Distributions to Preferred Shareholders	(9,155)	—

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Principal repayments of debt	(30) (200,000)
Issuance of debt	—	532,706
Satisfaction of tax receivable agreement	(17,895) —
Purchase of Class A shares	(18,463	) (13,003)
Payments related to issuances of Class A shares for RSUs	(28,001	) (35,297)
Distributions paid	(288,726	) (172,095)
Distributions paid to Non-Controlling Interests in Apollo Operating Group	(329,172	) (194,371)
Other financing activities	(2,949	) (11,926)
Apollo Fund and VIE related:		
Issuance of debt	534,595	—
Principal repayment of debt	(442,640) —
Distributions paid to Non-Controlling Interests in consolidated entities	(347	) (4,133)
Contributions from Non-Controlling Interests in consolidated entities	42,484	12,897
Net Cash Used in Financing Activities	\$(295,901)	\$(85,222)
Net Increase in Cash and Cash Equivalents	127,379	315,624
Cash and Cash Equivalents, Beginning of Period	813,664	617,322
Cash and Cash Equivalents, End of Period	\$941,043	\$932,946
Supplemental Disclosure of Cash Flow Information:		
Interest paid	\$32,207	\$20,045
Interest paid by consolidated variable interest entities	9,026	13,911
Income taxes paid	8,070	5,806
Supplemental Disclosure of Non-Cash Investing Activities:		
Non-cash contributions to equity method investments	\$—	\$1,231
Non-cash distributions from equity method investments	(26,167	) (4,496)
Non-cash purchases of other investments, at fair value	25,091	—
Supplemental Disclosure of Non-Cash Financing Activities:		
Capital increases related to equity-based compensation	\$52,442	\$53,910
Other non-cash financing activities	(296	) 364
Adjustments related to exchange of Apollo Operating Group units:		
Deferred tax assets	\$46,539	\$1,807
Due to affiliates	(35,946	) (1,519)
Additional paid in capital	(10,593	) (288)
Non-Controlling Interest in Apollo Operating Group	30,631	1,251

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, except where noted)

1. ORGANIZATION

Apollo Global Management, LLC (“AGM”, 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 assets funds as well as strategic investment accounts, on behalf of pension, endowment and sovereign wealth funds, as well as other institutional and individual investors. For these investment management services, Apollo receives management fees generally related to the amount of assets managed, transaction and advisory fees and carried interest income related to the performance of the respective funds that it manages. Apollo has three primary business segments:

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

• Credit—primarily invests in non-control corporate and structured debt instruments including performing, stressed and distressed investments across the capital structure; and

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

Organization of the Company

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

As of September 30, 2017, the Company owned, through six intermediate holding companies that include APO Corp., a Delaware corporation that is a domestic corporation for U.S. federal income tax purposes, APO Asset Co., LLC, a Delaware limited liability company that is a disregarded entity for U.S. federal income tax purposes, APO (FC), LLC, an Anguilla limited liability company that is treated as a corporation for U.S. federal income tax purposes, APO (FC II), LLC, an Anguilla limited liability company that is treated as a corporation for U.S. federal income tax purposes, APO UK (FC), Limited, a United Kingdom incorporated company that is treated as a corporation for U.S. federal income tax purposes, and APO (FC III), LLC, a Cayman Islands limited liability company (collectively, the “Intermediate Holding Companies”), 48.1% of the economic interests of, and operated and controlled all of the businesses and affairs of, the Apollo Operating Group through its wholly-owned subsidiaries.

AP Professional Holdings, L.P., a Cayman Islands exempted limited partnership (“Holdings”), is the entity through which the Managing Partners and certain of the Company’s other partners (the “Contributing Partners”) indirectly beneficially own interests in each of the partnerships that comprise the Apollo Operating Group (“AOG Units”). As of September 30, 2017, Holdings owned the remaining 51.9% of the economic interests in the Apollo Operating Group. The Company consolidates the financial results of the Apollo Operating Group and its consolidated subsidiaries. Holdings’ ownership interest in the Apollo Operating Group is reflected as a Non-Controlling Interest in the accompanying condensed consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements are prepared in accordance with U.S. GAAP for interim financial information and instructions to the Quarterly Report on Form 10-Q. The condensed consolidated financial statements and these notes are unaudited and exclude some of the disclosures required in annual financial statements. Management believes it has made all necessary adjustments (consisting only of normal recurring items) so that the condensed consolidated financial statements are presented fairly and that estimates made in preparing its condensed consolidated financial statements are reasonable and prudent. The operating results presented

for interim periods are not necessarily indicative of the results that may be expected for any other interim period or for the entire year. These condensed consolidated financial statements should be read in conjunction with the annual financial statements included in the 2016 Annual Report.

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

- 13-

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

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

Company is considered the primary beneficiary, and certain entities which are not considered VIEs but which the Company controls through a majority voting interest.

Intercompany accounts and transactions, if any, have been eliminated upon consolidation.

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.

Consolidation

The types of entities with which Apollo is involved generally include subsidiaries (e.g., general partners and management companies related to the funds the Company manages), entities that have all the attributes of an investment company (e.g., funds) and securitization vehicles (e.g., CLOs). Each of these entities is assessed for consolidation on a case by case basis depending on the specific facts and circumstances surrounding that entity. Pursuant to the consolidation guidance, the Company first evaluates whether it holds a variable interest in an entity. Fees that are customary and commensurate with the level of services provided, and where the Company does not hold other economic interests in the entity that would absorb more than an insignificant amount of the expected losses or returns of the entity, would not be considered a variable interest. Apollo factors in all economic interests including proportionate interests through related parties, to determine if such interests are considered a variable interest. As Apollo's interests in many of these entities are solely through market rate fees and/or insignificant indirect interests through related parties, Apollo is not considered to have a variable interest in many of these entities and no further consolidation analysis is performed. For entities where the Company has determined that it does hold a variable interest, the Company performs an assessment to determine whether each of those entities qualify as a VIE.

The determination as to whether an entity qualifies as a VIE depends on the facts and circumstances surrounding each entity and therefore certain of Apollo's funds may qualify as VIEs under the variable interest model whereas others may qualify as voting interest entities ("VOEs") under the voting interest model. The granting of substantive kick-out rights is a key consideration in determining whether a limited partnership or similar entity is a VIE and whether or not that entity should be consolidated.

Under the variable interest model, Apollo consolidates those entities where it is determined that the Company is the primary beneficiary of the entity. The Company is determined to be the primary beneficiary when it has a controlling financial interest in the VIE, which is defined as possessing both (i) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and (ii) the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. Apollo determines whether it is the primary beneficiary of a VIE at the time it becomes initially involved with the VIE and reconsiders that conclusion continuously. Investments and redemptions (either by Apollo, related parties of Apollo or third parties) or amendments to the governing documents of the respective entity may affect an entity's status as a VIE or the determination of the primary beneficiary.

Assets and liabilities of the consolidated VIEs are primarily shown in separate sections within the condensed consolidated statements of financial condition. Changes in the fair value of the consolidated VIEs' assets and liabilities and related interest, dividend and other income and expenses are presented within net gains from investment activities of consolidated variable interest entities in the condensed consolidated statements of operations. The portion attributable to Non-Controlling Interests is reported within net income attributable to Non-Controlling Interests in the condensed consolidated statements of operations. For additional disclosures regarding VIEs, see note 4.

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

Fair Value of Financial Instruments

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

Except for the Company's debt obligations (as described in note 9), Apollo's financial instruments are recorded at fair value or at amounts whose carrying values approximate fair value. See "Investments, at Fair Value" below. 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

- 14-

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

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

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

Fair Value Hierarchy

U.S. GAAP establishes a hierarchical disclosure framework which prioritizes and ranks the level of market price observability used in measuring financial instruments at fair value. Market price observability is affected by a number of factors, including the type of financial instrument, the characteristics specific to the financial instrument and the state of the marketplace, including the existence and transparency of transactions between market participants. Financial instruments with readily available quoted prices in active markets generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Financial instruments measured and reported at fair value are classified and disclosed based on the observability of inputs used in the determination of fair values, as follows:

Level I - Quoted prices are available in active markets for identical financial instruments as of the reporting date. The types of financial instruments included in Level I include listed equities and debt. The Company does not adjust the quoted price for these financial instruments, 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. Financial instruments 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 financial instruments exhibit higher levels of liquid market observability as compared to Level III financial instruments.

Level III - Pricing inputs are unobservable for the financial instrument and includes situations where there is little observable market activity for the financial instrument. The inputs into the determination of fair value may require significant management judgment or estimation. Financial instruments that are included in this category generally include general and limited partner interests in corporate private equity and real assets 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 financial instrument would qualify for classification as Level II or Level III. These criteria include, but are not limited to, the number and quality of the broker quotes, the standard deviations of the observed broker quotes, and the percentage deviation from independent pricing services.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, a financial instrument'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 financial instrument when the fair value is based on unobservable inputs.

Transfers between levels of the fair value hierarchy are recognized as of the end of the reporting period.

Private Equity Investments

The value of liquid investments in Apollo's private equity funds, 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 in Apollo's private equity funds 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

- 15-

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

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

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

Credit Investments

The majority of investments in Apollo's credit funds are valued based on quoted market prices and valuation models. Quoted market prices are valued based on the average of the "bid" and the "ask" quotes provided by multiple brokers wherever possible without any adjustments. Apollo will designate certain brokers to use to value specific securities. In order to determine the designated brokers, Apollo considers the following: (i) brokers with which Apollo has previously transacted, (ii) the underwriter of the security and (iii) active brokers indicating executable quotes. In addition, when valuing a security based on broker quotes wherever possible Apollo tests the standard deviation amongst the quotes received and the variance between the concluded fair value and the value provided by a pricing service. When broker quotes are not available Apollo considers the use of pricing service quotes or other sources to mark a position. When relying on a pricing service as a primary source, Apollo (i) analyzes how the price has moved over the measurement period, (ii) reviews the number of brokers included in the pricing service's population and (iii) validates the valuation levels with Apollo's pricing team and traders.

Debt and equity securities that are not publicly traded or whose market prices are not readily available are valued at fair value utilizing a model based approach to determine fair value. Valuation approaches used to estimate the fair value of illiquid credit investments also may include the market approach and the income approach, as previously described above. The valuation approaches used consider, as applicable, market risks, credit risks, counterparty risks and foreign currency risks.

Real Assets Investments

The estimated fair value of commercial mortgage-backed securities ("CMBS") in Apollo's real assets funds is determined by reference to market prices provided by certain dealers who make a market in these financial instruments. Broker quotes are only indicative of fair value and may not necessarily represent what the funds would receive in an actual trade for the applicable instrument. Additionally, the loans held-for-investment are stated at the principal amount outstanding, net of deferred loan fees and costs for certain investments. The loans in Apollo's real assets funds are evaluated for possible impairment on a quarterly basis. For Apollo's real assets 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.

Certain of the private equity, credit, and real assets funds may 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 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.

Valuation Process

On a quarterly basis, Apollo utilizes valuation committees consisting of members from senior management, to review and approve the valuation results related to the investments of the funds it manages. For certain publicly traded vehicles managed by the Company, a review is performed by an independent board of directors. The Company also retains independent valuation firms to provide third-party valuation consulting services to Apollo, which consist of certain limited procedures that management

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

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

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.

Financial Instruments held by Consolidated VIEs

The Company measures both the financial assets and financial liabilities of the consolidated CLOs in its condensed consolidated financial statements using the fair value of the financial assets of the consolidated CLOs, which are more observable than the fair value of the financial liabilities of the consolidated CLOs. As a result, the financial assets of the consolidated CLOs are measured at fair value and the financial liabilities are measured in consolidation as: (i) the sum of the fair value of the financial assets and the carrying value of any non-financial assets that are incidental to the operations of the CLOs less (ii) the sum of the fair value of any beneficial interests retained by the Company (other than those that represent compensation for services) and the Company's carrying value of any beneficial interests that represent compensation for services. The resulting amount is allocated to the individual financial liabilities (other than the beneficial interest retained by the Company) using a reasonable and consistent methodology. Under the measurement alternative, net income (loss) attributable to Apollo Global Management, LLC reflects the Company's own economic interests in the consolidated CLOs including (i) changes in the fair value of the beneficial interests retained by the Company and (ii) beneficial interests that represent compensation for collateral management services. The consolidated VIEs hold investments that could be traded over-the-counter. Investments in securities that are traded on a securities exchange or comparable over-the-counter quotation systems are valued based on the last reported sale price at that date. If no sales of such investments are reported on such date, and in the case of over-the-counter securities or other investments for which the last sale date is not available, valuations are based on independent market quotations obtained from market participants, recognized pricing services or other sources deemed relevant, and the prices are based on the average of the "bid" and "ask" prices, or at ascertainable prices at the close of business on such day. Market quotations are generally based on valuation pricing models or market transactions of similar securities adjusted for security-specific factors such as relative capital structure priority and interest and yield risks, among other factors. When market quotations are not available, a model based approach is used to determine fair value.

As previously noted, the Company measures the debt obligations of the consolidated CLOs on the basis of the fair value of the financial assets of the consolidated CLOs.

Fair Value Option

Apollo has elected the fair value option for the Company's investment in Athene Holding, the assets and liabilities of certain of its consolidated VIEs (including CLOs), the Company's U.S. Treasury securities with original maturities greater than three months when purchased, and certain of the Company's other investments. Such election is irrevocable and is applied to financial instruments on an individual basis at initial recognition. Apollo has applied the fair value option for certain corporate loans, other investments and debt obligations held by the consolidated VIEs that otherwise would not have been carried at fair value. See notes 3, 4, and 5 for further disclosure on the investments in Athene Holding and financial instruments of the consolidated VIEs and other investments for which the fair value option has been elected.

Cash and Cash Equivalents

Apollo considers all highly liquid short-term investments with original maturities of three months or less when purchased to be cash equivalents. Cash and cash equivalents include money market funds and U.S. treasury securities with original maturities of three months or less when purchased. Interest income from cash and cash equivalents is recorded in interest income in the condensed consolidated statements of operations. The carrying values of the money

market funds and U.S. treasury securities of \$428.1 million as of September 30, 2017, which approximate their fair values due to their short-term nature and are categorized as Level I within the fair value hierarchy. Substantially all of the Company's cash on deposit is in interest bearing accounts with major financial institutions and exceed insured limits.

U.S. Treasury securities, at fair value

U.S. Treasury securities, at fair value includes U.S. Treasury bills with original maturities greater than three months when purchased. These securities are recorded at fair value. Interest income on such securities is separately presented from the overall change in fair value and is recognized in interest income in the condensed consolidated statements of operations. Any

- 17-

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

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

remaining change in fair value of such securities, that is not recognized as interest income, is recognized in net gains from investment activities in the condensed consolidated statements of operations.

Investments, 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 has been elected.

The unrealized gains and losses resulting from changes in the fair value of the consolidated VIEs are reflected as net gains from investment activities of consolidated variable interest entities in the condensed consolidated statements of operations.

Net gains from investment activities in the condensed consolidated statements of operations include both realized gains and losses and the change in unrealized gains and losses in the Company's investments, at fair value between the opening reporting date and the closing reporting date.

Equity Method Investments

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

Revenues

Revenues are reported in three separate categories that include (i) advisory and transaction fees from related parties, net, which relate to the investments of the funds the Company manages 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 it manages; (ii) management fees from related parties, 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 from related parties, which is normally based on the performance of the funds the Company manages that are subject to preferred return.

Management Fees from Related Parties—Management fees for private equity, credit, and real assets 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. Included in management fees are certain expense reimbursements where the Company is considered the principal under the agreements and is required to record the expense and related reimbursement revenue on a gross basis.

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

agent for the funds it manages, any transaction costs incurred and paid by the Company on behalf of the respective funds relating to successful or broken deals are recorded net on the Company's condensed consolidated statements of operations, and any receivable from the respective funds is recorded in due from related parties on the condensed consolidated statements of financial condition.

Advisory and transaction fees from related parties, net, also includes underwriting fees. Underwriting fees include gains, losses and fees, net of syndicate expenses, arising from securities offerings in which one of the Company's subsidiaries participates in the underwriter syndicate. Underwriting fees are recognized at the time the underwriting is completed and the

- 18-

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

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

income is reasonably assured and are included in the condensed consolidated statements of operations. Underwriting fees recognized but not received are recorded 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 recorded in due from related parties, which is discussed further in note 13. Under the terms of the limited partnership agreements for certain funds, the management fee payable by the funds may be subject to a reduction based on a certain percentage of such advisory and transaction fees, net of applicable broken deal costs ("Management Fee Offset"). Advisory and transaction fees from related parties are presented net of the Management Fee Offset in the condensed consolidated statements of operations.

Carried Interest Income from Related Parties—Apollo is entitled to an incentive return that can normally amount to as much as 20% of the total returns on a fund's capital, depending upon performance. Performance fees are assessed as a percentage of the investment performance of the funds. The carried interest income from related parties 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 related parties may be subject to reversal to the extent that the carried interest income recorded exceeds the amount due to the general partner based on a fund's cumulative investment returns. When applicable, the accrual for potential repayment of previously received carried interest income, which is a component of due to related parties, 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.

Carried interest income from related parties also includes a quarterly performance fee on the pre-incentive fee net investment income ("AINV Part I Fees") of AINV. For purposes of the AINV Part I Fees, the net investment income of AINV includes interest income, dividend income and certain other income but excludes any realized and unrealized capital gains or losses. Such AINV Part I Fees are paid quarterly and are not subject to repayment.

Deferred Revenue—Apollo earns management fees subject to the Management Fee Offset (described above). When advisory and transaction fees are earned by the management company, the Management Fee Offset reduces the management fee obligation of the fund. When the Company receives cash for advisory and transaction fees, a certain percentage of such advisory and/or transaction fees, as applicable, is allocated as a credit to reduce future management fees, otherwise payable by such fund. Such credit is recorded as deferred revenue in the condensed consolidated statements of financial condition. A portion of any excess advisory and transaction fees may be required to be returned to the limited partners of certain funds upon such fund's liquidation. As the management fees earned by the Company are presented on a gross basis, any Management Fee Offsets calculated are presented as a reduction to advisory and transaction fees from related parties in the condensed consolidated statements of operations.

Additionally, Apollo earns advisory fees pursuant to the terms of the advisory agreements with certain of the portfolio companies that are owned by the funds Apollo manages. When Apollo receives a payment from a portfolio company that exceeds the advisory fees earned at that point in time, the excess payment is recorded as deferred revenue in the condensed consolidated statements of financial condition. The advisory agreements with the portfolio companies vary in duration and the associated fees are received monthly, quarterly or annually. Deferred revenue is reversed and recognized as revenue over the period that the agreed upon services are performed.

Under the terms of the funds' partnership agreements, Apollo is normally required to bear organizational expenses over a set dollar amount and placement fees or costs in connection with the offering and sale of interests in the funds it manages to investors. The placement fees are payable to placement agents, who are independent third parties that

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

- 19-

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

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

Compensation and Benefits

401(k) Savings Plan

The Company sponsors a 401(k) savings plan (the “401(k) Plan”) whereby U.S.-based employees are entitled to participate in the 401(k) Plan based upon satisfying certain eligibility requirements. Effective January 1, 2017, the Company matches 50% of eligible annual employee contributions up to 3% of the eligible employees’ annual compensation. Matching contributions vest after three years of service.

Profit Sharing

Profit sharing expense and profit sharing payable primarily consist of a portion of carried interest earned from certain funds that is allocated to employees, former employees and Contributing Partners. Profit sharing amounts are recognized on an accrued basis as the related carried interest income is earned. Accordingly, profit sharing amounts can be reversed during periods when there is a decline in carried interest income that was previously recognized. Profit sharing amounts are generally not paid until the related carried interest is distributed to the general partner upon realization of the fund’s investments. Under certain profit sharing arrangements, a portion of the carried interest distributed to the general partner is allocated by issuance of restricted shares, rather than cash to employees. Prior to distribution of the carried interest to the general partner, the Company records the value of the restricted shares expected to be granted in other assets and other liabilities within the condensed consolidated statements of financial condition. Upon distribution of the carried interest to the general partner, the general partner expects to purchase the Class A restricted shares on behalf of employees and simultaneously grant those shares to the employee. Such shares are recorded as equity-based compensation expense over the relevant service period.

Additionally, profit sharing amounts previously distributed may be subject to clawback from employees, former employees and Contributing Partners. When applicable, the accrual for potential clawback of previously distributed profit sharing amounts, which is a component of due from related parties on the condensed consolidated statements of financial condition, represents all amounts previously distributed to employees, former employees and Contributing Partners that would need to be returned to the general partner if the Apollo funds were to be liquidated based on the fair value of the underlying funds’ investments as of the reporting date. The actual general partner receivable, however, would not become realized until the end of a fund’s life.

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

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

General, Administrative and Other

General, administrative and other primarily includes professional fees, occupancy, depreciation and amortization, travel, information technology, and administration expenses. For the three and nine months ended September 30, 2016, the presentation of professional fees, occupancy, and depreciation and amortization was combined with general, administrative and other on the condensed consolidated statements of operations to conform to the current presentation.

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 related parties, contingent consideration obligation related to an acquisition, non-cash compensation, and fair value of investments and debt. Actual results could differ materially from those estimates.

- 20-

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

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

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued guidance to establish a comprehensive and converged standard on revenue recognition to enable financial statement users to better understand and consistently analyze an entity’s revenue across industries, transactions, and geographies. The new guidance requires that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services (i.e., the transaction price). When determining the transaction price under the new guidance, an entity may include variable consideration only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized would not occur when the uncertainty associated with the variable consideration is resolved. The new guidance also requires improved disclosures to help users of financial statements better understand the nature, amount, timing, and uncertainty of revenue that is recognized. The new guidance will apply to all entities. In August 2015, the FASB issued its final standard formally amending the effective date of the new revenue recognition guidance. The amended guidance defers the effective date of the new guidance to interim reporting periods within annual reporting periods beginning after December 15, 2017.

Upon adoption, the guidance currently applied by the Company in which it recognizes carried interest income on an assumed liquidation basis at each reporting date will no longer be permitted. The Company expects the recognition of carried interest income from incentive fees, which are a form of variable consideration, to be deferred until such fees are probable to not be significantly reversed. Incentive fees are carried interest income that is not a capital allocation to the general partner or investment manager.

Carried interest income that is a capital allocation to the general partner or investment manager, represents the remaining portion of carried interest income on the Company’s consolidated statements of operations. The determination of which carried interests are considered capital allocations is primarily based on the terms of the agreement. In connection with the adoption of the new revenue guidance, the Company will apply a new accounting policy for its carried interest income that is a capital allocation. The Company intends to account for such carried interest income as a financial instrument under the equity method of accounting. The pattern and amount of recognition under the new policy is not expected to differ materially from the Company’s existing recognition for such fees. Such carried interest income will be reported as a separate line item within revenue (i.e., separate from incentive fees). As capital allocation related carried interest income and the related general partner investment are considered to be a single unit of account under the Company’s new accounting policy, the equity method income associated with the general partner interests will be combined with the associated carried interest income and reported within revenue. The Company is currently in the process of implementing the new revenue guidance and is continuing to evaluate the effect this guidance will have on other revenue streams, including management fees and advisory and transaction fees, as well as any principal versus agent considerations for reporting revenue gross versus net. The Company will adopt the new revenue recognition guidance effective January 1, 2018.

In February 2016, the FASB issued guidance that amends the accounting for leases. The amended guidance requires recognition of a lease asset and a lease liability by lessees for leases classified as operating leases. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not significantly changed from existing guidance and accounting applied by a lessor is largely unchanged from existing guidance. The amended guidance is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2018. Early application is permitted for all entities.

The Company expects its total assets and total liabilities on its condensed consolidated statements of financial condition to increase upon adoption of this guidance as a result of recording a lease asset and lease liability related to our operating leases. The Company is continuing to evaluate the impact that this guidance will have on its condensed consolidated financial statements. The Company expects to adopt the new leasing guidance on January 1, 2019.

In March 2016, the FASB issued amended guidance on stock compensation. The amendments are intended to simplify several aspects of the accounting for share-based payment transactions, including the accounting for excess tax benefits, forfeitures, and cash flows. The amended guidance requires that all excess tax benefits and deficiencies related to share-based payment transactions be recognized through the income tax provision (benefit) in the condensed consolidated statement of operations. Further, the amended guidance permits an entity to make an accounting policy election either to estimate the number of forfeitures expected to occur or to account for forfeitures when they occur. The amended guidance also requires excess tax benefits related to share-based payment transactions to be presented as operating activities and employee taxes paid to be presented as financing activities in the condensed consolidated statement of cash flows. The amended guidance is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2016. The Company adopted the guidance during the first quarter of 2017.

- 21-

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
 NOTES TO CONDENSED CONSOLIDATED
 FINANCIAL STATEMENTS

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

Amendments relating to the recognition of excess tax benefits in the condensed consolidated statements of operations and impacts to the condensed consolidated statements of cash flows have been applied prospectively, with the exception of a \$22.9 million cumulative effect adjustment, as of January 1, 2017, to deferred tax assets with a corresponding decrease to accumulated deficit relating to previously unrecognized excess tax benefits.

For forfeitures, the Company made an accounting policy election to no longer estimate forfeitures in determining the number of equity-based awards that are expected to vest. Under the Company's new policy, forfeitures are accounted for when they occur. Any adjustments have been reflected prospectively as of January 1, 2017.

In August 2016, the FASB issued guidance intended to reduce diversity in practice in how certain cash receipts and payments are classified in the statements of cash flows. The guidance is effective for interim and annual periods beginning after December 15, 2017. The Company early adopted the guidance during the first quarter of 2017.

Adoption of this guidance did not have an impact on the Company's condensed consolidated financial statements.

In October 2016, the FASB issued guidance that amends the consolidation guidance issued in February 2015. Under the amended guidance a decision maker will need to consider only its proportionate indirect interest in a VIE that is held through a related party under common control. Under the originally issued guidance, a decision maker treats the interest of the related party under common control in the VIE as if the decision maker held the interest itself. The amended guidance is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2016. The Company adopted the guidance during the first quarter of 2017. Adoption of this guidance did not have an impact on the Company's condensed consolidated financial statements.

In November 2016, the FASB issued guidance to reduce diversity in practice in the classification and presentation of changes in restricted cash on the statements of cash flows. The new guidance requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash. Entities will also be required to reconcile such total to amounts on the Company's condensed consolidated statements of financial condition and disclose the nature of the restrictions. The guidance is effective for interim and annual periods beginning after December 15, 2017. Early adoption is permitted. The Company is in the process of evaluating the impact that this guidance will have on its condensed consolidated financial statements.

3. INVESTMENTS

The following table represents Apollo's investments:

	As of September 30, 2017	As of December 31, 2016
Investments, at fair value	\$852,350	\$708,080
Equity method investments	855,714	786,664
Total Investments	\$1,708,064	\$1,494,744

Investments, at Fair Value

Investments, at fair value, consist of investments for which the fair value option has been elected and include the Company's investment in Athene Holding, investments held by the Company's consolidated funds, investments in debt of unconsolidated CLOs, and other investments held by the Company. See note 5 for further discussion regarding investments, at fair value.

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Net Gains from Investment Activities

The following table presents the realized and net change in unrealized gains on investments, at fair value for the three and nine months ended September 30, 2017 and 2016:

	For the Three Months Ended September 30, 2017		For the Nine Months Ended September 30, 2016	
Realized gains on sales of investments	\$162	\$472	\$14	\$375
Net change in unrealized gains due to changes in fair value ⁽¹⁾	68,770	17,274	102,922	49,912
Net gains from investment activities	\$68,932	\$17,746	\$102,936	\$50,287

Primarily relates to the Company's investment in Athene Holding. See note 5 for further information regarding the Company's investment in Athene Holding.

Equity Method Investments

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

Equity method investments as of September 30, 2017 and December 31, 2016 consisted of the following:

	Equity Held as of	
	September ⁽⁵⁾ 30, 2017	December ⁽⁵⁾ 31, 2016
Private Equity ⁽¹⁾⁽²⁾	\$495,409	\$428,581
Credit ⁽¹⁾⁽³⁾	330,918	327,012
Real Assets	29,387	31,071
Total equity method investments ⁽⁴⁾	\$855,714	\$786,664

As of September 30, 2017, equity method investments include Fund VIII (Private Equity) and MidCap (Credit) of \$340.3 million and \$79.9 million, respectively, representing an ownership percentage of 2.2% and 4.3%, respectively. As of December 31, 2016, equity method investments include Fund VIII (Private Equity) and MidCap (Credit) of \$260.9 million and \$79.5 million, respectively, representing an ownership percentage of 2.2% and 4.3%, respectively.

The equity method investment in AP Alternative Assets, L.P. ("AAA") was \$51.8 million and \$66.8 million as of September 30, 2017 and December 31, 2016, respectively. The value of the Company's investment in AAA was \$51.9 million and \$64.9 million based on the quoted market price as of September 30, 2017 and December 31, 2016, respectively.

The equity method investment in AINV was \$56.6 million and \$58.6 million as of September 30, 2017 and December 31, 2016, respectively. The value of the Company's investment in AINV was \$54.3 million and \$52.1 million based on the quoted market price as of September 30, 2017 and December 31, 2016, respectively.

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

Some amounts are included a quarter in arrears.

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
 NOTES TO CONDENSED CONSOLIDATED
 FINANCIAL STATEMENTS

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

As of September 30, 2017 and for the three and nine months ended September 30, 2017, no equity method investment held by Apollo met the significance criteria as defined by the SEC. Although the following disclosure is not required by the significance criteria for the three and nine months ended September 30, 2017, the Company chose to continue to include this information as it was disclosed in its 2016 Annual Report. The following table presents summarized financial information of Athene Holding for the three and nine months ended September 30, 2017 and 2016:

	For the Three Months Ended September 30, 2017 ⁽¹⁾ 2016		For the Nine Months Ended September 30, 2017 ⁽¹⁾ 2016	
	(in millions)			
Statements of Operations				
Revenues	\$1,763	\$1,272	\$4,448	\$3,039
Expenses	1,426	1,234	3,320	2,708
Income before income tax provision (benefit)	337	38	1,128	331
Income tax provision (benefit)	11	(88)	54	(73)
Net income available to Athene Holding common shareholders	\$326	\$126	\$1,074	\$404

The financial statement information for the three and nine months ended September 30, 2017 is presented a quarter (1) in arrears and is comprised of the financial information for the three and nine months ended June 30, 2017, which represents the latest available financial information as of the date of this report.

4. VARIABLE INTEREST ENTITIES

As described in note 2, the Company consolidates entities that are VIEs for which the Company has been designated as the primary beneficiary. There is no recourse to the Company for the consolidated VIEs' liabilities.

Consolidated Variable Interest Entities

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

As a result, Apollo determined that it is the primary beneficiary and therefore should consolidate the VIEs.

Consolidated CLOs

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

The assets of these consolidated CLOs are not available to creditors of the Company. In addition, the investors in these consolidated CLOs have no recourse against the assets of the Company. The Company measures both the financial assets and the financial liabilities of the CLOs using the fair value of the financial assets as further described in note 2. The Company has elected the fair value option for financial instruments held by its consolidated CLOs, which includes investments in loans and corporate bonds, as well as debt obligations and contingent obligations held by such consolidated CLOs. Other assets include amounts due from brokers and interest receivables. Other liabilities include payables for securities purchased, which represent open trades within the consolidated VIEs and primarily relate to corporate loans that are expected to settle within the next 60 days. From time to time, Apollo makes investments in certain consolidated CLOs denominated in foreign currencies. As of September 30, 2017 and December 31, 2016, the Company held investments of \$46.6 million and \$41.3 million, respectively, in consolidated

foreign currency denominated CLOs, which eliminate in consolidation.

- 24-

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Net Gains from Investment Activities of Consolidated Variable Interest Entities

The following table presents net gains from investment activities of the consolidated VIEs for the three and nine months ended September 30, 2017 and 2016:

	For the Three Months Ended September 30, 2017		For the Nine Months Ended September 30, 2017	
	(1)	(1)	(1)	(1)
Net gains (losses) from investment activities	2016	2016	2016	2016
Net gains (losses) from debt	\$ (272)	\$ 9,466	\$ 9,244	\$ 7,341
Interest and other income	635	(7,745)	3,319	(9,182)
Interest and other expenses	9,977	11,404	26,420	34,913
Net gains from investment activities of consolidated variable interest entities	(9,495)	(12,325)	(27,898)	(30,255)
	\$ 845	\$ 800	\$ 11,085	\$ 2,817

(1) Amounts reflect consolidation eliminations.

Senior Secured Notes, Subordinated Notes and Secured Borrowings—Included within debt are amounts due to third-party institutions by the consolidated VIEs. The following table summarizes the principal provisions of the debt of the consolidated VIEs as of September 30, 2017 and December 31, 2016:

	As of September 30, 2017			As of December 31, 2016		
	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⁾	\$794,748	1.68 %	12.4	\$704,976	1.83 %	12.3
Subordinated Notes ⁽²⁾⁽³⁾	98,602	N/A	(1) 22.7	87,794	N/A	(1) 19.2
Secured Borrowings ⁽⁴⁾	90,461	3.00 %	9.5	—	N/A	N/A
Total	\$983,811			\$792,770		

(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 Notes, Subordinated Notes and Secured Borrowings as of September 30, 2017 and December 31, 2016 was \$972.6 million and \$786.5 million, respectively.

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 vehicle. As of September 30, 2017 and December 31, 2016, the fair value of the assets of the consolidated VIEs was \$1,278.5 million and \$1,001.8 million, respectively. This collateral consisted of cash and cash equivalents, investments, at fair value, and other assets.

Secured borrowings consist of a consolidated VIE's obligation through a repurchase agreement redeemable at maturity with a third party lender. The fair value of the secured borrowings as of September 30, 2017 was \$90.5 million.

The consolidated VIEs' debt obligations contain various customary loan covenants. As of September 30, 2017, the Company was not aware of any instances of non-compliance 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.

- 25-

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
 NOTES TO CONDENSED CONSOLIDATED
 FINANCIAL STATEMENTS

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

The following table presents 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 September 30, 2017 and December 31, 2016. In addition, the table presents the maximum exposure to losses relating to these VIEs.

	As of September 30, 2017	As of December 31, 2016
Assets:		
Cash	\$334,339	\$231,922
Investments	7,389,027	7,253,872
Receivables	68,390	37,541
Total Assets	\$7,791,756	\$7,523,335

Liabilities:

Debt and other payables	\$3,089,584	\$2,818,459
Total Liabilities	\$3,089,584	\$2,818,459

Apollo Exposure ⁽¹⁾	\$282,240	\$272,191
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Represents Apollo's direct investment in those entities in which Apollo holds a significant variable interest and certain other investments. Additionally, cumulative carried interest income is subject to reversal in the event of (1) future losses. The maximum amount of future reversal of carried interest income from all of Apollo's funds, including those entities in which Apollo holds a significant variable interest, was \$3.6 billion and \$2.9 billion as of September 30, 2017 and December 31, 2016, respectively, as discussed in note 14.

5. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The following tables summarize the Company's financial assets and financial liabilities recorded at fair value by fair value hierarchy level as of September 30, 2017 and December 31, 2016.

	As of September 30, 2017				
	Level I ⁽¹⁾	Level II ⁽¹⁾	Level III	Total	Cost
Assets					
U.S. Treasury securities, at fair value	\$198,900	\$—	\$—	\$198,900	\$198,868
Investments, at fair value:					
Investments of consolidated Apollo funds	1,077	237	664	1,978	1,827
Other investments	—	—	64,726	64,726	62,464
Investment in Athene Holding ⁽²⁾	—	785,646	—	785,646	387,526
Total investments, at fair value	1,077	785,883	65,390	852,350	⁽⁷⁾ 451,817
Investments of VIEs, at fair value ⁽³⁾	—	1,029,599	135,577	1,165,176	
Investments of VIEs, valued using NAV	—	—	—	5,374	
Total investments of VIEs, at fair value	—	1,029,599	135,577	1,170,550	
Derivative assets	—	439	—	439	
Total Assets	\$199,977	\$1,815,921	\$200,967	\$2,222,239	
Liabilities					
Liabilities of consolidated Apollo funds	\$21	\$596	\$—	\$617	
Liabilities of VIEs, at fair value ⁽³⁾⁽⁵⁾	—	972,632	12,416	985,048	
Contingent consideration obligations ⁽⁶⁾	—	—	87,300	87,300	
Derivative liabilities ⁽⁴⁾	—	1,439	—	1,439	

Total Liabilities	\$21	\$974,667	\$99,716	\$1,074,404
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- 26-

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

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

	As of December 31, 2016				
	Level I ⁽¹⁾	Level II ⁽¹⁾	Level III	Total	Cost
Assets					
Investments, at fair value:					
Investments of consolidated Apollo funds	\$3,336	\$1,475	\$567	\$5,378	\$5,463
Other investments	—	—	45,154	45,154	47,690
Investment in Athene Holding ⁽²⁾	—	657,548	—	657,548	387,526
Total investments, at fair value	3,336	659,023	45,721	708,080	⁽⁷⁾ 440,679
Investments of VIEs, at fair value ⁽³⁾	—	816,167	92,474	908,641	
Investments of VIEs, valued using NAV	—	—	—	5,186	
Total investments of VIEs, at fair value	—	816,167	92,474	913,827	
Derivative assets	—	1,360	—	1,360	
Total Assets	\$3,336	\$1,476,550	\$138,195	\$1,623,267	
Liabilities					
Liabilities of VIEs, at fair value ⁽³⁾⁽⁵⁾	\$—	\$786,545	\$11,055	\$797,600	
Contingent consideration obligations ⁽⁶⁾	—	—	106,282	106,282	
Derivative liabilities ⁽⁴⁾	—	1,167	—	1,167	
Total Liabilities	\$—	\$787,712	\$117,337	\$905,049	

(1) All Level I and Level II assets and liabilities were valued using third party pricing, with the exception of the investment in Athene Holding.

(2) See note 13 for further disclosure regarding the investment in Athene Holding.

(3) See note 4 for further disclosure regarding VIEs.

(4) Derivative liabilities are presented as a component of Other liabilities in the condensed consolidated statements of financial condition.

(5) Other liabilities include contingent obligations classified as Level III.

(6) See note 14 for further disclosure regarding contingent consideration obligations.

(7) See note 3 to our condensed consolidated financial statements for further detail regarding our investments at fair value and reconciliation to the condensed consolidated statements of financial condition.

There were no transfers of financial assets or liabilities between Level I and Level II for the three and nine months ended September 30, 2017 and 2016.

The following tables summarize the changes in fair value in financial assets measured at fair value for which Level III inputs have been used to determine fair value for the three months ended September 30, 2017 and 2016:

	For the Three Months Ended September 30, 2017			
	Investments of Consolidated Apollo Funds	Other Investments	Investments of Consolidated VIEs	Total
Balance, Beginning of Period	\$624	\$53,098	\$170,666	\$224,388
Purchases	—	10,075	21,729	31,804
Sales of investments/distributions	—	—	(21,119)	(21,119)
Net realized gains	—	—	154	154

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Changes in net unrealized gains	40	18	1,791	1,849
Cumulative translation adjustment	—	1,535	3,145	4,680
Transfer out of Level III	—	—	(40,789	) (40,789)
Balance, End of Period	\$664	\$ 64,726	\$ 135,577	\$ 200,967
Change in net unrealized gains included in net gains from investment activities related to investments still held at reporting date	\$40	\$ 18	\$ —	\$58
Change in net unrealized gains included in net gains from investment activities of consolidated VIEs related to investments still held at reporting date	—	—	1,330	1,330

- 27-

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
 NOTES TO CONDENSED CONSOLIDATED
 FINANCIAL STATEMENTS

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

	For the Three Months Ended September 30, 2016				
	Investments of Consolidated Apollo Funds	Other Investments	Investment in Athene Holding	Investments of Consolidated VIEs	Total
Balance, Beginning of Period	\$2,853	\$ 44,753	\$ 542,437	\$ 112,690	\$ 702,733
Purchases	—	334	—	11,040	11,374
Sale of investments/distributions	(1,361)	—	—	(11,204)	(12,565)
Net realized gains	15	—	—	86	101
Changes in net unrealized gains (losses)	107	939	16,392	(215)	17,223
Cumulative translation adjustment	—	206	—	1,004	1,210
Transfer into Level III ⁽¹⁾	—	—	—	8,755	8,755
Transfer out of Level III ⁽¹⁾	(1,293)	—	—	(15,622)	(16,915)
Balance, End of Period	\$321	\$ 46,232	\$ 558,829	\$ 106,534	\$ 711,916
Change in net unrealized gains included in net gains from investment activities related to investments still held at reporting date	\$51	\$ 939	\$ 16,392	\$ —	\$ 17,382
Change in net unrealized losses included in net gains from investment activities of consolidated VIEs related to investments still held at reporting date	—	—	—	(358)	(358)

Transfers between Level II and III were a result of subjecting the broker quotes on these financial assets to various (1) 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.

The following tables summarize the changes in fair value in financial assets measured at fair value for which Level III inputs have been used to determine fair value for the nine months ended September 30, 2017 and 2016:

	For the Nine Months Ended September 30, 2017			
	Investments of Consolidated Apollo Funds	Other Investments	Investments of Consolidated VIEs	Total
Balance, Beginning of Period	\$567	\$ 45,154	\$ 92,474	\$ 138,195
Purchases	—	14,774	107,969	122,743
Sale of investments/distributions	(8)	—	(53,920)	(53,928)
Net realized gains (losses)	(14)	—	340	326
Changes in net unrealized gains (losses)	59	(386)	9,600	9,273
Cumulative translation adjustment	—	5,184	10,334	15,518
Transfer into Level III ⁽¹⁾	60	—	9,569	9,629
Transfer out of Level III ⁽¹⁾	—	—	(40,789)	(40,789)
Balance, End of Period	\$664	\$ 64,726	\$ 135,577	\$ 200,967
Change in net unrealized gains (losses) included in net gains from investment activities related to investments still held at reporting date	\$45	\$ (386)	\$ —	\$(341)
	—	—	9,351	9,351

Change in net unrealized gains included in net gains from investment activities of consolidated VIEs related to investments still held at reporting date

Transfers between Level II and III were a result of subjecting the broker quotes on these financial assets to various (1) 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.

- 28-

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

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

	For the Nine Months Ended September 30, 2016				
	Investments of Consolidated Apollo Funds	Other Investments	Investment in Athene Holding	Investments of Consolidated VIEs	Total
Balance, Beginning of Period	\$1,634	\$ 434	\$ 510,099	\$ 100,941	\$613,108
Purchases	1,382	44,530	—	60,832	106,744
Sale of investments/distributions	(1,803)	—	—	(54,496)	(56,299)
Net realized gains (losses)	(96)	—	—	3,132	3,036
Changes in net unrealized gains (losses)	224	528	48,730	(2,629)	46,853
Cumulative translation adjustment	—	740	—	2,469	3,209
Transfer into Level III ⁽¹⁾	1,495	—	—	30,173	31,668
Transfer out of Level III ⁽¹⁾	(2,515)	—	—	(33,888)	(36,403)
Balance, End of Period	\$321	\$ 46,232	\$ 558,829	\$ 106,534	\$711,916
Change in net unrealized gains included in net gains from investment activities related to investments still held at reporting date	\$56	\$ 528	\$ 48,730	\$ —	\$49,314
Change in net unrealized gains included in net gains from investment activities of consolidated VIEs related to investments still held at reporting date	—	—	—	441	441

Transfers between Level II and III were a result of subjecting the broker quotes on these financial assets to various (1) 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.

The following table summarizes the changes in fair value in financial liabilities measured at fair value for which Level III inputs have been used to determine fair value for the three months ended September 30, 2017 and 2016:

	For the Three Months Ended September 30, 2017			2016		
	Liabilities of Consolidated VIEs	Contingent Consideration Obligations	Total	Liabilities of Consolidated VIEs	Contingent Consideration Obligations	Total
Balance, Beginning of Period	\$12,007	\$ 86,900	\$98,907	\$11,671	\$ 70,967	\$82,638
Payments/extinguishment	—	(6,776)	(6,776)	—	(3,109)	(3,109)
Changes in net unrealized losses ⁽¹⁾	409	7,176	7,585	136	13,361	13,497
Balance, End of Period	\$12,416	\$ 87,300	\$99,716	\$11,807	\$ 81,219	\$93,026
Change in net unrealized gains included in net gains from investment activities of consolidated VIEs related to liabilities still held at reporting date	\$409	\$ —	\$409	\$136	\$ —	\$136

(1) Changes in fair value of contingent consideration obligations are recorded in profit sharing expense 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, except where noted)

The following table summarizes the changes in fair value in financial liabilities measured at fair value for which Level III inputs have been used to determine fair value for the nine months ended September 30, 2017 and 2016:

	For the Nine Months Ended September 30, 2017			2016		
	Liabilities of Consolidated Apollo Funds	Liabilities of Consolidated VIEs	Contingent Consideration Obligations	Liabilities of Consolidated VIEs	Contingent Consideration Obligations	Total
Balance, Beginning of Period	\$—	\$ 11,055	\$ 106,282	\$ 11,411	\$ 79,579	\$ 90,990
Additions	97	—	—	—	—	97
Payments/extinguishment	(94)	—	(23,597)	—	(10,096)	(23,691)
Net realized gains	(10)	—	—	—	—	(10)
Changes in net unrealized losses ⁽¹⁾	7	1,361	4,615	396	11,736	5,983
Balance, End of Period	\$—	\$ 12,416	\$ 87,300	\$ 11,807	\$ 81,219	\$ 99,716
Change in net unrealized gains included in net gains from investment activities of consolidated VIEs related to liabilities still held at reporting date	\$—	\$ 1,361	\$ —	\$ 396	\$ —	\$ 1,361

(1) Changes in fair value of contingent consideration obligations are recorded in profit sharing expense in the condensed consolidated statements of operations.

The following tables summarize the quantitative inputs and assumptions used for financial assets and liabilities categorized as Level III under the fair value hierarchy as of September 30, 2017 and December 31, 2016:

	As of September 30, 2017				
	Fair Value	Valuation Techniques	Unobservable Inputs	Ranges	Weighted Average
Financial Assets					
Investments of consolidated Apollo funds	\$ 664	Third party pricing ⁽¹⁾	N/A	N/A	N/A
Investments in other	47,602	Third party pricing ⁽¹⁾	N/A	N/A	N/A
	17,124	Other	N/A	N/A	N/A
Investments of consolidated VIEs:					
Corporate loans/bonds/CLO notes	13,548	Third party pricing ⁽¹⁾	N/A	N/A	N/A
Equity securities	122,029	Book value multiple	Book value multiple	0.76x	0.76x
		Discounted cash flow	Discount rate	12.8%	12.8%
Total investments of consolidated VIEs	135,577				
Total Financial Assets	\$ 200,967				
Financial Liabilities					
Liabilities of consolidated VIEs	12,416	Other	N/A	N/A	N/A
Contingent consideration obligation	87,300		Discount rate	17.3%	17.3%

Discounted cash
flow

Total Financial Liabilities \$99,716

(1) These securities are valued primarily using unadjusted broker quotes.

- 30-

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

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

	As of December 31, 2016				
	Fair Value	Valuation Techniques	Unobservable Inputs	Ranges	Weighted Average
Financial Assets					
Investments of consolidated Apollo funds	\$567	Third party pricing ⁽¹⁾	N/A	N/A	N/A
Investments in other	45,154	Third party pricing ⁽¹⁾	N/A	N/A	N/A
Investments of consolidated VIEs:					
Bank debt term loans	4,701	Third party pricing ⁽¹⁾	N/A	N/A	N/A
Corporate loans/bonds/CLO notes	15,496	Third party pricing ⁽¹⁾	N/A	N/A	N/A
Equity securities	72,277	Transaction	N/A	N/A	N/A
Total investments of consolidated VIEs	92,474				
Total Financial Assets	\$138,195				
Financial Liabilities					
Liabilities of consolidated VIEs	\$11,055	Other	N/A	N/A	N/A
Contingent consideration obligation	106,282	Discounted cash flow	Discount rate	13.0% - 17.3%	17.2%
Total Financial Liabilities	\$117,337				

(1) These securities are valued primarily using unadjusted broker quotes.

Investment in Athene Holding

As of September 30, 2017 and December 31, 2016 the fair value of Apollo's investment in Athene Holding was estimated using the closing market price of Athene Holding shares of \$53.84 and \$47.99, respectively, less a discount due to a lack of marketability ("DLOM") of 7.0% and 9.5%, respectively, as applicable. The DLOM was derived based on the average remaining lock up restrictions on the shares of Athene Holding held by Apollo (14.3 months and 23.3 months as of September 30, 2017 and December 31, 2016, respectively) and the estimated volatility in such shares of Athene Holding. Due to the limited trading history in Athene Holding shares, the historical share price volatility of a representative set of Athene Holding's publicly traded insurance peers was calculated over a period equivalent to the remaining average lock up on the shares of Athene Holding held by Apollo and used as a proxy to estimate the projected volatility in Athene Holding's shares. The fair value of Apollo's investment in Athene Holding as of September 30, 2017 and December 31, 2016 after the application of the DLOM was estimated at a price of \$50.19 and \$43.43 per share, respectively.

As of December 31, 2016, Apollo changed the valuation method used to value the opportunistic investment in Athene Holding from the U.S. GAAP book value multiple approach to the use of the closing market price of shares of Athene Holding, adjusted for a DLOM in order to reflect the post IPO sales restriction on such shares of Athene Holding. The DLOM is calculated based on the remaining length of such sales restrictions and the estimated market price volatility of the associated shares.

Investments of Consolidated Apollo Funds

The Company is the sole investor in the Apollo Senior Loan Fund, L.P. and Apollo Alternative Credit Long Short Fund L.P. and therefore consolidates the assets and liabilities of these funds. These funds invest in U.S. denominated senior secured loans, senior secured bonds and other income generating fixed-income investments. Amounts related to these consolidated funds are primarily presented in net gains from investment activities on the condensed consolidated

statements of operations and in investments in the condensed consolidated statements of financial condition.

Other Investments

Other investments primarily consists of Apollo's investments in debt of unconsolidated CLOs. The change in the fair value related to these investments is presented in net gains from investment activities on the condensed consolidated statements of operations.

Consolidated VIEs

Investments

As of September 30, 2017, the significant unobservable inputs used in the fair value measurement of the equity securities include the discount rate applied and the book value multiples applied in the valuation models. These unobservable

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
 NOTES TO CONDENSED CONSOLIDATED
 FINANCIAL STATEMENTS

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

inputs in isolation can cause significant increases or 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.

Liabilities

As of September 30, 2017 and December 31, 2016, the debt obligations of the consolidated CLOs were measured on the basis of the fair value of the financial assets of the CLOs as the financial assets were determined to be more observable and, as a result, categorized as Level II in the fair value hierarchy.

Contingent Consideration Obligations

The significant unobservable input used in the fair value measurement of the contingent consideration obligations is the discount rate applied in the valuation models. This input in isolation can cause significant increases or 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, a decrease in the discount rate can significantly increase the fair value of the contingent consideration obligations. The discount rate was based on the hypothetical cost of equity in connection with the acquisition of Stone Tower Capital, LLC (together with its related management companies, "Stone Tower"). See note 14 for further discussion of the contingent consideration obligations.

6. CARRIED INTEREST RECEIVABLE

Carried interest receivable from private equity, credit and real assets funds consisted of the following:

	As of September 30, 2017	As of December 31, 2016
Private Equity	\$1,128,460	\$798,465
Credit	413,990	426,114
Real Assets	35,534	32,526
Total carried interest receivable	\$1,577,984	\$1,257,105

The table below provides a roll-forward of the carried interest receivable balance for the nine months ended September 30, 2017:

	Private Equity	Credit	Real Assets	Total
Carried interest receivable, January 1, 2017	\$ 798,465	\$ 426,114	\$ 32,526	\$ 1,257,105
Change in fair value of funds	651,808	165,987	10,585	828,380
Fund distributions to the Company	(321,813)	(178,111)	(7,577)	(507,501)
Carried interest receivable, September 30, 2017	\$ 1,128,460	\$ 413,990	\$ 35,534	\$ 1,577,984

The change in fair value of funds excludes the reversal of previously realized carried interest income due to the general partner obligation to return previously distributed carried interest income. The general partner obligation is recognized based upon a hypothetical liquidation of a fund's net assets as of the reporting 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 or as otherwise set forth in the

respective limited partnership agreement of the fund. See note 13 for further disclosure regarding the general partner obligation.

- 32-

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

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

The timing of the payment of carried interest due to the general partner or investment manager varies depending on the terms of the applicable fund agreements. Generally, carried interest with respect to the private equity funds and certain credit and real assets funds is payable and is distributed to the fund's general partner upon realization of an investment if the fund's cumulative returns are in excess of the preferred return. For most credit funds, carried interest is payable based on realizations after the end of the relevant fund's fiscal year or fiscal quarter, subject to certain return thresholds, or "high water marks," having been achieved.

7. PROFIT SHARING PAYABLE

Profit sharing payable consisted of the following:

	As of September 30, 2017	As of December 31, 2016
Private Equity	\$ 427,456	\$ 268,170
Credit	269,233	268,855
Real Assets	14,184	13,123
Total profit sharing payable	\$ 710,873	\$ 550,148

The table below provides a roll-forward of the profit sharing payable balance for the nine months ended September 30, 2017:

	Private Equity	Credit	Real Assets	Total
Profit sharing payable, January 1, 2017	\$ 268,170	\$ 268,855	\$ 13,123	\$ 550,148
Profit sharing expense ⁽¹⁾⁽²⁾	266,881	73,909	3,680	344,470
Payments/other	(107,595)	(73,531)	(2,619)	(183,745)
Profit sharing payable, September 30, 2017	\$ 427,456	\$ 269,233	\$ 14,184	\$ 710,873

(1) Includes (i) changes in amounts payable to employees and former employees entitled to a share of carried interest income in Apollo's funds and (ii) changes to the fair value of the contingent consideration obligations recognized in connection with certain Apollo acquisitions. See notes 5 and 14 for further disclosure regarding the contingent consideration obligations.

(2) The Company has recorded a receivable from the Contributing Partners, certain employees and former employees for the potential return of profit sharing distributions that would be due if certain funds were liquidated in the amount of \$43.9 million and \$39.3 million as of September 30, 2017 and December 31, 2016, respectively. Profit sharing expense excludes the potential return of these profit sharing distributions. See note 13 for further discussion regarding the potential return of profit sharing distributions.

8. INCOME TAXES

The Company is treated as a partnership for income tax purposes and is therefore not subject to U.S. federal, state and local income taxes. Certain consolidated entities are, or are treated as, corporations for U.S. and non-U.S. tax purposes and therefore subject to U.S. federal, state, and local corporate income tax. Certain other 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. In addition, certain non-U.S. subsidiaries of the Company are subject to income taxes in their local jurisdictions.

The Company's income tax provision totaled \$16.5 million and \$29.7 million for the three months ended September 30, 2017 and 2016, respectively, and \$54.9 million and \$62.5 million for the nine months ended September 30, 2017 and 2016, respectively. The Company's effective tax rate was approximately 3.7% and 11.2% for the three months ended September 30, 2017 and 2016, respectively, and 5.3% and 9.8% for the nine months ended September 30, 2017 and 2016, 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 of the position. 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's primary jurisdictions in which it operates are the United States, New York State, New York City, California and the United Kingdom. There are no unremitted earnings with respect to the United Kingdom and other foreign entities

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

due to the flow-through nature of these entities. 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 September 30, 2017, the Company's U.S. federal, state, local and foreign income tax returns for the years 2013 through 2016 are open under the general statute of limitations provisions and therefore subject to examination. Currently, the Internal Revenue Service is examining the tax return of certain subsidiaries for the 2011 and 2012 tax years. The State and City of New York are examining certain subsidiaries' tax returns for tax years 2011 to 2013.

The Company has recorded a deferred tax asset for the future amortization of tax basis intangibles as a result of the 2007 Reorganization. The Company recorded additional deferred tax assets as a result of the step-up in tax basis of intangibles from subsequent exchanges of AOG Units for Class A shares. A related tax receivable agreement liability was recorded in due to related parties 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 13). The increases in the deferred tax asset less the related liability resulted in increases to additional paid in capital which were recorded in the condensed consolidated statements of changes in shareholders' equity for the nine months ended September 30, 2017 and 2016. The amortization period for these tax basis intangibles is 15 years and the deferred tax assets will reverse over the same period.

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

The table below presents the impact to the deferred tax asset, tax receivable agreement liability and additional paid in capital related to the exchange of AOG Units for Class A shares during the nine months ended September 30, 2017 and 2016.

	Increase in Deferred Tax Asset	Increase in Tax Receivable Agreement Liability	Increase to Additional Paid In Capital
Exchange of AOG Units for Class A shares			
For the Nine Months Ended September 30, 2017	\$ 46,539	\$ 35,946	\$ 10,593
For the Nine Months Ended September 30, 2016	\$ 1,807	\$ 1,519	\$ 288

9. DEBT

Debt consisted of the following:

	As of September 30, 2017			As of December 31, 2016			
	Outstanding Balance	Fair Value	Annualized Weighted Average Interest Rate	Outstanding Balance	Fair Value	Annualized Weighted Average Interest Rate	
2013 AMH Credit Facilities - Term Facility ⁽¹⁾	\$299,627	\$298,875	⁽³⁾ 2.28 %	\$299,543	\$298,500 ⁽³⁾	1.82 %	
2024 Senior Notes ⁽¹⁾	495,697	510,604	⁽⁴⁾ 4.00	495,208	498,336 ⁽⁴⁾	4.00	

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2026 Senior Notes ⁽¹⁾	495,550	519,618	(4) 4.40	495,165	497,923	(4) 4.40
2014 AMI Term Facility I ⁽²⁾	16,199	16,199	(3) 2.00	14,449	14,449	(3) 2.00
2014 AMI Term Facility II ⁽²⁾	18,283	18,283	(3) 1.75	16,306	16,306	(3) 1.75
2016 AMI Term Facility I ⁽²⁾	20,050	20,050	(3) 1.75	17,852	17,852	(3) 1.75
2016 AMI Term Facility II ⁽²⁾	15,638	15,638	(3) 2.00	13,924	13,924	(3) 2.00
Total Debt	\$1,361,044	\$1,399,267		\$1,352,447		