Apollo Global Management LLC
Form 10-K
March 03, 2014
Table of Contents

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

Form 10-K

(Mark One)

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013 OR

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

FOR THE TRANSITION PERIOD FROM TO

Commission File Number: 001-35107

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

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)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Class A shares representing limited liability company interests	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities. Yes x No ¨

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x

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 x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T

(§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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	T	Accelerated filer	¨
Non-accelerated filer	o (Do not check if a smaller reporting company)	Smaller reporting company	¨

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

The aggregate market value of the Class A shares of the Registrant held by non-affiliates as of June 30, 2013 was approximately $3,364.7 million, which includes non-voting Class A shares with a value of approximately $1,084.5 million.

As of February 26, 2014 there were 148,952,653 Class A shares and 1 Class B share outstanding.

TABLE OF CONTENTS

Table of Contents

Forward-Looking Statements

This report may contain forward looking statements that are within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These statements include, but are not limited to, discussions related to Apollo's expectations regarding the performance of its business, its liquidity and capital resources and the other non-historical statements in the discussion and analysis. These forward-looking statements are based on management's beliefs, as well as assumptions made by, and information currently available to, management. When used in this report, the words "believe," "anticipate," "estimate," "expect," "intend" and similar expressions are intended to identify forward-looking statements. Although management believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct. These statements are subject to certain risks, uncertainties and assumptions, including risks relating to our dependence on certain key personnel, our ability to raise new private equity, credit or real estate funds, market conditions generally, our ability to manage our growth, fund performance, changes in our regulatory environment and tax status, the variability of our revenues, net income and cash flow, our use of leverage to finance our businesses and investments by our funds and litigation risks, among others. We believe these factors include but are not limited to those described under the section entitled "Risk Factors" in this report; as such factors may be updated from time to time in our periodic filings with the United States Securities and Exchange Commission ("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 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 report, references to "Apollo," "we," "us," "our" and the "Company" refer collectively to Apollo Global Management, LLC, a Delaware limited liability company, and its subsidiaries, including the Apollo Operating Group and all of its subsidiaries;

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

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

"Apollo Operating Group" refers to (i) the limited partnerships through which our Managing Partners currently operate our businesses and (ii) one or more limited partnerships formed for the purpose of, among other activities, holding certain of our gains or losses on our principal investments in the funds, which we refer to as our "principal investments";

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

(i) the fair value of our private equity investments plus the capital that we are entitled to call from our investors pursuant to the terms of their capital commitments;

(ii) the net asset value, or "NAV," of our credit funds, other than certain collateralized loan obligations ("CLOs") and collateralized debt obligations ("CDOs"), which have a fee generating basis other than the mark-to-market value of the underlying assets, plus used or available leverage and/or capital commitments;

(iii) the gross asset value or net asset value of our real estate entities and the structured portfolio company investments included within the funds we manage, which includes the leverage used by such structured portfolio companies;

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

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

Our AUM measure includes Assets Under Management for which we charge either no or nominal fees. Our definition of AUM is not based on any definition of Assets Under Management contained in our operating agreement or in any of our Apollo fund management agreements. We consider multiple factors for determining what should be included in our definition of AUM. Such

Table of Contents

factors include but are not limited to (1) our ability to influence the investment decisions for existing and available assets; (2) our ability to generate income from the underlying assets in our funds; and (3) the AUM measures that we use internally or believe are used by other investment managers. Given the differences in the investment strategies and structures among other alternative investment managers, our calculation of AUM may differ from the calculations employed by other investment managers and, as a result, this measure may not be directly comparable to similar measures presented by other investment managers;

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

Non-fee generating AUM consists of assets that do not produce management fees or monitoring fees. These assets generally consist of the following:

(i) fair value above invested capital for those funds that earn management fees based on invested capital;

(ii) net asset values related to general partner and co-investment ownership;

(iii) unused credit facilities;

(iv) available commitments on those funds that generate management fees on invested capital;

(v) structured portfolio company investments that do not generate monitoring fees; and

(vi) the difference between gross asset and net asset value for those funds that earn management fees based on net asset value.

We use non-fee generating AUM combined with fee-generating AUM as a performance measurement of our investment activities, as well as to monitor fund size in relation to professional resource and infrastructure needs. Non-fee generating AUM includes assets on which we could earn carried interest income;

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

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

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

"gross IRR" of a fund represents the cumulative investment-related cash flows for all of the investors in the fund on the basis of the actual timing of investment inflows and outflows (for unrealized investments assuming disposition on December 31, 2013 or other date specified) aggregated on a gross basis quarterly, and the return is annualized and compounded before management fees, carried interest and certain other fund expenses (including interest incurred by the fund itself) and measures the returns on the fund's investments as a whole without regard to whether all of the returns would, if distributed, be payable to the fund's investors;

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

"IRS" refers to the Internal Revenue Service;

"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 fund means the gross IRR applicable to all investors, including related parties which may not pay fees, net of management fees, organizational expenses, transaction costs, and certain other fund expenses (including interest incurred by the fund itself). The realized and the estimated unrealized value is adjusted such that up to 20.0% of the unrealized gain is allocated

Table of Contents

to the general partner, thereby reducing the balance attributable to fund investors' carried interest all offset to the extent of interest income, and measures returns based on amounts that, if distributed, would be paid to investors of the fund, to the extent that a fund exceeds all requirements detailed within the applicable fund agreement;

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

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

"permanent capital" means capital of publicly traded vehicles that do not have redemption provisions or a requirement to return capital to investors upon exiting the investments made with such capital, except as required by applicable law, such as AP Alternative Assets, L.P. ("AAA"), Apollo Investment Corporation ("AINV"), Apollo Commercial Real Estate Finance, Inc. ("ARI"), Apollo Residential Mortgage, Inc. ("AMTG"), Apollo Tactical Income Fund Inc. ("AIF"), and Apollo Senior Floating Rate Fund Inc. ("AFT"); such publicly traded vehicles may be required, or elect, to return all or a portion of capital gains and investment income;

"private equity investments" refer to (i) direct or indirect investments in existing and future private equity funds managed or sponsored by Apollo, (ii) direct or indirect co-investments with existing and future private equity funds managed or sponsored by Apollo, (iii) direct or indirect investments in securities which are not immediately capable of resale in a public market that Apollo identifies but does not pursue through its private equity funds, and (iv) investments of the type described in (i) through (iii) above made by Apollo funds; and

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

PART I.

ITEM 1. BUSINESS

Overview

Founded in 1990, Apollo is a leading global alternative investment manager. We are contrarian, value-oriented investors in private equity, credit and real estate, with significant distressed investment expertise. We have a flexible mandate in many of the funds we manage that enables the funds to invest opportunistically across a company's capital structure. We raise, invest and manage funds on behalf of some of the world's most prominent pension, endowment and sovereign wealth funds, as well as other institutional and individual investors. As of December 31, 2013, we had total AUM of $161 billion, including approximately $50 billion in private equity, $101 billion in credit and $9 billion in real estate. We have consistently produced attractive long-term investment returns in our private equity funds, generating a 39% gross IRR and a 26% net IRR on a compound annual basis from inception through December 31, 2013.

Apollo is led by our Managing Partners, Leon Black, Joshua Harris and Marc Rowan, who have worked together for more than 23 years and lead a team of 710 employees, including 277 investment professionals, as of December 31, 2013. This team possesses a broad range of transaction, financial, managerial and investment skills. We have offices in New York, Los Angeles, Houston, Toronto, London, Frankfurt, Luxembourg, Singapore, Hong Kong, and Mumbai.

We operate our private equity, credit and real estate businesses in a highly integrated manner, which we believe distinguishes us from other alternative investment managers. Our investment professionals frequently collaborate across disciplines. We believe that this collaboration, including market insight, management, banking and consultant contacts, and investment opportunities, enables the funds we manage to more successfully invest across a company's capital structure. This platform and the depth and experience of our investment team have enabled us to deliver strong long-term investment performance for our funds throughout a range of economic cycles.

Our objective is to achieve superior long-term risk-adjusted returns for our fund investors. The majority of our investment funds are designed to invest capital over periods of seven or more years from inception, thereby allowing us to generate attractive long-term returns throughout economic cycles. Our investment approach is value-oriented, focusing on nine core industries in which we have considerable knowledge and experience, and emphasizing downside protection and the preservation of capital. Our core industry sectors include chemicals, natural resources, consumer and retail, distribution and transportation, financial and business services, manufacturing and industrial, media and cable and leisure, packaging and materials and the satellite and wireless industries. We are frequently contrarian in our investment approach, which is reflected in a number of ways, including:

- our willingness to invest in industries that our competitors typically avoid;
- the often complex structures we employ in some of our investments, including our willingness to pursue difficult corporate carve-out transactions;
- our experience investing during periods of uncertainty or distress in the economy or financial markets when many of our competitors simply reduce their investment activity;
- our orientation towards sole sponsored transactions when other firms have opted to partner with others; and
- our willingness to undertake transactions that have substantial business, regulatory or legal complexity.

We have applied this investment philosophy to identify what we believe are attractive investment opportunities, deploy capital across the balance sheet of industry leading, or "franchise," businesses and create value throughout economic cycles.

We rely on our deep industry, credit and financial structuring experience, coupled with our strengths as a value-oriented, distressed investor, to deploy significant amounts of new capital within challenging economic environments. Our approach towards investing in distressed situations often requires our funds to purchase particular debt securities as prices are declining, since this allows us both to reduce our funds' average cost and accumulate sizable positions which may enhance our ability to influence any restructuring plans and maximize the value of our funds' distressed investments. As a result, our investment approach may produce negative short-term unrealized

returns in certain of the funds we manage. However, we concentrate on generating attractive, long-term, risk-adjusted realized returns for our fund investors, and we therefore do not overly depend on short-term results and quarterly fluctuations in the unrealized fair value of the holdings in our funds.
In addition to deploying capital in new investments, we seek to enhance value in the investment portfolios of the funds we manage. We have relied on our transaction, restructuring and credit experience to work proactively with our private equity funds’ portfolio company management teams to identify and execute strategic acquisitions, joint ventures, and other transactions, generate cost and working capital savings, reduce capital expenditures, and optimize capital structures through several means such as debt exchange offers and the purchase of portfolio company debt at discounts to par value.

Table of Contents

We had total AUM of approximately $161 billion as of December 31, 2013, consisting of approximately $50 billion in our private equity business, approximately $101 billion in our credit business and approximately $9 billion in our real estate business. We have grown our total AUM at a 34% compound annual growth rate from December 31, 2004 to December 31, 2013. In addition, we benefit from mandates with long-term capital commitments in our private equity, credit and real estate businesses. Our long-lived capital base allows us to invest our funds' assets with a long-term focus, which is an important component in generating attractive returns for our investors. We believe the long-term capital we manage also leaves us well-positioned during economic downturns, when the fundraising environment for alternative assets has historically been more challenging than during periods of economic expansion. As of December 31, 2013, approximately 96% of our AUM was in funds with a contractual life at inception of seven years or more, and 7% of our AUM was in permanent capital vehicles with unlimited duration.

We expect our growth in AUM to continue over time by seeking to create value in our funds' existing private equity, credit and real estate investments, continuing to deploy our funds' available capital in what we believe are attractive investment opportunities, and raising new funds and investment vehicles as market opportunities present themselves. See "Item 1A. Risk Factors—Risks Related to Our Businesses—We may not be successful in raising new funds or in raising more capital for certain of our funds and may face pressure on fee arrangements of our future funds."

Our financial results are highly variable, since carried interest (which generally constitutes a large portion of the income that we receive from the funds we manage), and the transaction and advisory fees that we receive, can vary significantly from quarter to quarter and year to year. We manage our business and monitor our performance with a focus on long-term performance, an approach that is generally consistent with the investment horizons of the funds we manage and is driven by the investment returns of our funds.

Available Information

Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to reports filed or furnished pursuant to Section 13(a) of the Exchange Act are made available free of charge on or through our website at www.agm.com as soon as reasonably practicable after such reports are filed with, or furnished to, the SEC. The information on our website is not, and shall not be deemed to be, part of this report or incorporated into any other filings we make with the SEC.

Our Businesses

We have three business segments: private equity, credit and real estate. We also manage AP Alternative Assets, L.P., a publicly listed permanent capital vehicle. The sole investment held by AAA is its investment in AAA Investments, L.P. ("AAA Investments"). AAA Investments owns through its subsidiaries the majority of the economic equity of Athene Holding Ltd. (together with its subsidiaries, "Athene"). During 2009, Athene Holding Ltd. was founded to capitalize on favorable market conditions in the dislocated life insurance sector. Athene Holding Ltd. is the ultimate parent of various insurance company operating subsidiaries. Through its subsidiaries, Athene Holding Ltd. provides insurance products focused primarily on the retirement market and its business centers primarily on issuing or reinsuring fixed and equity-indexed annuities.

Table of Contents

In addition to AAA, we manage several strategic investment accounts ("SIAs") established to facilitate investments by third-party investors directly in Apollo-sponsored funds and other securities. We have also raised a dedicated natural resources fund, which we include within our private equity segment that targets global private equity opportunities in energy, metals and mining and select other natural resources sub-sectors. The diagram below summarizes our current businesses:

Apollo Global Management, LLC

Private Equity	Credit	Real Estate
• Distressed Buyouts and Debt Investments • Corporate Carve-outs • Opportunistic Buyouts • Natural Resources	• U.S. Performing Credit • Structured Credit • Opportunistic Credit • Non-performing Loans • European Credit • Athene	• Global opportunistic and value added investments in distressed debt and equity recapitalization transactions • Senior and subordinated debt • Commercial mortgage backed securities
AUM: $49.9 billion[1][2]	AUM: $100.9 billion[1][2][3]	AUM: $9.3 billion[2][3]

Strategic Investment Accounts[4]
Generally invests in or alongside certain Apollo funds and other Apollo-sponsored transactions

(1) All data is as of December 31, 2013.

(2) See Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" for additional information.

(3) Includes funds that are denominated in Euros and translated into U.S. dollars at an exchange rate of €1.00 to $1.37 as of December 31, 2013.

(4) As of December 31, 2013, there was $1.1 billion that had yet to be deployed to an Apollo fund within our three segments.

Private Equity

As a result of our long history of private equity investing across market cycles, we believe we have developed a unique set of skills which we rely on to make new investments and to maximize the value of our existing investments. As an example, through our experience with traditional private equity buyouts, which we refer to herein also as buyout equity, we apply a highly disciplined approach towards structuring and executing transactions, the key tenets of which include acquiring companies at below industry average purchase price multiples, and establishing flexible capital structures with long-term debt maturities and few, if any, financial maintenance covenants.

We believe we have a demonstrated ability to adapt quickly to changing market environments and capitalize on market dislocations through our traditional, distressed and corporate buyout approach. In prior periods of strained financial liquidity and economic recession, our private equity funds have made attractive investments by buying the debt of quality businesses (which we refer to as "classic" distressed debt), converting that debt to equity, seeking to create value through active participation with management and ultimately monetizing the investment. This combination of traditional and corporate buyout investing with a "distressed option" has been deployed through prior economic cycles and has allowed our funds to achieve attractive long-term rates of return in different economic and market environments. In addition, during prior economic downturns we have relied on our restructuring experience and worked closely with our funds' portfolio companies to seek to maximize the value of our funds' investments.

We seek to focus on investment opportunities where competition is limited or non-existent. We believe we are often sought out early in the investment process because of our industry expertise, sizable amounts of available long-term capital, willingness to pursue investments in complicated situations and ability to provide value-added advice to portfolio companies regarding operational improvements, acquisitions and strategic direction. We generally prefer sole sponsored transactions and since inception approximately 80% of the investments made by our private equity funds have been proprietary in nature. We

Table of Contents

believe that by emphasizing our proprietary sources of deal flow, our private equity funds will be able to acquire businesses at more compelling valuations which will ultimately create a more attractive risk/reward proposition.

Distressed Buyouts and Debt Investments

During periods of market dislocation and volatility, we rely on our credit and capital markets expertise to build positions in distressed debt. We target assets with high-quality operating businesses but low-quality balance sheets, consistent with our traditional buyout strategies. The distressed securities our funds purchase include bank debt, public high-yield debt and privately held instruments, often with significant downside protection in the form of a senior position in the capital structure, and in certain situations our funds also provide debtor-in-possession financing to companies in bankruptcy. Our investment professionals generate these distressed buyout and debt investment opportunities based on their many years of experience in the debt markets, and as such they are generally proprietary in nature.

We believe distressed buyouts and debt investments represent a highly attractive risk/reward profile. Our funds' investments in debt securities have generally resulted in two outcomes. The first and preferred potential outcome, which we refer to as a distressed for control investment, is when our funds are successful in taking control of a company through its investment in the distressed debt. By working proactively through the restructuring process, we are often able to equitize the debt position of our funds to create a well-financed buyout which would then typically be held for a three-to-five year period, similar to other traditional leveraged buyout transactions. The second potential outcome, which we refer to as a non-control distressed investment is when our funds do not gain control of the company. This typically occurs as a result of an increase in the price of the debt investments to levels which are higher than what we consider to be an attractive acquisition valuation. In these instances, we may forgo seeking control, and instead our funds may seek to sell the debt investments over time, typically generating a higher short-term IRR with a lower multiple of invested capital than in the case of a typical distressed for control transaction. We believe that we are a market leader in distressed investing and that this is one of the key areas that differentiates us from our peers.

Corporate Carve-outs

Corporate Carve-outs are less market-dependent than distressed investing, but are equally complicated. In these transactions, Apollo funds seek to extract a business that is highly integrated within a larger corporate parent to create a stand-alone business. These are labor-intensive transactions, which we believe require deep industry knowledge, patience and creativity, to unlock value that has largely been overlooked or undermanaged. Importantly, because of the highly negotiated nature of many of these transactions, Apollo believes it is often difficult for the seller to run a competitive process, which ultimately allows Apollo funds to achieve compelling purchase prices.

Opportunistic Buyouts

We have extensive experience completing leveraged buyouts across various market cycles. We take an opportunistic and disciplined approach to these transactions, generally avoiding highly competitive situations in favor of proprietary transactions where there may be opportunities to purchase a company at a discount to prevailing market averages. Oftentimes, we will focus on complex situations such as out-of-favor industries or "broken" (or discontinued) sales processes where the inherent value may be less obvious to potential acquirers. To further alter the risk/reward profile in our funds' favor, we often focus on certain types of buyouts such as physical asset acquisitions and investments in non-correlated assets where underlying values tend to change in a manner that is independent of broader market movements.

In the case of physical asset acquisitions, our private equity funds seek to acquire physical assets at discounts to where those assets trade in the financial markets, and to lock in that value arbitrage through comprehensive hedging and structural enhancements.

We believe buyouts of non-correlated assets or businesses also represent attractive investments since they are generally less correlated to the broader economy and provide an element of diversification to our overall portfolio of private equity investments.

In the case of more conventional buyouts, we seek investment opportunities where we believe our focus on complexity and sector expertise will provide us with a significant competitive advantage, whereby we can leverage our knowledge and experience from the nine core industries in which our investment professionals have historically invested private equity capital. We believe such knowledge and experience can result in our ability to find attractive opportunities for our funds to acquire portfolio company investments at lower purchase price multiples.

Other Investments

In addition to our opportunistic, distressed and corporate partner buyout activities, we also maintain the flexibility to deploy capital of our private equity funds in other types of investments such as the creation of new companies, which allows us to leverage our deep industry and distressed expertise and collaborate with experienced management teams to seek to capitalize on market opportunities that we have identified, particularly in asset-intensive industries that are in distress. In these types of situations, we have the ability to establish new entities that can acquire distressed assets at what we believe are attractive valuations without the burden of managing an existing portfolio of legacy assets. Similar to our corporate partner buyout activities, other investments, such as the creation of new companies, historically have not represented a large portion of our overall investment activities, although we do make these types of investments selectively.

Natural Resources

In 2011, Apollo established Apollo Natural Resources Partners, L.P. (together with its alternative investment vehicles, "ANRP"), and has assembled a team of dedicated investment professionals to capitalize on private equity investment opportunities in the natural resources industry, principally in the metals and mining, energy and select other natural resources sectors. In certain situations, capital from ANRP may be invested in sizable natural resources transactions alongside our larger, more general private equity funds as appropriate on a pro-rata basis. ANRP completed its fundraising period during the fourth quarter of 2012, and had over $1.3 billion of committed capital as of December 31, 2013.

AP Alternative Assets, L.P.

AAA is a Guernsey limited partnership whose partners are comprised of (i) AAA Guernsey Limited ("AAA Guernsey"), which holds 100% of the general partner interests in AAA, and (ii) the holders of common units representing limited partner interests in AAA. The common units are non-voting and are listed on NYSE Euronext in Amsterdam under the symbol "AAA". AAA Guernsey is a Guernsey limited company and is owned 55% by an individual who is not an affiliate of Apollo and 45% by Apollo Principal Holdings III, L.P., an indirect subsidiary of Apollo. AAA Guernsey is responsible for managing the business and affairs of AAA. AAA generally makes all of its investments through AAA Investments, of which AAA is the sole limited partner.

AAA issued approximately $1.9 billion of equity capital in its initial public offering ("IPO") in June 2006. AAA was originally designed to give investors in its common units exposure as a limited partner to certain of the strategies that we employ and allowed us to manage the asset allocations to those strategies by investing alongside our private equity funds and directly in our credit funds and certain other opportunistic investments that we sponsor and manage.

On October 31, 2012, AAA Investments consummated a transaction whereby substantially all of its assets were contributed to Athene in exchange for common shares of Athene Holding Ltd., cash and a short term promissory note (the "AAA Transaction"). Following receipt of required regulatory consents, AAA Investments transferred its remaining investments to Athene Holding Ltd. on July 29, 2013. After the AAA Transaction, Athene Holding Ltd. was AAA's only material investment and as of December 31, 2013 and 2012, AAA, through its investment in AAA Investments, was the largest shareholder of Athene Holding Ltd. with an approximate 72.5% and 77.2%, respectively, economic ownership stake (without giving effect to restricted common shares issued under Athene's management equity plan and conversion of AAA Investments note receivable), and effectively 45% of the voting power of Athene. As of December 31, 2013, Apollo did not own any equity in Athene directly. Apollo owned approximately 2.6% of AAA as of December 31, 2013.

Building Value in Portfolio Companies

We are a "hands-on" investor organized around nine core industries where we believe we have significant knowledge and expertise, and we remain actively engaged with the management teams of the portfolio companies of our private equity funds. We have established relationships with operating executives that assist in the diligence review of new opportunities and provide strategic and operational oversight for portfolio investments. We actively work with the management of each of the portfolio companies of the funds we manage to maximize the underlying value of the business. To achieve this, we take a holistic approach to value-creation, concentrating on both the asset side and liability side of the balance sheet of a company. On the asset side of the balance sheet, Apollo works with management of the portfolio companies to enhance the operations of such companies. Our investment professionals assist portfolio companies in rationalizing non-core and underperforming assets, generating cost and working capital savings, and maximizing liquidity. On the liability side of the balance sheet, Apollo relies on its deep credit structuring experience and works with management of the portfolio companies to help optimize the capital structure of such companies through proactive restructuring of the balance sheet to address near-term debt maturities. We also seek to capture discounts on publicly traded debt securities through exchange offers and potential debt buybacks. In addition, we have established a group purchasing program to help portfolio companies to leverage the combined corporate spending among Apollo and portfolio companies of the funds it manages in order to seek to reduce costs, optimize payment terms and improve service levels for all program participants.

Table of Contents

Exiting Investments

The value of the investments that have been made by our funds are typically realized through either an IPO of common stock on a nationally recognized exchange or through the private sale of the companies in which our funds have invested. We believe the advantage of having long-lived funds and investment discretion is that we are able to time our funds' exit to maximize value.

Private Equity Fund Holdings

The following table presents the current list of portfolio companies of our private equity funds, excluding AION Capital Partners Limited ("AION") and Apollo Asia Private Credit Fund, L.P. ("APC"), as of December 31, 2013:

Company	Year of Initial Investment	Fund(s)	Buyout Type	Industry	Region
American Gaming Systems	2013	Fund VIII	Distressed Buyouts	Media, Cable & Leisure	North America
Apex Energy	2013	ANRP	Opportunistic Buyouts	Natural Resources	North America
Aurum	2013	Fund VII	Opportunistic Buyouts	Consumer & Retail	Western Europe
Double Eagle Energy	2013	ANRP	Opportunistic Buyouts	Natural Resources	North America
Hostess	2013	Fund VII	Corporate Carve-outs	Consumer & Retail	North America
McGraw-Hill Education	2013	Fund VII	Corporate Carve-outs	Media, Cable & Leisure	North America
Nine Entertainment	2013	Fund VII	Distressed Buyouts	Media, Cable & Leisure	Australia
Novitex	2013	Fund VII	Corporate Carve-Outs	Financial & Business Services	North America
NRI	2013	Fund VII & ANRP	Opportunistic Buyouts	Natural Resources	North America
EP Energy	2012	Fund VII & ANRP	Corporate Carve-outs	Natural Resources	North America
Great Wolf Resorts	2012	Fund VII	Opportunistic Buyouts	Media, Cable & Leisure	North America
Pinnacle	2012	Fund VII & ANRP	Opportunistic Buyouts	Natural Resources	North America
Talos	2012	Fund VII & ANRP	Opportunistic Buyouts	Natural Resources	North America
Taminco	2012	Fund VII	Opportunistic Buyouts	Chemicals	Western Europe
Ascometal	2011	Fund VII & ANRP	Corporate Carve-outs	Natural Resources	Western Europe
Brit Insurance	2011	Fund VII	Opportunistic Buyouts	Financial & Business Services	Western Europe
CORE Media Group	2011	Fund VII	Opportunistic Buyouts	Media, Cable & Leisure	North America
Sprouts Farmers Markets	2011	Fund VI	Opportunistic Buyouts	Consumer & Retail	North America

Welspun	2011	Fund VII & ANRP	Opportunistic Buyouts	Natural Resources	India
Aleris International	2010	Fund VII & VI	Distressed Buyouts	Natural Resources	Global
Athlon	2010	Fund VII	Opportunistic Buyouts	Natural Resources	North America
Constellium	2010	Fund VII	Corporate Carve-outs	Natural Resources	Western Europe

Table of Contents

Gala Coral Group	2010	Fund VII & VI	Distressed Buyouts	Media, Cable & Leisure	Western Europe
Monier	2010	Fund VII	Distressed Buyouts	Packing & Materials	Western Europe
Veritable Maritime	2010	Fund VII	Opportunistic Buyouts	Distribution & Transportation	North America
Dish TV	2009	Fund VII	Opportunistic Buyouts	Media, Cable & Leisure	India
Caesars Entertainment	2008	Fund VI	Opportunistic Buyouts	Media, Cable & Leisure	North America
Norwegian Cruise Line	2008	Fund VI	Opportunistic Buyouts	Media, Cable & Leisure	North America
Vantium	2008	Fund VII	Debt Investments	Financial & Business Services	North America
Claire’s	2007	Fund VI	Opportunistic Buyouts	Consumer & Retail	Global
Jacuzzi Brands	2007	Fund VI	Opportunistic Buyouts	Manufacturing & Industrial	North America
Noranda Aluminum	2007	Fund VI	Corporate Carve-outs	Natural Resources	North America
Prestige Cruise Holdings	2007	Fund VII & VI	Opportunistic Buyouts	Media, Cable & Leisure	North America
Berry Plastics(1)	2006	Fund VI & V	Corporate Carve-outs	Packaging & Materials	North America
CEVA Logistics(2)	2006	Fund VI	Corporate Carve-outs	Distribution & Transportation	Western Europe
Rexnord(3)	2006	Fund VI	Opportunistic Buyouts	Manufacturing & Industrial	North America
Verso Paper	2006	Fund VI	Corporate Carve-outs	Packaging & Materials	North America
Affinion Group	2005	Fund V	Corporate Carve-outs	Financial & Business Services	North America
PLASE Capital	2003	Fund V	Opportunistic Buyouts	Financial & Business Services	North America
Momentive Performance Materials	2000/2004/ 2006	Fund IV, V & VI	Corporate Carve-outs	Chemicals	North America
Debt Investment Vehicles - Fund VII	Various	Fund VII	Debt Investments	Various	Various
Debt Investment Vehicles - Fund VI	Various	Fund VI	Debt Investments	Various	Various

(1) Prior to merger with Covalence Specialty Material Holdings Corp.
(2) Includes add-on investment in EGL, Inc.
(3) Includes add-on investment in Zurn Industries Inc.

- 12-

Table of Contents

Credit

Since Apollo's founding in 1990, we believe our expertise in credit has served as an integral component of our company's growth and success. Our credit-oriented approach to investing commenced in 1990 with the management of a $3.5 billion high-yield bond and leveraged loan portfolio. Since that time, our credit activities have grown significantly, through both organic growth and strategic acquisitions. As of December 31, 2013, Apollo's credit segment had total AUM and fee-generating AUM of $100.9 billion and $88.2 billion, respectively, across a diverse range of credit-oriented investments that utilize the same disciplined, value-oriented investment philosophy that we employ with respect to our private equity funds.

Apollo's broad credit platform, which we believe is adaptable to evolving market conditions and different risk tolerances, has been organized by the following six functional groups:

Credit AUM as of December 31, 2013

(in billions)

(1) Excludes sub-advised AUM.

U.S. Performing Credit

The U.S. performing credit group provides investment management services to funds, including SIAs, that primarily focus on income-oriented, senior loan and bond investment strategies. The U.S. performing credit group also includes CLOs that we raise and manage internally. As of December 31, 2013, our U.S. performing credit group had total AUM and fee-generating AUM of $22.2 billion and $17.5 billion, respectively.

Structured Credit

The structured credit group provides investment management services to funds, including SIAs, that primarily focus on structured credit investment strategies that target multiple tranches of structured securities with favorable and protective lending terms, predictable payment schedules, well diversified portfolios, and low historical defaults, among other characteristics. These strategies include investments in externally managed CLOs, residential mortgage-backed securities, asset-backed securities and other structured instruments, including insurance-linked securities and longevity-based products. The structured credit group also serves as substitute investment manager for a number of asset-backed CDOs and other structured vehicles. As of December 31, 2013, our structured credit group had total AUM and fee-generating AUM of $12.8 billion and $9.4 billion, respectively.

Opportunistic Credit

The opportunistic credit group provides investment management services to funds, including SIAs, that primarily focus on credit investment strategies that are often less liquid in nature and that utilize a similar value-oriented investment philosophy as our private equity business. The opportunistic credit funds and SIAs invest in a broad array of primary and secondary opportunities encompassing performing, stressed and distressed public and private securities primarily within corporate credit, including senior loans, high yield, mezzanine, debtor in possession financings, rescue or bridge financings, and other debt investments. Additionally, certain opportunistic credit funds will selectively invest in aircraft, energy and structured credit investment opportunities. In certain cases, leverage can be employed in connection with these strategies by having fund subsidiaries or special-purpose vehicles incur

Table of Contents

debt or by entering into credit facilities or other debt transactions to finance the acquisition of various credit investments. As of December 31, 2013, our opportunistic credit group had total AUM and fee-generating AUM of $7.1 billion and $4.8 billion, respectively.

Non-performing Loans

The non-performing loan group provides investment management services to funds, including SIAs, that primarily invest in European commercial and residential real estate performing and non-performing loans (“NPLs”) and unsecured consumer loans and acquiring assets as a result of distressed market situations. Certain of the non-performing loan investment vehicles that we manage own captive pan-European loan servicing and property management platforms. These loan servicing and property management platforms currently operate in six European countries, employed approximately 700 individuals as of December 31, 2013 and directly service consumer credit receivables and loans secured by commercial and residential properties. The post-investment loan servicing and real estate asset management requirements, combined with the illiquid nature of NPLs, limit participation by traditional long only investors, hedge funds, and private equity funds, resulting in what we believe to be a unique opportunity for our credit business. As of December 31, 2013, our non-performing loans group had total AUM and fee-generating AUM of $5.7 billion and $4.3 billion, respectively.

European Credit

The European credit group provides investment management services to funds, including SIAs, that focus on investment strategies in a variety of credit opportunities in Europe across a company’s capital structure. The European credit group invests in senior secured loans and notes, mezzanine loans, subordinated notes, distressed and stressed credit and other idiosyncratic credit investments of companies established or operating in Europe, with a focus on Western Europe. As of December 31, 2013, our European credit group had total AUM and fee-generating AUM of $2.8 billion and $1.9 billion, respectively.

Athene

During 2009, Athene Holding Ltd. was founded to capitalize on favorable market conditions in the dislocated life insurance sector. Athene Holding Ltd. is the ultimate parent of various insurance company operating subsidiaries. Through its subsidiaries, Athene Holding Ltd. provides insurance products focused primarily on the retirement market and its business centers primarily on issuing or reinsuring fixed and equity-indexed annuities.

On October 2, 2013, Athene Holding Ltd. closed its acquisition of the U.S. annuity operations of Aviva plc ("Aviva USA"), which added approximately $44 billion of total and fee-generating AUM within Apollo's credit segment and as a result, Athene is estimated to be one of the largest fixed annuity companies in the United States.

Apollo, through its consolidated subsidiary, Athene Asset Management, L.P. (“Athene Asset Management”), provides asset management services to Athene, including asset allocation and portfolio management strategies, and receives fees from Athene for providing such services. As of December 31, 2013, all of Athene’s assets were managed by Athene Asset Management. Athene Asset Management had $59.5 billion of total AUM as of December 31, 2013 in accounts owned by or related to Athene (the “Athene Accounts”), of which approximately $9.2 billion, or approximately 15.5%, was either sub-advised by Apollo or invested in Apollo funds and investment vehicles. The vast majority of such assets are in sub-advisory managed accounts that manage high grade credit asset classes, such as CLO debt, commercial mortgage backed securities and insurance-linked securities. We expect this percentage to increase over time provided that it continues to perform successfully in providing asset management services to Athene. Athene Asset Management receives a gross management fee equal to 0.40% per annum on all AUM in the Athene Accounts, with certain limited exceptions for all of the services which Athene Asset Management provides to Athene. In addition, the Company receives sub-advisory fees with respect to a portion of the assets in the Athene Accounts.

Real Estate

Our real estate group has a dedicated team of multi-disciplinary real estate professionals whose investment activities are integrated and coordinated with our private equity and credit business segments. We take a broad view of markets and property types in targeting debt and equity investment opportunities, including the acquisition and recapitalization of real estate portfolios, platforms and operating companies and distressed for control situations. As of December 31, 2013, our real estate group had total and fee generating AUM of approximately $9.3 billion and $5.9 billion, respectively, through a combination of investment funds, strategic accounts and Apollo Commercial Real Estate

Finance, Inc. ("ARI"), a publicly-traded, commercial mortgage real estate investment trust managed by Apollo. With respect to our funds' equity investments, we take a value-oriented approach and our funds will invest in assets located in primary and secondary markets. We pursue opportunistic investments in various real estate asset classes, which historically have included hospitality, office, industrial, retail, healthcare, residential and non-performing loans. Our equity funds under management currently include our legacy Citi Property Investors ("CPI") business, the real estate investment management business we acquired from Citigroup in November 2010, and AGRE U.S. Real Estate Fund, L.P., our U.S. focused, opportunistic fund we closed in 2012.

With respect to our debt activities, our funds and accounts offer financing across a broad spectrum of property types and at various points within a property's capital structure, including first mortgage and mezzanine financing and preferred equity. In addition to ARI, we also manage strategic accounts focused on investing in commercial mortgage-backed securities and other commercial real estate loans.

Strategic Investment Accounts

Institutional investors are expressing increasing levels of interest in SIAs since these accounts can provide investors with greater levels of transparency, liquidity and control over their investments as compared to more traditional investment funds. Based on the trends we are currently witnessing among a select group of large institutional investors, we expect our AUM that is managed through SIAs to continue to grow over time. As of December 31, 2013, approximately $12 billion of our total AUM was managed through SIAs.

Fundraising and Investor Relations

We believe our performance track record across our funds and our focus on client service have resulted in strong relationships with our fund investors. Our fund investors include many of the world's most prominent pension and sovereign wealth funds, university endowments and financial institutions, as well as individuals. We maintain an internal team dedicated to investor relations across our private equity, credit and real estate businesses.

In our private equity business, fundraising activities for new funds begin once the investor capital commitments for the current fund are largely invested or committed to be invested. The investor base of our private equity funds includes both investors from prior funds and new investors. In many instances, investors in our private equity funds have increased their commitments to subsequent funds as our private equity funds have increased in size. During the fundraising effort for Apollo Investment Fund VIII, L.P. ("Fund VIII"), investors representing over 92% of Apollo Investment Fund VII, L.P.'s ("Fund VII") capital committed to Fund VIII. In addition, many of our investment professionals commit their own capital to each private equity fund. The single largest unaffiliated investor in Fund VIII represents 5% of Fund VIII's commitments.

During the management of a private equity fund, we maintain an active dialogue with our limited partner investors. We host quarterly webcasts that are led by members of our senior management team and we provide quarterly reports to the limited partner investors detailing recent performance by investment. We also organize an annual meeting for our private equity investors that consists of detailed presentations by the senior management teams of many of our current investments. From time to time, we also hold meetings for the advisory board members of our private equity funds.

In our credit business, we have raised private capital from prominent institutional investors and have also raised capital from public market investors, as in the case of AINV, AFT, AIF and AMTG. AINV is listed on the NASDAQ Global Select Market and complies with the reporting requirements of that exchange. AFT, AIF and AMTG are listed on the NYSE and comply with the reporting requirements of that exchange.

In our real estate business, we have raised capital from prominent institutional investors and we have also raised capital from public market investors, as in the case of ARI. ARI is listed on the NYSE and complies with the reporting requirements of that exchange.

Investment Process

We maintain a rigorous investment process and a comprehensive due diligence approach across all of our funds. We have developed policies and procedures, the adequacy of which are reviewed annually, that govern the investment practices of our funds. Moreover, each fund is subject to certain investment criteria set forth in its governing documents that generally contain requirements and limitations for investments, such as limitations relating to the amount that will be invested in any one company and the geographic regions in which the fund will invest. Our investment professionals are familiar with our investment policies and procedures and the investment criteria applicable to the funds that they manage. Our investment professionals interact frequently across our businesses on a formal and informal basis.

We have in place certain procedures to allocate investment opportunities among our funds. These procedures are meant to ensure that each fund is treated fairly and that transactions are allocated in a way that is equitable, fair and in the best interests of each fund, subject to the terms of the governing agreements of such funds.

Table of Contents

Private Equity Investment Process

Our private equity investment professionals are responsible for selecting, evaluating, structuring, due diligence, negotiating, executing, monitoring and exiting investments for our traditional private equity funds, as well as pursuing operational improvements in our funds' portfolio companies through management consulting arrangements. These investment professionals perform significant research into each prospective investment, including a review of the company's financial statements, comparisons with other public and private companies and relevant industry data. The due diligence effort will also typically include:

- on-site visits;
- interviews with management, employees, customers and vendors of the potential portfolio company;
- research relating to the company's management, industry, markets, products and services, and competitors; and
- background checks.

After an initial selection, evaluation and diligence process, the relevant team of investment professionals will prepare a detailed analysis of the investment opportunity for our private equity investment committee. Our private equity investment committee generally meets weekly to review the investment activity and performance of our private equity funds.

After discussing the proposed transaction with the deal team, the investment committee will decide whether to give its preliminary approval to the deal team to continue the selection, evaluation, diligence and negotiation process. The investment committee will typically conduct several meetings to consider a particular investment before finally approving that investment and its terms. Both at such meetings and in other discussions with the deal team, our Managing Partners and partners will provide guidance to the deal team on strategy, process and other pertinent considerations. Every private equity investment requires the approval of our Managing Partners.

Our private equity investment professionals are responsible for monitoring an investment once it is made and for making recommendations with respect to exiting an investment. Disposition decisions made on behalf of our private equity funds are subject to review and approval by the private equity investment committee, including our Managing Partners.

Credit and Real Estate Investment Process

Our credit and real estate investment professionals are responsible for selecting, evaluating, structuring, due diligence, negotiating, executing, monitoring and exiting investments for our credit funds and real estate funds, respectively. The investment professionals perform significant research into and due diligence of each prospective investment, and prepare analyses of recommended investments for the investment committee of the relevant fund.

Investment decisions are scrutinized by the investment committees where applicable, who review potential transactions, provide input regarding the scope of due diligence and approve recommended investments and dispositions. Close attention is given to how well a proposed investment is aligned with the distinct investment objectives of the fund in question, which in many cases have specific geographic or other focuses. The investment committee of each of our credit funds and real estate funds generally is provided with a summary of the investment activity and performance of the relevant funds on at least a monthly basis.

Overview of Fund Operations

Investors in our private equity funds and our real estate equity funds make commitments to provide capital at the outset of a fund and deliver capital when called by us as investment opportunities become available. We determine the amount of initial capital commitments for any given private equity fund by taking into account current market opportunities and conditions, as well as investor expectations. The general partner's capital commitment is determined through negotiation with the fund's investor base. The commitments are generally available for six years during what we call the investment period. We have typically invested the capital committed to our funds over a three to four year period. Generally, as each investment is realized, our private equity funds first return the capital and expenses related to that investment and any previously realized investments to fund investors and then distribute any profits. These profits are typically shared 80% to the investors in our private equity funds and 20% to us so long as the investors receive at least an 8% compounded annual return on their investment, which we refer to as a "preferred return" or "hurdle." Our private equity funds typically terminate ten years after the final closing, subject to the potential for two

one-year extensions. Dissolution of those funds can be accelerated upon a majority vote of investors not affiliated with us and, in any case, all of our funds also may be terminated upon the occurrence of certain other events. Ownership interests in our private equity funds and certain of our credit and real estate funds are not, however, subject to redemption prior to termination of the funds.
The processes by which our credit and real estate funds receive and invest capital vary by type of fund. AINV, AMTG, AFT, AIF and ARI, for instance, raise capital by selling shares in the public markets and these vehicles can also issue debt. Many

of our opportunistic credit funds sell shares or limited partner interests, subscriptions which are payable in full upon a fund’s acceptance of an investor’s subscription, via private placements. Other funds have drawdown structures, such as Apollo European Principal Finance Fund, L.P. (“EPF I”), Apollo European Principal Finance Fund II, L.P. (“EPF II”), Apollo Investment Europe II, L.P. (“AIE II”), Apollo Credit Opportunity Fund I, L.P. (“COF I”), Apollo Credit Opportunity Fund II, L.P. (“COF II”), Apollo Credit Opportunity Fund III, L.P. ("COF III"), and AGRE U.S. Real Estate Fund, L.P. where investors made a commitment to provide capital at the formation of such funds and deliver capital when called by us as investment opportunities become available. As with our private equity funds, the amount of initial capital commitments for our credit funds is determined by taking into account current market opportunities and conditions, as well as investor expectations. The general partner commitments for our credit funds that are structured as limited partnerships are determined through negotiation with the funds’ investor base. The fees and incentive income we earn for management of our credit funds and the performance of these funds and the terms of such funds governing withdrawal of capital and fund termination vary across our credit funds.

We conduct the management of our private equity, credit and real estate funds primarily through a partnership structure, in which limited partnerships organized by us accept commitments and/or funds for investment from investors. Funds are generally organized as limited partnerships with respect to private equity funds and other U.S. domiciled vehicles and limited partnership and limited liability (and other similar) companies with respect to non-U.S. domiciled vehicles. Typically, each fund has an investment advisor registered under the Investment Advisers Act of 1940, as amended (the “Investment Advisers Act”). Responsibility for the day-to-day operations of the funds is typically delegated to the funds’ respective investment advisors pursuant to an investment advisory (or similar) agreement. Generally, the material terms of our investment advisory agreements relate to the scope of services to be rendered by the investment advisor to the applicable funds, certain rights of termination in respect of our investment advisory agreements and, generally, with respect to our credit funds (as these matters are covered in the limited partnership agreements of the private equity funds), the calculation of management fees to be borne by investors in such funds, as well as the calculation of the manner and extent to which other fees received by the investment advisor from fund portfolio companies serve to offset or reduce the management fees payable by investors in our funds. The funds themselves generally do not register as investment companies under the Investment Company Act of 1940, as amended (the “Investment Company Act”), in reliance on Section 3(c)(7) or Section 7(d) thereof or, typically in the case of funds formed prior to 1997, Section 3(c)(1) thereof. Section 3(c)(7) of the Investment Company Act excepts from its registration requirements funds privately placed in the United States whose securities are owned exclusively by persons who, at the time of acquisition of such securities, are “qualified purchasers” or “knowledgeable employees” for purposes of the Investment Company Act. Section 3(c)(1) of the Investment Company Act exempts from its registration requirements privately placed funds whose securities are beneficially owned by not more than 100 persons. In addition, under current interpretations of the SEC, Section 7(d) of the Investment Company Act exempts from registration any non-U.S. fund all of whose outstanding securities are beneficially owned either by non-U.S. residents or by U.S. residents that are qualified purchasers.

In addition to having an investment advisor, each fund that is a limited partnership, or “partnership” fund, also has a general partner that makes all policy and investment decisions relating to the conduct of the fund’s business. The general partner is responsible for all decisions concerning the making, monitoring and disposing of investments, but such responsibilities are typically delegated to the fund’s investment advisor pursuant to an investment advisory (or similar) agreement. The limited partners of the funds take no part in the conduct or control of the business of the funds, have no right or authority to act for or bind the funds and have no influence over the voting or disposition of the securities or other assets held by the funds. These decisions are made by the fund’s general partner in its sole discretion, subject to the investment limitations set forth in the agreements governing each fund. The limited partners often have the right to remove the general partner or investment advisor for cause or cause an early dissolution by a simple majority vote. In connection with the private offering transactions that occurred in 2007 pursuant to which we sold shares of Apollo Global Management, LLC to certain initial purchasers and accredited investors in transactions exempt from the registration requirements of the Securities Act (“Private Offering Transactions”) and the reorganization of the Company’s predecessor business (the “2007 Reorganization”), we deconsolidated certain of our private equity and credit funds that have historically been consolidated in our financial statements and amended the governing agreements of those funds to provide that a simple majority of a fund's investors have the right to accelerate the dissolution date of the fund.

In addition, the governing agreements of our private equity funds and certain of our credit and real estate funds enable the limited partners holding a specified percentage of the interests entitled to vote not to elect to continue the limited partners' capital commitments for new portfolio investments in the event certain of our Managing Partners do not devote the requisite time to managing the fund or in connection with certain triggering events (as defined in the applicable governing agreements). In addition to having a significant, immeasurable negative impact on our revenue, net income and cash flow, the occurrence of such an event with respect to any of our funds would likely result in significant reputational damage to us. Further, the loss of one or more of our Managing Partners may result in the acceleration of our debt. The loss of the services of any of our Managing Partners would have a material adverse effect on us, including our ability to retain and attract investors and raise new funds, and the performance of our funds. We do not carry any "key man" insurance that would provide us with proceeds in the event of the death or disability of any of our Managing Partners.

Table of Contents

Fees and Carried Interest

Our revenues and other income consist principally of (i) management fees, which may be based upon a percentage of the committed or invested capital, adjusted assets, gross invested capital, fund net asset value, stockholders' equity or the capital accounts of the limited partners of the funds, and may be subject to offset as discussed in note 2 to the consolidated financial statements, (ii) advisory and transaction fees, net relating to certain actual and potential private equity, credit and real estate investments as more fully discussed in note 2 to the consolidated financial statements, (iii) income based on the performance of our funds, which consists of allocations, distributions or fees from our private equity, credit and real estate funds, and (iv) investment income from our investments as general partner and other direct investments primarily in the form of net gains from investment activities as well as interest and dividend income.

The composition of our revenues will vary based on market conditions and the cyclicality of the different businesses in which we operate. Our funds’ returns are driven by investment opportunities and general market conditions, including the availability of debt capital on attractive terms and the availability of distressed debt opportunities. Our funds initially record fund investments at cost and then such investments are subsequently recorded at fair value. Fair values are affected by changes in the fundamentals of the underlying portfolio company investments of the funds, the industries in which the portfolio companies operate, the overall economy as well as other market conditions.

General Partner and Professionals Investments and Co-Investments

General Partner Investments

Certain of our management companies, general partners and co-invest vehicles are committed to contribute to our funds and affiliates. As a limited partner, general partner and manager of the Apollo funds, Apollo had unfunded capital commitments as of December 31, 2013, and 2012 of $843.7 million and $258.3 million, respectively.

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

In September 2013, an indirect subsidiary of Apollo Global Management, LLC agreed to invest up to approximately €18.2 million ($23.9 million) in a limited partnership (the "KBCD Partnership"), a wholly-owned subsidiary which has agreed to acquire a minority stake in KBC Bank Deutschland AG, the German subsidiary of Belgian KBC Group NV (and certain third party purchasers agreed to acquire, in aggregate, all of the other shares in KBC Bank Deutschland AG). The aforementioned indirect subsidiary of Apollo Global Management, LLC is the general partner of the KBCD Partnership. The limited partners in the KBCD Partnership are managed by subsidiaries of Apollo Global Management, LLC. The acquisition is subject to antitrust and regulatory approval, which is expected to take approximately nine months. Consequently, there is no assurance that the acquisition will close.

Managing Partners and Other Professionals Investments

To further align our interests with those of investors in our funds, our Managing Partners and other professionals have invested their own capital in our funds. Our Managing Partners and other professionals will either re-invest their carried interest to fund these investments or use cash on hand or funds borrowed from third parties. We generally have not historically charged management fees or carried interest on capital invested by our Managing Partners and other professionals directly in our private equity, credit, and real estate funds.

Co-Investments

Investors in many of our funds, as well as other investors, may have the opportunity to make co-investments with the funds. Co-investments are investments in portfolio companies or other assets generally on the same terms and conditions as those to which the applicable fund is subject.

Regulatory and Compliance Matters

Our businesses, as well as the financial services industry generally, are subject to extensive regulation in the United States and elsewhere.

All of the investment advisors of our funds are registered as investment advisors either directly or as a "relying advisor" with the SEC. Registered investment advisors are subject to the requirements and regulations of the Investment Advisers Act.

Table of Contents

Such requirements relate to, among other things, fiduciary duties to clients, maintaining an effective compliance program, managing conflicts of interest and general anti-fraud prohibitions.

Each of AFT and AIF is a registered management investment company under the Investment Company Act. AINV is an investment company that has elected to be treated as a business development company under the Investment Company Act. Each of AFT, AIF and AINV has elected for U.S. Federal tax purposes to be treated as a regulated investment company under Subchapter M of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"). As such, each of AFT, AIF and AINV is required to distribute at least 90% of its ordinary income and realized, net short-term capital gains in excess of realized net long-term capital losses, if any, to its shareholders. In addition, in order to avoid excise tax, each needs to distribute during each calendar year at least 98% of its ordinary income and 98.2% of its capital gains, which would take into account short-term and long-term capital gains and losses. In addition, as a business development company, AINV must not acquire any assets other than "qualifying assets" specified in the Investment Company Act unless, at the time the acquisition is made, at least 70% of AINV's total assets are qualifying assets (with certain limited exceptions).

ARI elected to be taxed as a real estate investment trust, or REIT, under the Internal Revenue Code commencing with its taxable year ended December 31, 2009. AMTG also elected to be taxed as a REIT under the Internal Revenue Code, commencing with its fiscal year ending December 31, 2011. To maintain their qualification as REITs, ARI and AMTG must distribute at least 90% of their taxable income to their shareholders and meet, on a continuing basis, certain other complex requirements under the Internal Revenue Code.

In addition, Apollo Global Securities, LLC ("AGS") is a registered broker dealer with the SEC and is a member of the Financial Industry Regulatory Authority, Inc. From time to time, this entity is involved in transactions with affiliates of Apollo, including portfolio companies of the funds we manage, whereby AGS will earn underwriting and transaction fees for its services.

Broker-dealers are subject to regulations that cover all aspects of the securities business. In particular, as a registered broker-dealer and member of a self regulatory organization, we are subject to the SEC's uniform net capital rule, Rule 15c3-1. Rule 15c3-1 specifies the minimum level of net capital a broker-dealer must maintain and also requires that a significant part of a broker-dealer's assets be kept in relatively liquid form. The SEC and various self-regulatory organizations impose rules that require notification when net capital falls below certain predefined criteria, limit the ratio of subordinated debt to equity in the regulatory capital composition of a broker-dealer and constrain the ability of a broker-dealer to expand its business under certain circumstances. Additionally, the SEC's uniform net capital rule imposes certain requirements that may have the effect of prohibiting a broker-dealer from distributing or withdrawing capital and requiring prior notice to the SEC for certain withdrawals of capital.

As the ultimate parent of the general partner or manager of certain shareholders of Athene Holding, Ltd. ("Athene"), we are subject to insurance holding company system laws and regulations in Delaware, Iowa and New York, which are the states in which the insurance company subsidiaries of Athene are domiciled. These regulations generally require each insurance company subsidiary to register with the insurance department in its state of domicile and to furnish financial and other information about the operations of companies within its holding company system. These regulations also impose restrictions and limitations on the ability of an insurance company subsidiary to pay dividends and make other distributions to its parent company. In addition, transactions between an insurance company and other companies within its holding company system, including sales, loans, reinsurance agreements, management agreements and service agreements, must be on terms that are fair and reasonable and, if material or within a specified category, require prior notice and approval or non-disapproval by the applicable domiciliary insurance department.

The insurance laws of each of Delaware, Iowa and New York prohibit any person from acquiring control of a domestic insurance company or its parent company unless that person has filed a notification with specified information with that state's Commissioner or Superintendent of Insurance (the "Commissioner") and has obtained the Commissioner's prior approval. Under applicable Delaware, Iowa and New York statutes, the acquisition of 10% or more of the voting securities of an insurance company or its parent company is presumptively considered an acquisition of control of the insurance company, although such presumption may be rebutted. Accordingly, any person or entity that acquires, directly or indirectly, 10% or more of the voting securities of Apollo without the requisite prior approvals will be in violation of these laws and may be subject to injunctive action requiring the disposition or seizure of those securities or prohibiting the voting of those securities, or to other actions that may be taken by the applicable state insurance regulators.

In addition, many U.S. state insurance laws require prior notification to state insurance departments of an acquisition of control of a non-domiciliary insurance company doing business in that state if the acquisition would result in specified levels of market concentration. While these pre-notification statutes do not authorize the state insurance departments to disapprove the acquisition of control, they authorize regulatory action in the affected state, including requiring the insurance company to cease and desist from doing certain types of business in the affected state or denying a license to do business in the affected state, if particular conditions exist, such as substantially lessening competition in any line of business in such state. Any transactions that would constitute an acquisition of control of Apollo may require prior notification in those states that have adopted pre-acquisition notification laws. These laws may discourage potential acquisition proposals and may delay, deter or prevent an acquisition of control of Apollo (in particular through an unsolicited transaction), even if Apollo might consider such transaction to be desirable for its shareholders.

Currently, there are proposals to increase the scope of regulation of insurance holding companies in both the United States and internationally. In the United States, the National Association of Insurance Commissioners ("NAIC") has promulgated amendments to its insurance holding company system model law and regulations for consideration by the various states that would provide for more extensive informational reporting regarding parents and other affiliates of insurance companies, with the purpose of protecting domestic insurers from enterprise risk, including requiring an annual enterprise risk report by the ultimate controlling person identifying the material risks within the insurance holding company system that could pose enterprise risk to domestic insurers. To date, both Iowa and New York have introduced bills to adopt such amendments.

Internationally, the International Association of Insurance Supervisors is in the process of adopting a framework for the "group wide" supervision of internationally active insurance groups. Changes to existing laws or regulations must be adopted by individual states or foreign jurisdictions before they will become effective. We cannot predict with any degree of certainty the additional capital requirements, compliance costs or other burdens these requirements may impose on us and our insurance company affiliates.

In addition, state insurance departments also have broad administrative powers over the insurance business of our insurance company affiliates, including insurance company licensing and examination, agent licensing, establishment of reserve requirements and solvency standards, premium rate regulation, admissibility of assets, policy form approval, unfair trade and claims practices and other matters.

Apollo Management International LLP is authorized and regulated by the U.K. Financial Conduct Authority.

AAA is regulated under the Authorized Closed-ended Investment Scheme Rules 2008 issued by the Guernsey Financial Services Commission ("GFSC") with effect from December 15, 2008 under The Protection of Investors (Bailiwick of Guernsey) Law 1987, as amended (the "New Rules"). AAA is deemed to be an authorized closed-ended investment scheme under the New Rules.

Apollo Advisors (Mauritius) Ltd ("Apollo Mauritius"), one of our subsidiaries, and AION Capital Management Limited ("AION Manager"), one of our joint venture investments, are licensed providers of investment management services in the Republic of Mauritius and are subject to applicable Mauritian securities laws and the oversight of the Financial Services Commission (Mauritius) (the "FSC"). Each of Apollo Mauritius and AION Manager is subject to limited regulatory requirements under the Mauritian Securities Act 2005, Mauritian Financial Services Act 2007 and relevant ancillary regulations, including, ongoing reporting and record keeping requirements, anti-money laundering obligations, obligations to ensure that it and its directors, key officers and representatives are fit and proper and requirements to maintain positive shareholders' equity. The FSC is responsible for administering these requirements and ensuring the compliance of Apollo Mauritius and AION Manager with them. If Apollo Mauritius or AION Manager contravenes any such requirements, such entities and/or their officers or representatives may be subject to a fine, reprimand, prohibition order or other regulatory sanctions.

AGM India Advisors Private Limited is regulated by the Company Law Board (also known as the Ministry of Company Affairs) through the Companies Act of 1956 in India. Additionally since there are foreign investments in the company, AGM India Advisors Private Limited is also subject to the rules and regulations applicable under the Foreign Exchange Management Act of 1999 which falls within the purview of Reserve Bank of India.

Apollo Management Singapore Ptc Ltd. was granted a Capital Markets Service License with the Monetary Authority of Singapore in October 2013. In addition, Apollo Capital Management is registered with the Securities and Exchange Board of India as a foreign institutional investor.

The SEC and various self-regulatory organizations have in recent years increased their regulatory activities in respect of investment management firms.

Certain of our businesses are subject to compliance with laws and regulations of U.S. Federal and state governments, non-U.S. governments, their respective agencies and/or various self-regulatory organizations or exchanges relating to, among other things, the privacy of client information, and any failure to comply with these regulations could expose us to liability and/or reputational damage. Our businesses have operated for many years within a legal framework that requires our being able to monitor and comply with a broad range of legal and regulatory developments that affect our activities.

Table of Contents

However, additional legislation, changes in rules promulgated by self-regulatory organizations or changes in the interpretation or enforcement of existing laws and rules, either in the United States or elsewhere, may directly affect our mode of operation and profitability. For additional information concerning the competitive risks that we face, see "Item 1A. Risk Factors — Risks related to our Businesses — The investment management business is intensely competitive, which could materially adversely impact us."

Rigorous legal and compliance analysis of our businesses and investments is important to our culture. We strive to maintain a culture of compliance through the use of policies and procedures, such as our codes of ethics, compliance systems, communication of compliance guidance and employee education and training. We have a compliance group that monitors our compliance with the regulatory requirements to which we are subject and manages our compliance policies and procedures. Our Chief Compliance Officer supervises our compliance group, which is responsible for addressing all regulatory and compliance matters that affect our activities. Our compliance policies and procedures address a variety of regulatory and compliance risks such as the handling of material non-public information, personal securities trading, valuation of investments on a fund-specific basis, document retention, potential conflicts of interest and the allocation of investment opportunities.

We generally operate without information barriers between our businesses. In an effort to manage possible risks resulting from our decision not to implement these barriers, our compliance personnel maintain a list of issuers for which we have access to material, non-public information and for whose securities our funds and investment professionals are not permitted to trade. We could in the future decide that it is advisable to establish information barriers, particularly as our business expands and diversifies. In such event our ability to operate as an integrated platform will be restricted.

Competition

The investment management industry is intensely competitive, and we expect it to remain so. We compete both globally and on a regional, industry and niche basis.

We face competition both in the pursuit of outside investors for our funds and in acquiring investments in attractive portfolio companies and making other investments. We compete for outside investors based on a variety of factors, including:

- investment performance;
- investor perception of investment managers' drive, focus and alignment of interest;
- quality of service provided to and duration of relationship with investors;
- business reputation; and
- the level of fees and expenses charged for services.

Depending on the investment, we expect to face competition in acquisitions primarily from other private equity, credit and real estate funds, specialized funds, hedge fund sponsors, other financial institutions, corporate buyers and other parties. Several of these competitors have significant amounts of capital and many of them have similar investment objectives to us, which may create additional competition for investment opportunities. Some of these competitors may also have a lower cost of capital and access to funding sources that are not available to us, which may create competitive disadvantages for us with respect to investment opportunities. Competitors may also be subject to different regulatory regimes or rules that may provide them more flexibility or better access to pursue transactions or raise capital for their investment funds. In addition, some of these competitors may have higher risk tolerances, different risk assessments or lower return thresholds, which could allow them to consider a wider variety of investments and to bid more aggressively than us for investments that we want to make. Corporate buyers may be able to achieve synergistic cost savings with regard to an investment that may provide them with a competitive advantage in bidding for an investment. Lastly, the allocation of increasing amounts of capital to alternative investment strategies by institutional and individual investors could well lead to a reduction in the size and duration of pricing inefficiencies that many of our funds seek to exploit.

Competition is also intense for the attraction and retention of qualified employees. Our ability to continue to compete effectively in our businesses will depend upon our ability to attract new employees and retain and motivate our existing employees.

For additional information concerning the competitive risks that we face, see "Item 1A. Risk Factors—Risks Related to Our Businesses—The investment management business is intensely competitive, which could materially adversely impact us."

Table of Contents

ITEM 1A. RISK FACTORS

Risks Related to Our Businesses

Poor performance of our funds would cause a decline in our revenue and results of operations, may obligate us to repay incentive income previously paid to us and would adversely affect our ability to raise capital for future funds.

We derive revenues in part from:

- management fees, which are based generally on the amount of capital invested in our funds;
- transaction and advisory fees relating to the investments our funds make;
- incentive income, based on the performance of our funds; and
- investment income from our investments as general partner.

If a fund performs poorly, we will receive little or no incentive income with regard to the fund and little income or possibly losses from any principal investment in the fund. Furthermore, if, as a result of poor performance of later investments in a fund's life, the fund does not achieve total investment returns that exceed a specified investment return threshold for the life of the fund, we may be obligated to repay the amount by which incentive income that was previously distributed to us exceeds amounts to which we are ultimately entitled. Our fund investors and potential fund investors continually assess our funds' performance and our ability to raise capital. Accordingly, poor fund performance may deter future investment in our funds and thereby decrease the capital invested in our funds and ultimately, our management fee income.

We depend on Leon Black, Joshua Harris and Marc Rowan, and the loss of any of their services would have a material adverse effect on us.

The success of our businesses depends on the efforts, judgment and personal reputations of our Managing Partners, Leon Black, Joshua Harris and Marc Rowan. Their reputations, expertise in investing, relationships with our fund investors and relationships with members of the business community on whom our funds depend for investment opportunities and financing are each critical elements in operating and expanding our businesses. We believe our performance is strongly correlated to the performance of these individuals. Accordingly, our retention of our Managing Partners is crucial to our success. Subject to the terms of their employment, non-competition and non-solicitation agreements, our Managing Partners may resign, join our competitors or form a competing firm at any time. If any of our Managing Partners were to join or form a competitor, some of our investors could choose to invest with that competitor rather than in our funds. The loss of the services of any of our Managing Partners may have a material adverse effect on us, including our ability to retain and attract investors and raise new funds, and the performance of our funds. We do not carry any "key man" insurance that would provide us with proceeds in the event of the death or disability of any of our Managing Partners. In addition, the loss of one or more of our Managing Partners may result in the termination of our role as general partner of one or more of our funds and the acceleration of our debt. Although our Managing Partners have entered into employment, non-competition and non-solicitation agreements, which impose certain restrictions on competition and solicitation of our employees by our Managing Partners if they terminate their employment, a court may not enforce these provisions. See "Item 11. Executive Compensation—Narrative Disclosure to the Summary Compensation Table and Grants of Plan-Based Awards Table—Employment, Non-Competition and Non-Solicitation Agreement with Chairman and Chief Executive Officer" for a more detailed description of the terms of the agreement for one of our Managing Partners.

Changes in the debt financing markets may negatively impact the ability of our funds and their portfolio companies to obtain attractive financing for their investments and may increase the cost of such financing if it is obtained, which could lead to lower-yielding investments and potentially decreasing our net income.

In the event that our funds are unable to obtain committed debt financing for potential acquisitions or can only obtain debt at an increased interest rate or on unfavorable terms, our funds may have difficulty completing otherwise profitable acquisitions or may generate profits that are lower than would otherwise be the case, either of which could lead to a decrease in the investment income earned by us. Any failure by lenders to provide previously committed financing can also expose us to potential claims by sellers of businesses which we may have contracted to purchase.

Our funds' portfolio companies regularly utilize the corporate debt markets in order to obtain financing for their operations. Similarly, certain of our credit funds rely on the availability of attractive financing for their investments. To the extent that the current credit markets have rendered such financing difficult to obtain or more expensive, this may negatively impact the operating performance of such portfolio companies and lead to lower-yielding investments with respect to such funds and, therefore, the investment returns on our funds. In addition, to the extent that the current markets make it difficult or impossible to refinance debt that is maturing in the near term, a relevant portfolio company may face substantial doubt as to its status as a going concern (which may result in an event of default under various agreements) or be unable to repay such debt at maturity and may be forced to sell assets, undergo a recapitalization or seek bankruptcy protection.

Table of Contents

Difficult market conditions may adversely affect our businesses in many ways, including by reducing the value or hampering the performance of the investments made by our funds or reducing the ability of our funds to raise or deploy capital, each of which could materially reduce our revenue, net income and cash flow and adversely affect our financial prospects and condition.

Our businesses are materially affected by conditions in the global financial markets and economic conditions throughout the world, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation), trade barriers, commodity prices, currency exchange rates and controls and national and international political circumstances (including wars, terrorist acts or security operations). These factors are outside our control and may affect the level and volatility of securities prices and the liquidity and the value of investments, and we may not be able to or may choose not to manage our exposure to these conditions. Global financial markets have experienced considerable volatility in the valuations of equity and debt securities, a contraction in the availability of credit and an increase in the cost of financing. Volatility in the financial markets can materially hinder the initiation of new, large-sized transactions for our private equity segment and, together with volatility in valuations of equity and debt securities, may adversely impact our operating results. If market conditions deteriorate, our business could be affected in different ways. In addition, these events and general economic trends are likely to impact the performance of portfolio companies in many industries, particularly industries that are more impacted by changes in consumer demand, such as travel and leisure, gaming and real estate. The performance of our funds and our performance may be adversely affected to the extent our fund portfolio companies in these industries experience adverse performance or additional pressure due to downward trends. Our profitability may also be adversely affected by our fixed costs and the possibility that we would be unable to scale back other costs, within a time frame sufficient to match any further decreases in net income or increases in net losses relating to changes in market and economic conditions.

The financial downturn that began in 2007 adversely affected our operating results in a number of ways, and if the economy were to re-enter a period of recession, it may cause our revenue and results of operations to decline by causing:

- our AUM to decrease, lowering management fees from our funds;
- increases in costs of financial instruments;
- adverse conditions for our portfolio companies (e.g., decreased revenues, liquidity pressures, increased difficulty in obtaining access to financing and complying with the terms of existing financings as well as increased financing costs);
- lower investment returns, reducing incentive income;
- higher interest rates, which could increase the cost of the debt capital we use to acquire companies in our private equity business; and
- material reductions in the value of our fund investments, affecting our ability to realize carried interest from these investments.

Lower investment returns and such material reductions in value may result, among other reasons, because during periods of difficult market conditions or slowdowns (which may be across one or more industries, sectors or geographies), companies in which we invest may experience decreased revenues, financial losses, difficulty in obtaining access to financing and increased funding costs. During such periods, these companies may also have difficulty in expanding their businesses and operations and be unable to meet their debt service obligations or other expenses as they become due, including expenses payable to us. In addition, during periods of adverse economic conditions, we may have difficulty accessing financial markets, which could make it more difficult or impossible for us to obtain funding for additional investments and harm our AUM and operating results. Furthermore, such conditions would also increase the risk of default with respect to investments held by our funds that have significant debt investments, such as our opportunistic and European credit funds and our U.S. performing credit funds. Our funds may be affected by reduced opportunities to exit and realize value from their investments, by lower than expected returns on investments made prior to the deterioration of the credit markets, and by the fact that we may not be able to find suitable investments for the funds to effectively deploy capital, which could adversely affect our ability to raise new funds and thus adversely impact our prospects for future growth.

A decline in the pace of investment in our funds or an increase in the amount of transaction and advisory fees we share with our fund investors would result in our receiving less revenue from transaction and advisory fees.

The transaction and advisory fees that we earn are driven in part by the pace at which our funds make investments. Many factors could cause a decline in the pace of investment, including the inability of our investment professionals to identify attractive investment opportunities, competition for such opportunities among other potential acquirers, decreased availability of capital on attractive terms and our failure to consummate identified investment opportunities because of business, regulatory or legal complexities and adverse developments in the U.S. or global economy or financial markets. Any decline in the pace at which our funds make investments would reduce our transaction and advisory fees and could make it more difficult for us to raise capital. In addition, some of our investors have requested, and we expect to continue to receive requests from investors, that we share with

Table of Contents

them a larger share, or all, of the transaction and advisory fees generated by our funds' investments. To the extent we accommodate such requests, it would result in a decrease in the amount of fee revenue we could earn.

If one or more of our Managing Partners or other investment professionals leave our company, the commitment periods of certain of our funds may be terminated, and we may be in default under our credit agreement.

The governing agreements of certain of our funds provide that in the event certain “key persons” (such as one or more of Messrs. Black, Harris and Rowan and/or certain other of our investment professionals) fail to devote the requisite time to our business, the commitment period will terminate if a certain percentage in interest of the investors do not vote to continue the commitment period. This is true of Fund VI, Fund VII and Fund VIII, on which our near- to medium-term performance will heavily depend. EPF I and II have a similar provision. In addition to having a significant negative impact on our revenue, net income and cash flow, the occurrence of such an event with respect to any of our funds would likely result in significant reputational damage to us.

Messrs. Black, Harris and Rowan may terminate their employment with us at any time.

We may not be successful in raising new funds or in raising more capital for certain of our funds and may face pressure on fee arrangements of our future funds.

Our funds may not be successful in consummating their current capital-raising efforts or others that they may undertake, or they may consummate them at investment levels far lower than those currently anticipated. Any capital raising that our funds do consummate may be on terms that are unfavorable to us or that are otherwise different from the terms that we have been able to obtain in the past. These risks could occur for reasons beyond our control, including general economic or market conditions, regulatory changes or increased competition.

Over the last few years, a large number of institutional investors that invest in alternative assets and have historically invested in our funds experienced negative pressure across their investment portfolios, which may affect our ability to raise capital from them. As a result of the global economic downturn during 2008 and 2009, these institutional investors experienced, among other things, a significant decline in the value of their public equity and debt holdings and a lack of realizations from their existing private equity portfolios. Consequently, many of these investors were left with disproportionately outsized remaining commitments to a number of private equity funds, and were restricted from making new commitments to third-party managed private equity funds such as those managed by us. To the extent economic conditions remain volatile and these issues persist, we may be unable to raise sufficient amounts of capital to support the investment activities of our future funds.

In addition, certain institutional investors have publicly criticized certain fund fee and expense structures, including management fees and transaction and advisory fees. In September 2009, the Institutional Limited Partners Association, or “ILPA,” published a set of Private Equity Principles, or the “Principles,” which were revised in January 2011. The Principles were developed in order to encourage discussion between limited partners and general partners regarding private equity fund partnership terms. Certain of the Principles call for enhanced “alignment of interests” between general partners and limited partners through modifications of some of the terms of fund arrangements, including proposed guidelines for fees and carried interest structures. We provided ILPA our endorsement of the Principles, representing an indication of our general support for the efforts of ILPA. Although we have no obligation to modify any of our fees with respect to our existing funds, we may experience pressure to do so.

The failure of our funds to raise capital in sufficient amounts and on satisfactory terms could result in a decrease in AUM and management fee and transaction fee revenue or us being unable to achieve an increase in AUM and management fee and transaction fee revenue, and could have a material adverse effect on our financial condition and results of operations. Similarly, any modification of our existing fee arrangements or the fee structures for new funds could adversely affect our results of operations.

Third-party investors in our funds with commitment-based structures may not satisfy their contractual obligation to fund capital calls when requested by us, which could adversely affect a fund’s operations and performance.

Investors in all of our private equity and certain of our credit and real estate funds make capital commitments to those funds that we are entitled to call from those investors at any time during prescribed periods. We depend on investors fulfilling their commitments when we call capital from them in order for those funds to consummate investments and otherwise pay their obligations when due. Any investor that did not fund a capital call would be subject to several possible penalties, including having a significant amount of its existing investment forfeited in that fund. However, the impact of the penalty is directly correlated to the amount of capital previously invested by the investor in the fund and if an investor has invested little or no capital, for instance early in the life of the fund, then the forfeiture penalty may not be as meaningful. If investors were to fail to satisfy a significant

Table of Contents

amount of capital calls for any particular fund or funds, the operation and performance of those funds could be materially and adversely affected.

The historical returns attributable to our funds should not be considered as indicative of the future results of our funds or of our future results or of any returns expected on an investment in our Class A shares.

We have presented in this report the returns relating to the historical performance of our private equity, credit and real estate funds. The returns are relevant to us primarily insofar as they are indicative of incentive income we have earned in the past and may earn in the future, our reputation and our ability to raise new funds. The returns of the funds we manage are not, however, directly linked to returns on our Class A shares. Therefore, you should not conclude that continued positive performance of the funds we manage will necessarily result in positive returns on an investment in Class A shares. However, poor performance of the funds we manage will cause a decline in our revenue from such funds, and would therefore have a negative effect on our performance and the value of our Class A shares. An investment in our Class A shares is not an investment in any of the Apollo funds. Moreover, most of our funds have not been consolidated in our financial statements for periods since either August 1, 2007 or November 30, 2007 as a result of the deconsolidation of most of our funds as of August 1, 2007 and November 30, 2007.

Moreover, the historical returns of our funds should not be considered indicative of the future returns of these or from any future funds we may raise, in part because:

- market conditions during previous periods may have been significantly more favorable for generating positive performance, particularly in our private equity business, than the market conditions we may experience in the future;
- our funds' returns have benefited from investment opportunities and general market conditions that may not repeat themselves, and there can be no assurance that our current or future funds will be able to avail themselves of profitable investment opportunities;
- our private equity funds' rates of returns, which are calculated on the basis of net asset value of the funds' investments, reflect unrealized gains, which may never be realized;
- our funds' returns have benefited from investment opportunities and general market conditions that may not repeat themselves, including the availability of debt capital on attractive terms and the availability of distressed debt opportunities, and we may not be able to achieve the same returns or profitable investment opportunities or deploy capital as quickly;
- the historical returns that we present in this report derive largely from the performance of our current private equity funds, whereas future fund returns will depend increasingly on the performance of our newer funds or funds not yet formed, which may have little or no realized investment track record;
- Fund VI, Fund VII and Fund VIII are larger private equity funds, and this capital may not be deployed as profitably as other funds;
- the attractive returns of certain of our funds have been driven by the rapid return of invested capital, which has not occurred with respect to all of our funds and we believe is less likely to occur in the future;
- our track record with respect to our credit funds and real estate funds is relatively short as compared to our private equity funds;
- in recent years, there has been increased competition for private equity investment opportunities resulting from the increased amount of capital invested in private equity funds and high liquidity in debt markets; and
- our newly established funds may generate lower returns during the period that they take to deploy their capital.

Finally, our private equity IRRs have historically varied greatly from fund to fund. Accordingly, you should realize that the IRR going forward for any current or future fund may vary considerably from the historical IRR generated by any particular fund, or for our private equity funds as a whole. Future returns will also be affected by the risks described elsewhere in this report, including risks of the industries and businesses in which a particular fund invests. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—The Historical Investment Performance of Our Funds."

Our reported net asset values, rates of return and incentive income from affiliates are based in large part upon estimates of the fair value of our investments, which are based on subjective standards and may prove to be incorrect.

A large number of investments in our funds are illiquid and thus have no readily ascertainable market prices. We value these investments based on our estimate of their fair value as of the date of determination. We estimate the fair value of our investments based on third-party models, or models developed by us, which include discounted cash flow analyses and other techniques and may be based, at least in part, on independently sourced market parameters. The material estimates and assumptions used in these models include the timing and expected amount of cash flows, the appropriateness of discount rates used, and, in some cases, the ability to execute, the timing of and the estimated proceeds from expected financings. The actual results related to any particular investment often vary materially as a result of the inaccuracy of these estimates and assumptions. In addition, because many of the illiquid investments held by our funds are in industries or sectors which are unstable, in distress, or undergoing some uncertainty, such investments are subject to rapid changes in value caused by sudden company-specific or industry-wide developments.

We include the fair value of illiquid assets in the calculations of net asset values, returns of our funds and our AUM. Furthermore, we recognize incentive income from affiliates based in part on these estimated fair values. Because these valuations are inherently uncertain, they may fluctuate greatly from period to period. Also, they may vary greatly from the prices that would be obtained if the assets were to be liquidated on the date of the valuation and often do vary greatly from the prices we eventually realize.

In addition, the values of our investments in publicly traded assets are subject to significant volatility, including due to a number of factors beyond our control. These include actual or anticipated fluctuations in the quarterly and annual results of these companies or other companies in their industries, market perceptions concerning the availability of additional securities for sale, general economic, social or political developments, changes in industry conditions or government regulations, changes in management or capital structure and significant acquisitions and dispositions. Because the market prices of these securities can be volatile, the valuation of these assets will change from period to period, and the valuation for any particular period may not be realized at the time of disposition. In addition, because our private equity funds often hold very large amounts of the securities of their portfolio companies, the disposition of these securities often takes place over a long period of time, which can further expose us to volatility risk. Even if we hold a quantity of public securities that may be difficult to sell in a single transaction, we do not discount the market price of the security for purposes of our valuations.

If we realize value on an investment that is significantly lower than the value at which it was reflected in a fund’s net asset values, we would suffer losses in the applicable fund. This could in turn lead to a decline in asset management fees and a loss equal to the portion of the incentive income from affiliates reported in prior periods that was not realized upon disposition. These effects could become applicable to a large number of our investments if our estimates and assumptions used in estimating their fair values differ from future valuations due to market developments. See “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Segment Analysis” for information related to fund activity that is no longer consolidated. If asset values turn out to be materially different than values reflected in fund net asset values, fund investors could lose confidence which could, in turn, result in redemptions from our funds that permit redemptions or difficulties in raising additional investments.

We have experienced rapid growth, which may be difficult to sustain and which may place significant demands on our administrative, operational and financial resources.

Our AUM has grown significantly in the past and we are pursuing further growth in the near future. Our rapid growth has caused, and planned growth, if successful, will continue to cause, significant demands on our legal, accounting and operational infrastructure, and increased expenses. The complexity of these demands, and the expense required to address them, is a function not simply of the amount by which our AUM has grown, but of the growth in the variety, including the differences in strategy between, and complexity of, our different funds. In addition, we are required to continuously develop our systems and infrastructure in response to the increasing sophistication of the investment management market and legal, accounting, regulatory and tax developments.

Our future growth will depend in part, on our ability to maintain an operating platform and management system sufficient to address our growth and will require us to incur significant additional expenses and to commit additional senior management and operational resources. As a result, we face significant challenges:

- in maintaining adequate financial, regulatory and business controls;
- implementing new or updated information and financial systems and procedures; and
- in training, managing and appropriately sizing our work force and other components of our businesses on a timely and cost-effective basis.

We may not be able to manage our expanding operations effectively or be able to continue to grow, and any failure to do so could adversely affect our ability to generate revenue and control our expenses.

Table of Contents

Extensive regulation of our businesses affects our activities and creates the potential for significant liabilities and penalties. The possibility of increased regulatory focus could result in additional burdens on our businesses. Changes in tax or law and other legislative or regulatory changes could adversely affect us.

Overview of Our Regulatory Environment. We are subject to extensive regulation, including periodic examinations, by governmental and self-regulatory organizations in the jurisdictions in which we operate around the world. Many of these regulators, including U.S. and foreign government agencies and self-regulatory organizations, as well as state securities commissions in the United States, are empowered to conduct investigations and administrative proceedings that can result in fines, suspensions of personnel or other sanctions, including censure, the issuance of cease-and-desist orders or the suspension or expulsion of an investment advisor from registration or memberships. Even if an investigation or proceeding did not result in a sanction or the sanction imposed against us or our personnel by a regulator were small in monetary amount, the adverse publicity relating to the investigation, proceeding or imposition of these sanctions could harm our reputation and cause us to lose existing investors or fail to gain new investors. The requirements imposed by our regulators are designed primarily to ensure the integrity of the financial markets and to protect investors in our funds and may not necessarily be designed to protect our shareholders. Consequently, these regulations often serve to limit our activities. For example, federal bank regulatory agencies have recently issued leveraged lending guidance covering transactions characterized by a degree of financial leverage. To the extent that such guidance limits the amount or cost of financing our funds are able to obtain for transactions, the returns on our funds' investments may suffer.

Regulatory changes could adversely affect our business. As a result of highly publicized financial scandals, investors have exhibited concerns over the integrity of the financial markets and the regulatory environment in which we operate both in the United States and outside the United States is particularly likely to be subject to further regulation. There have been active debates both nationally and internationally over the appropriate extent of regulation and oversight in a number of areas which are or may be relevant to us, including private investment funds and their managers and the so-called "shadow banking" sector. Any changes in the regulatory framework applicable to our businesses may impose additional expenses on us, require the attention of senior management or result in limitations in the manner in which our business is conducted.

On July 21, 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the "Dodd-Frank Act," which imposes significant new regulations on almost every aspect of the U.S. financial services industry, including aspects of our business and the markets in which we operate. Among other things, the Dodd-Frank Act includes the following provisions that could have an adverse impact on our ability to continue to operate our businesses.

- The Dodd-Frank Act established the Financial Stability Oversight Council (the "FSOC"), which is comprised of representatives of all the major U.S. financial regulators, to act as the financial system's systemic risk regulator with the authority to review the activities of non-bank financial companies predominantly engaged in financial activities that are designated as "systemically important." Such designation is applicable to companies where material financial distress could pose risk to the financial stability of the United States. On April 3, 2012, the FSOC issued a final rule and interpretive guidance regarding the process by which it will designate nonbank financial companies as systemically important. The final rule and interpretive guidance detail a three-stage process, with the level of scrutiny increasing at each stage. Initially, the FSOC will apply a broad set of uniform quantitative metrics to screen out financial companies that do not warrant additional review. The FSOC will consider whether a company has at least $50 billion in total consolidated assets and whether it meets other thresholds relating to credit default swaps outstanding, derivative liabilities, total debt outstanding, a minimum leverage ratio of total consolidated assets (excluding separate accounts) to total equity of 15 to 1, and a short-term debt ratio of debt (with maturities of less than 12 months) to total consolidated assets (excluding separate accounts) of 10%. A company that meets or exceeds both the asset threshold and one of the other thresholds will be subject to additional review. The review criteria could, and is expected to, evolve over time. While we believe it to be unlikely that we would be designated as systemically important, if such designation were to occur, we would be subject to significantly increased levels of regulation, which includes, without limitation, a requirement to adopt heightened standards relating to capital, leverage, liquidity, risk management, credit exposure reporting and concentration limits, restrictions on acquisitions and being subject to annual stress tests by the Board of Governors of the Federal Reserve System (the “Federal Reserve”).

The Dodd-Frank Act, under what has become known as the “Volcker Rule,” generally prohibits depository institution holding companies (including certain foreign banks with U.S. branches and insurance companies with U.S. depository institution subsidiaries), insured depository institutions and subsidiaries and affiliates of such entities (collectively, “banking entities”) from investing in, sponsoring or having certain other relationships with private equity funds or hedge funds. The Volcker Rule became effective on July 21, 2012. The statute provides banking entities a period of two years to conform their activities and investments to the requirement of the statute, i.e., until July 21, 2014. However, the Federal Reserve is permitted to extend this conformance

Table of Contents

period, one year at a time, for a total of no more than three additional years. Pursuant to this authority and in connection with the adoption on December 10, 2013 of final rules implementing the Volcker Rule, the Federal Reserve extended the conformance period for an additional year, until July 21, 2015. By the expiration of such date, banking entities must have wound down, sold or otherwise conformed their activities investments and relationships to the requirements of the Volcker Rule. In addition, the Dodd-Frank Act includes a special provision to address the difficulty banking entities may experience in conforming investments in a private equity fund that qualifies as an "illiquid fund," specifically, a fund that as of May 1, 2010 was principally invested in, or was contractually committed to principally invest in, illiquid assets and makes all investments pursuant to, and consistent with, an investment strategy to principally invest in illiquid assets. For such a fund, a banking entity may seek approval for an extended conformance period of up to five years. While there remains substantial uncertainty regarding the availability of extensions and transition period relief, as well as general practical implications under the Volcker Rule, there are likely to be adverse implications on our ability to raise funds from banking organizations as a result of this prohibition.

- The Dodd-Frank Act requires many private equity and hedge fund advisers to register with the SEC under the Investment Advisers Act, to maintain extensive records and to file reports if deemed necessary for purposes of systemic risk assessment by certain governmental bodies. As described elsewhere in this Form 10-K, all of the investment advisers of our investment funds operated in the U.S. are registered as investment advisers with the SEC.
- The Dodd-Frank Act authorizes federal regulatory agencies to review and, in certain cases, prohibit compensation arrangements at financial institutions that give employees incentives to engage in conduct deemed to encourage inappropriate risk taking by covered financial institutions. Such restrictions could limit our ability to recruit and retain investment professionals and senior management executives.
- The Dodd-Frank Act imposes mandatory clearing and will impose exchange or swap execution facility trading and margin requirements on many swaps and derivative transactions (including formerly unregulated over-the-counter derivatives). Dodd-Frank also creates new categories of regulated market participants, such as "swap-dealers," "security-based swap dealers," "major swap participants" and "major security-based swap participants" who will be subject to significant new capital, registration, recordkeeping, reporting, disclosure, business conduct and other regulatory requirements, which will give rise to new administrative costs. Even if certain new requirements are not directly applicable to us, they may still increase our costs of entering into transactions with the parties to whom the requirements are directly applicable. Moreover, new exchange or swap execution facility trading and trade reporting requirements may lead to reductions in the liquidity or price transparency of certain swaps and derivative transactions, causing higher pricing or reduced availability of derivatives, or the reduction of arbitrage opportunities for us, which could adversely affect the performance of certain of our trading strategies. Position limits imposed by various regulators, self-regulatory organizations or trading facilities on derivatives may also limit our ability to affect desired trades. Position limits are the maximum amounts of net long or net short positions that any one person or entity may own or control in a particular financial instrument. For example, the Commodities Futures Trading Commission ("CFTC"), on November 5, 2013, re-proposed rules that would establish specific limits on positions in 28 physical commodity futures and option contracts as well as swaps that are economically equivalent to such contracts. If the CFTC's proposed rules are adopted, we may be required to aggregate the positions of our various investment funds and the positions of our funds' portfolio companies. It is possible that trading decisions may have to be modified and that positions held may have to be liquidated in order to avoid exceeding such limits. Such modification or liquidation, if required, could adversely affect our operations and profitability.
- The Dodd-Frank Act requires public companies to adopt and disclose policies requiring, in the event the company is required to issue an accounting restatement, the clawback of related incentive compensation from current and former executive officers.
- The Dodd-Frank Act amends the Exchange Act to compensate and protect whistleblowers who voluntarily provide original information to the SEC and establishes a fund to be used to pay whistleblowers who will be entitled to receive a payment equal to between 10% and 30% of certain monetary sanctions imposed in a successful government action resulting from the information provided by the whistleblower.

Many of these provisions are subject to further rulemaking and to the discretion of regulatory bodies, such as the FSOC, the Federal Reserve and the SEC.

In June 2010, the SEC adopted a new “pay-to-play” rule that restricts politically active investment advisors from managing state pension funds. The rule prohibits, among other things, a covered investment advisor from receiving compensation for advisory services provided to a government entity (such as a state pension fund) for a two-year period after the advisor, certain covered employees of the advisor or any covered political action committee controlled by the advisor or its employees makes a political contribution to certain government officials. In addition, a covered investment advisor is prohibited from engaging in political fundraising activities for certain elected officials or candidates in jurisdictions where such advisor is providing or seeking governmental business. This new rule complicates and increases the compliance burden for our investment advisors. It will be imperative for a covered investment advisor to adopt an effective compliance program in light of the substantial penalties associated with the rule.

It is impossible to determine the full extent of the impact on us of the Dodd-Frank Act or any other new laws, regulations or initiatives that may be proposed or whether any of the proposals will become law. Any changes in the regulatory framework applicable to our business, including the changes described above, may impose additional costs on us, require the attention of our senior management or result in limitations on the manner in which we conduct our business. Moreover, as calls for additional regulation have increased, there may be a related increase in regulatory investigations of the trading and other investment activities of alternative asset management funds, including our funds. Compliance with any new laws or regulations could make compliance more difficult and expensive, affect the manner in which we conduct our business and adversely affect our profitability.

Exemptions from Certain Laws. We regularly rely on exemptions from various requirements of law or regulation, including the Securities Act, the Exchange Act, the Investment Company Act, the Commodity Futures Trading Commission, the Commodity Exchange Act of 1936, as amended, and the Employment Retirement Income Security Act of 1974, as amended in conducting our activities. These exemptions are sometimes highly complex and may in certain circumstances depend on compliance by third parties whom we do not control. For example, in raising new funds, we typically rely on private placement exemptions from registration under the Securities Act, including Regulation D, which was recently amended to prohibit issuers (including our funds) from relying on certain of the exemptions from registration if the fund or any of its "covered persons" (including certain officers and directors, but also including certain third parties including, among others, promoters, placement agents and beneficial owners of 20% of outstanding voting securities of the fund) has been the subject of a "disqualifying event," or constitutes a "bad actor," which can result from a variety of criminal, regulatory and civil matters. If any of the covered persons associated with our funds is subject to a disqualifying event, one or more of our funds could lose the ability to raise capital in a Rule 506 private offering for a significant period of time, which could significantly impair our ability to raise new funds, and, therefore, could materially adversely affect our business, financial condition and results of operations. In addition, if certain of our employees or any potential significant fund investor has been the subject of a disqualifying event, we could be required to reassign or terminate such an employee or we could be required to refuse the investment of such an investor, which could impair our relationships with investors, harm our reputation, or make it more difficult to raise new funds. If for any reason these exemptions were to become unavailable to us, we could become subject to regulatory action or third-party claims and our businesses could be materially and adversely affected. See, for example, “—Risks Related to Our Organization and Structure—If we were deemed an investment company under the Investment Company Act, applicable restrictions could make it impractical for us to continue our businesses as contemplated and could have a material adverse effect on our businesses and the price of our Class A shares.”

Fund Regulatory Environment. The regulatory environment in which our funds operate may affect our businesses. For example, changes in antitrust laws or the enforcement of antitrust laws could affect the level of mergers and acquisitions activity, and changes in state laws may limit investment activities of state pension plans. See “Item 1. Business—Regulatory and Compliance Matters” for a further discussion of the regulatory environment in which we conduct our businesses.

Portfolio Company Regulatory Environment. The regulatory environment in which our funds' portfolio companies operate may affect our business. We or certain of our investment funds potentially could be held liable under ERISA for the pension obligations of one or more of our funds' portfolio companies if we or the investment fund were determined to be engaged in a "trade or business" and deemed part of the same "controlled group" as the portfolio company, and the pension obligations of any particular portfolio company could be material. In a recent decision of a federal appellate court (Sun Capital Partners III LP v. New England Teamsters & Trucking Indus. Pension Fund), a private equity fund was held to be engaged in a "trade or business" under ERISA. In addition, based on positions taken by European governmental authorities, we or certain of our investment funds potentially could be liable for fines if portfolio companies deemed to be under our control are found to have violated European antitrust laws. Such potential, or future, liability may materially affect our business.

Future Regulation. We may be adversely affected as a result of new or revised legislation or regulations imposed in the U.S. or elsewhere. As calls for additional regulation have increased, there may be a related increase in regulatory investigations of the trading and other investment activities of alternative asset management funds, including our funds. Such investigations may impose additional expenses on us, may require the attention of senior management and may result in fines or other sanctions if any of our funds are deemed to have violated any regulations.

Table of Contents

We also may be adversely affected by changes in the interpretation or enforcement of existing laws and rules. New laws or regulations could make compliance more difficult and expensive and affect the manner in which we conduct business and divert significant management and operational resources and attention from our business.

Apollo provides investment management services through registered investment advisors. Investment advisors are subject to extensive regulation in the United States and in the other countries in which our investment activities occur. The SEC oversees our activities as a registered investment advisor under the Investment Advisers Act. In the United Kingdom, we are subject to regulation by the U.K. Financial Conduct Authority, which replaced the Financial Services Authority as of April 1, 2013. Our other European operations, and our investment activities around the globe, are subject to a variety of regulatory regimes that vary country by country. A failure to comply with the obligations imposed by regulatory regimes to which we are subject, including the Investment Advisers Act, could result in investigations, sanctions and reputational damage.

In November 2010, the European Parliament adopted the Directive on Alternative Investment Fund Managers, or the "AIFM," which was required to be implemented in the national laws of the European Union ("EU") member states by July 22, 2013. The AIFM is also likely to be implemented in the countries which form part of the European Economic Area (the "EEA"). The AIFM imposes significant new regulatory requirements on investment managers operating within the EEA, including with respect to conduct of business, regulatory capital, valuations, disclosures and marketing. Alternative investment funds organized outside of the EU in which interests are marketed within the EEA are now subject to significant conditions on their operations. In the immediate future, such funds may be marketed only in certain EEA jurisdictions and in compliance with requirements to register the fund for marketing in each relevant jurisdiction and to undertake periodic investor and regulatory reporting. In some countries, additional obligations are imposed, for example in Germany, marketing of a non-EEA fund now also requires the appointment of one or more depositaries (with cost implications for the fund). In the longer term (late 2015 at the earliest) non-EEA managers of non-EEA funds may be able to register under the AIFM. Where Apollo registers under the AIFM, Apollo will have more freedom to promote relevant funds in the EEA, although this will be subject to full compliance with all the requirements of the AIFM, which include (among other things) satisfying the competent authority of the robustness of internal arrangements with respect to risk management, in particular liquidity risks and additional operational and counterparty risks associated with short selling; the management and disclosure of conflicts of interest; the fair valuation of assets; and the security of depository/custodial arrangements. Additional requirements and restrictions apply where funds invest in an EEA portfolio company, including restrictions that may impose limits on certain investment and realization strategies, such as dividend recapitalizations and reorganizations. Such rules could potentially impose significant additional costs on the operation of our business or investments in the EEA and could limit our operating flexibility within the relevant jurisdictions.

In July 2012, the European Parliament adopted the Regulation on OTC derivatives, central counterparties and trade repositories, known as "EMIR." EMIR comes into force in stages and implements requirements similar to, but not the same as, those in Title VII of Dodd Frank, in particular requiring reporting of all derivative transactions, risk mitigation (in particular initial and variation margin) for OTC derivative transactions and central clearing of certain OTC derivative contracts. EMIR has minimal impact on the Apollo funds at present but is likely to apply more fully as additional implementation stages are reached. Compliance with the requirements is likely to increase the burdens and costs of doing business.

In Germany, legislative amendments have been adopted which may limit deductibility of interest and other financing expenses in companies in which our funds have invested or may invest in the future. According to the German interest barrier rule, the tax deduction available to a company in respect of a net interest expense (interest expense less interest income) is limited to 30% of its tax earnings before interest, taxes, depreciation and amortization ("EBITDA"). Interest expense that does not exceed the threshold of €3m can be deducted without any limitations for income tax purposes. Interest expense in excess of the interest deduction limitation may be carried forward indefinitely (subject to change in ownership restrictions) and used in future periods against all profits and gains. In respect of a tax group, interest paid by the German tax group entities to non-tax group parties (e.g. interest on bank debt, capex facility and working capital facility debt) will be restricted to 30% of the tax group's tax EBITDA. However, the interest barrier rule may not apply where German company's gearing under International Financial Reporting Standards ("IFRS") accounting principles is at maximum of 2% higher than the overall group's leverage ratio at the level of the very top level entity which would be subject to IFRS consolidation (the "escape clause test"). This test is failed where any worldwide company of the entire group pays more than 10% of its net interest expense on debt to substantial (i.e. greater than 25%) shareholders, related parties of such shareholders (that are not members of the group) or secured third parties (although security granted by group members should not be harmful). If the group does not apply IFRS accounting principles, EU member countries' generally accepted accounting principles or generally accepted accounting principles in the United States of America ("U.S. GAAP") may also be accepted for the purpose of the escape clause test. It should be noted that for trade tax purposes, there is principally a 25% add back on all deductible interest paid or accrued by any German entity after the consideration of a tax exempt amount kEUR 100 which is applied to the sum of all add back amounts. For trade tax purposes interest payments within a German tax group will not be considered. Our businesses are subject to the risk that similar measures might be introduced in other countries in which

Table of Contents

they currently have investments or plan to invest in the future, or that other legislative or regulatory measures might be promulgated in any of the countries in which we operate that adversely affect our businesses. Additionally, the Organization for Economic Co-Operation and Development ("OECD") issued an action plan in July 2013 calling for a coordinated multi-jurisdictional approach to "base erosion and profit shifting" by multinational companies. The action plan identified 15 actions the OECD determined are needed to address "base erosion and profit shifting" and generally set target dates for completion of each of the items between 2014 and 2015. Any changes to international tax laws, including new definitions of “permanent establishment”, could impact the tax treatment of our foreign earnings and adversely impact the investment returns of our funds.

Insurance Regulation. State insurance departments have broad administrative powers over the insurance business of our insurance company affiliates, including insurance company licensing and examination, agent licensing, establishment of reserve requirements and solvency standards, premium rate regulation, admissibility of assets, policy form approval, unfair trade and claims practices, payment of dividends and distributions to shareholders, review and/or approval of transactions with affiliates and other matters. State regulators regularly review and update these and other requirements. The National Association of Insurance Commissioners (“NAIC”) continues to move forward with its implementation of principles-based reserving for life insurers, which may change the methodology used by our insurance company affiliates to calculate their reserves.

Currently, there are proposals to increase the scope of regulation of insurance holding companies in both the United States and internationally. In the United States, the NAIC has promulgated amendments to its insurance holding company system model law and regulations for consideration by the various states that would provide for more extensive informational reporting regarding parents and other affiliates of insurance companies, with the purpose of protecting domestic insurers from enterprise risk, including requiring an annual enterprise risk report by the ultimate controlling person identifying the material risks within the insurance holding company system that could pose enterprise risk to domestic insurers. To date, both Iowa and New York have introduced bills to adopt such amendments. Internationally, the International Association of Insurance Supervisors is in the process of adopting a framework for the “group wide” supervision of internationally active insurance groups. Changes to existing laws or regulations must be adopted by individual states or foreign jurisdictions before they will become effective. We cannot predict with any degree of certainty the additional capital requirements, compliance costs or other burdens these requirements may impose on us and our insurance company affiliates.

The Dodd-Frank Act created the Federal Insurance Office (the “FIO”) within the Department of Treasury headed by a Director appointed by the Treasury Secretary. The FIO is designed principally to exercise a monitoring and information gathering role, rather than a regulatory role. In that capacity, the FIO has been charged with providing reports to the U.S. Congress on (i) modernization of U.S. insurance regulation and (ii) the U.S. and global reinsurance market. Such reports could ultimately lead to changes in the regulation of insurers and reinsurers in the U.S.

Our revenue, net income and cash flow are all highly variable, which may make it difficult for us to achieve steady earnings growth on a quarterly basis and may cause the price of our Class A shares to decline.

Our revenue, net income and cash flow are all highly variable, primarily due to the fact that carried interest from our private equity funds and certain of our credit and real estate funds, which constitutes the largest portion of income from our combined businesses, and the transaction and advisory fees that we receive can vary significantly from quarter to quarter and year to year. In addition, the investment returns of most of our funds are volatile. We may also experience fluctuations in our results from quarter to quarter and year to year due to a number of other factors, including changes in the values of our funds’ investments, changes in the amount of distributions, dividends or interest paid in respect of investments, changes in our operating expenses, the degree to which we encounter competition and general economic and market conditions. In addition, carried interest income from our private equity funds and certain of our credit and real estate funds is subject to contingent repayment by the general partner if, upon the final distribution, the relevant fund’s general partner has received cumulative carried interest on individual portfolio investments in excess of the amount of carried interest it would be entitled to from the profits calculated for all portfolio investments in the aggregate. Such variability may lead to volatility in the trading price of our Class A shares and cause our results for a particular period not to be indicative of our performance in a future period. It may be difficult for us to achieve steady growth in net income and cash flow on a quarterly basis, which could in turn lead to

large adverse movements in the price of our Class A shares or increased volatility in our Class A share price generally.
The timing of carried interest generated by our funds is uncertain and will contribute to the volatility of our results.
Carried interest depends on our funds' performance. It takes a substantial period of time to identify attractive investment opportunities, to raise all the funds needed to make an investment and then to realize the cash value or other proceeds of an investment through a sale, public offering, recapitalization or other exit. Even if an investment proves to be profitable, it may be several years before any profits can be realized in cash or other proceeds. We cannot predict when, or if, any realization of investments will occur. Generally, with respect to our private equity funds, although we recognize carried interest income on an accrual basis, we receive private equity carried interest payments only upon disposition of an investment by the relevant fund, which contributes to the

Table of Contents

volatility of our cash flow. If we were to have a realization event in a particular quarter or year, it may have a significant impact on our results for that particular quarter or year that may not be replicated in subsequent periods. We recognize revenue on investments in our funds based on our allocable share of realized and unrealized gains (or losses) reported by such funds, and a decline in realized or unrealized gains, or an increase in realized or unrealized losses, would adversely affect our revenue, which could further increase the volatility of our results. With respect to a number of our credit funds, our incentive income is generally paid annually, semi-annually or quarterly, and the varying frequency of these payments will contribute to the volatility of our revenues and cash flow. Furthermore, we earn this incentive income only if the net asset value of a fund has increased or, in the case of certain funds, increased beyond a particular threshold. Certain of our credit funds also have "high water marks" with respect to the investors in these funds. If the high water mark for a particular investor is not surpassed, we would not earn incentive income with respect to such investor during a particular period even though such investor had positive returns in such period as a result of losses in prior periods. If such an investor experiences losses, we will not be able to earn incentive income from such investor until it surpasses the previous high water mark. The incentive income we earn is therefore dependent on the net asset value of investors' investments in the fund, which could lead to significant volatility in our results.

Because our revenue, net income and cash flow can be highly variable from quarter to quarter and year to year, we plan not to provide any guidance regarding our expected quarterly and annual operating results. The lack of guidance may affect the expectations of public market analysts and could cause increased volatility in our Class A share price.

The investment management business is intensely competitive, which could materially adversely impact us.

The investment management business is intensely competitive. We face competition both in the pursuit of outside investors for our funds and in acquiring investments in attractive portfolio companies and making other investments. It is possible that it will become increasingly difficult for our funds to raise capital as funds compete for investments from a limited number of qualified investors. Due to the global economic downturn and generally poor returns in alternative asset investment businesses during the crisis, institutional investors have suffered from decreasing returns, liquidity pressure, increased volatility and difficulty maintaining targeted asset allocations, and a significant number of investors have materially decreased or temporarily stopped making new fund investments during this period. As the economy begins to recover, such investors may elect to reduce their overall portfolio allocations to alternative investments such as private equity and hedge funds, resulting in a smaller overall pool of available capital in our industry. Even if such investors continue to invest at historic levels, they may seek to negotiate reduced fee structures or other modifications to fund structures as a condition to investing.

In the event all or part of this analysis proves true, when trying to raise new capital we will be competing for fewer total available assets in an increasingly competitive environment which could lead to fee reductions and redemptions as well as difficulty in raising new capital. Such changes would adversely affect our revenues and profitability.

Competition among funds is based on a variety of factors, including:

- investment performance;
- investor liquidity and willingness to invest;
- investor perception of investment managers' drive, focus and alignment of interest;
- quality of service provided to and duration of relationship with investors;
- business reputation; and
- the level of fees and expenses charged for services.

We compete in all aspects of our businesses with a large number of investment management firms, private equity, credit and real estate fund sponsors and other financial institutions. A number of factors serve to increase our competitive risks:

- fund investors may develop concerns that we will allow a business to grow to the detriment of its performance;
- investors may reduce their investments in our funds or not make additional investments in our funds based upon current market conditions, their available capital or their perception of the health of our businesses;
- some of our competitors have greater capital, lower targeted returns or greater sector or investment strategy-specific expertise than we do, which creates competitive disadvantages with respect to investment opportunities;

- some of our competitors may also have a lower cost of capital and access to funding sources that are not available to us, which may create competitive disadvantages for us with respect to investment opportunities;

- some of our competitors may perceive risk differently than we do, which could allow them either to outbid us for investments in particular sectors or, generally, to consider a wider variety of investments;
- some of our funds may not perform as well as competitors' funds or other available investment products;
- our competitors that are corporate buyers may be able to achieve synergistic cost savings in respect of an investment, which may provide them with a competitive advantage in bidding for an investment;
- some fund investors may prefer to invest with an investment manager that is not publicly traded;
- there are relatively few barriers to entry impeding new private equity and capital markets fund management firms, and the successful efforts of new entrants into our various businesses, including former "star" portfolio managers at large diversified financial institutions as well as such institutions themselves, will continue to result in increased competition;
- there are no barriers to entry to our businesses, implementing an integrated platform similar to ours or the strategies that we deploy at our funds, such as distressed investing, which we believe are our competitive strengths, except that our competitors would need to hire professionals with the investment expertise or grow it internally; and
- other industry participants continuously seek to recruit our investment professionals away from us.

These and other factors could reduce our earnings and revenues and materially adversely affect our businesses. In addition, if we are forced to compete with other alternative investment managers on the basis of price, we may not be able to maintain our current management fee and incentive income structures. We have historically competed primarily on the performance of our funds, and not on the level of our fees or incentive income relative to those of our competitors. However, there is a risk that fees and incentive income in the alternative investment management industry will decline, without regard to the historical performance of a manager. Fee or incentive income reductions on existing or future funds, without corresponding decreases in our cost structure, would adversely affect our revenues and profitability.

Our ability to retain our investment professionals is critical to our success and our ability to grow depends on our ability to attract additional key personnel.

Our success depends on our ability to retain our investment professionals and recruit additional qualified personnel. We anticipate that it will be necessary for us to add investment professionals as we pursue our growth strategy. However, we may not succeed in recruiting additional personnel or retaining current personnel, as the market for qualified investment professionals is extremely competitive. Our investment professionals possess substantial experience and expertise in investing, are responsible for locating and executing our funds' investments, have significant relationships with the institutions that are the source of many of our funds' investment opportunities, and in certain cases have key relationships with our fund investors. Therefore, if our investment professionals join competitors or form competing companies it could result in the loss of significant investment opportunities and certain existing fund investors. Legislation has been proposed in the U.S. Congress to treat portions of carried interest as ordinary income rather than as capital gain for U.S. Federal income tax purposes. Because we compensate our investment professionals in large part by giving them an equity interest in our business or a right to receive carried interest, such legislation could adversely affect our ability to recruit, retain and motivate our current and future investment professionals. See "—Risks Related to Taxation—Our structure involves complex provisions of U.S. Federal income tax law for which no clear precedent or authority may be available. Our structure is also subject to potential legislative, judicial or administrative change and differing interpretations, possibly on a retroactive basis." The loss of even a small number of our investment professionals could jeopardize the performance of our funds, which would have a material adverse effect on our results of operations. Efforts to retain or attract investment professionals may result in significant additional expenses, which could adversely affect our profitability.

We may not be successful in expanding into new investment strategies, markets and businesses.

We actively consider the opportunistic expansion of our businesses, both geographically and into complementary new investment strategies. We may not be successful in any such attempted expansion. Attempts to expand our businesses involve a number of special risks, including some or all of the following:

- the diversion of management's attention from our core businesses;
- the disruption of our ongoing businesses;
- entry into markets or businesses in which we may have limited or no experience;

- increasing demands on our operational systems;
- potential increase in investor concentration; and
- the broadening of our geographic footprint, increasing the risks associated with conducting operations in foreign jurisdictions.

Table of Contents

Additionally, any expansion of our businesses could result in significant increases in our outstanding indebtedness and debt service requirements, which would increase the risks in investing in our Class A shares and may adversely impact our results of operations and financial condition.

We also may not be successful in identifying new investment strategies or geographic markets that increase our profitability, or in identifying and acquiring new businesses that increase our profitability. Because we have not yet identified these potential new investment strategies, geographic markets or businesses, we cannot identify for you all the risks we may face and the potential adverse consequences on us and your investment that may result from our attempted expansion. We also do not know how long it may take for us to expand, if we do so at all. We have also entered into strategic partnerships and separately managed accounts, which lack the scale of our traditional funds and are more costly to administer. The prevalence of these accounts may also present conflicts and introduce complexity in the deployment of capital. We have total discretion, at the direction of our manager, without needing to seek approval from our board of directors or shareholders, to enter into new investment strategies, geographic markets and businesses, other than expansions involving transactions with affiliates which may require board approval.

Many of our funds invest in relatively high-risk, illiquid assets and we may fail to realize any profits from these activities for a considerable period of time or lose some or all of the principal amount we invest in these activities.

Many of our funds invest in securities that are not publicly traded. In many cases, our funds may be prohibited by contract or by applicable securities laws from selling such securities for a period of time. Our funds will generally not be able to sell these securities publicly unless their sale is registered under applicable securities laws, or unless an exemption from such registration requirements is available. Accordingly, our funds may be forced, under certain conditions, to sell securities at a loss. The ability of many of our funds, particularly our private equity funds, to dispose of investments is heavily dependent on the public equity markets, inasmuch as the ability to realize value from an investment may depend upon the ability to complete an IPO of the portfolio company in which such investment is held. Furthermore, large holdings even of publicly traded equity securities can often be disposed of only over a substantial period of time, exposing the investment returns to risks of downward movement in market prices during the disposition period.

Dependence on significant leverage in investments by our funds could adversely affect our ability to achieve attractive rates of return on those investments.

Because certain of our funds' investments rely heavily on the use of leverage, our ability to achieve attractive rates of return on investments will depend on our continued ability to access sufficient sources of indebtedness at attractive rates. For example, in many of our private equity investments, indebtedness may constitute 70% or more of a portfolio company's total debt and equity capitalization, including debt that may be incurred in connection with the investment, and a portfolio company's leverage may increase as a result of recapitalization transactions subsequent to the company's acquisition by a private equity fund. The absence of available sources of senior debt financing for extended periods of time could therefore materially and adversely affect our private equity funds. An increase in either the general levels of interest rates or in the risk spread demanded by sources of indebtedness would make it more expensive to finance those investments. Increases in interest rates could also make it more difficult to locate and consummate private equity investments because other potential buyers, including operating companies acting as strategic buyers, may be able to bid for an asset at a higher price due to a lower overall cost of capital. In addition, a portion of the indebtedness used to finance private equity investments often includes high-yield debt securities issued in credit funds. Availability of capital from the high-yield debt markets is subject to significant volatility, and there may be times when we might not be able to access those markets at attractive rates, or at all. For example, the dislocation in the credit markets which we believe began in July 2007 and the record backlog of supply in the debt markets resulting from such dislocation materially affected the ability and willingness of banks to underwrite new high-yield debt securities until relatively recently.

Investments in highly leveraged entities are inherently more sensitive to declines in revenues, increases in expenses and interest rates and adverse economic, market and industry developments. The incurrence of a significant amount of indebtedness by an entity could, among other things:

- give rise to an obligation to make mandatory prepayments of debt using excess cash flow, which might limit the entity's ability to respond to changing industry conditions to the extent additional cash is needed for the response, to make unplanned but necessary capital expenditures or to take advantage of growth opportunities;

- allow even moderate reductions in operating cash flow to render it unable to service its indebtedness, leading to a bankruptcy or other reorganization of the entity and a loss of part or all of the equity investment in it;
- limit the entity’s ability to adjust to changing market conditions, thereby placing it at a competitive disadvantage compared to its competitors who have relatively less debt;

Table of Contents

- limit the entity's ability to engage in strategic acquisitions that might be necessary to generate attractive returns or further growth; and
- limit the entity's ability to obtain additional financing or increase the cost of obtaining such financing, including for capital expenditures, working capital or general corporate purposes.

As a result, the risk of loss associated with a leveraged entity is generally greater than for companies with comparatively less debt. For example, many investments consummated by private equity sponsors during 2005, 2006 and 2007 that utilized significant amounts of leverage subsequently experienced severe economic stress and in certain cases defaulted on their debt obligations due to a decrease in revenues and cash flow precipitated by the economic downturn.

When our private equity funds' existing portfolio investments reach the point when debt incurred to finance those investments matures in significant amounts and must be either repaid or refinanced, those investments may materially suffer if they have generated insufficient cash flow to repay maturing debt and there is insufficient capacity and availability in the financing markets to permit them to refinance maturing debt on satisfactory terms, or at all. If a limited availability of financing for such purposes were to persist for an extended period of time, when significant amounts of the debt incurred to finance our private equity funds' existing portfolio investments came due, these funds could be materially and adversely affected.

Our credit funds may choose to use leverage as part of their respective investment programs and regularly borrow a substantial amount of their capital. The use of leverage poses a significant degree of risk and enhances the possibility of a significant loss in the value of the investment portfolio. The credit funds may borrow money from time to time to purchase or carry securities. The interest expense and other costs incurred in connection with such borrowing may not be recovered by appreciation in the securities purchased or carried, and will be lost-and the timing and magnitude of such losses may be accelerated or exacerbated-in the event of a decline in the market value of such securities. Gains realized with borrowed funds may cause the fund's net asset value to increase at a faster rate than would be the case without borrowings. However, if investment results fail to cover the cost of borrowings, the fund's net asset value could also decrease faster than if there had been no borrowings.

In addition, as a business development company under the Investment Company Act, AINV is permitted to issue senior securities in amounts such that its asset coverage ratio equals at least 200% after each issuance of senior securities. Further, AFT and AIF, as registered investment companies, are permitted to (i) issue preferred shares in amounts such that their respective asset coverage equals at least 200% after issuance and (ii) to incur indebtedness, including through the issuance of debt securities, so long as immediately thereafter the fund will have an asset coverage of at least 300% after issuance. The ability of each of AFT, AIF and AINV to pay dividends will be restricted if its asset coverage ratio falls below 200% and any amounts that it uses to service its indebtedness are not available for dividends to its common stockholders. An increase in interest rates could also decrease the value of fixed-rate debt investments that our funds make. Any of the foregoing circumstances could have a material adverse effect on our financial condition, results of operations and cash flow.

The potential requirement to convert our financial statements from being prepared in conformity with accounting principles generally accepted in the United States of America to International Financial Reporting Standards may strain our resources and increase our annual expenses.

As a public entity, the SEC may require in the future that we report our financial results under IFRS, instead of under U.S. GAAP. IFRS is a set of accounting principles that has been gaining acceptance on a worldwide basis. These standards are published by the London-based International Accounting Standards Board, or "IASB," and are more focused on objectives and principles and less reliant on detailed rules than U.S. GAAP. Today, there remain significant and material differences in several key areas between U.S. GAAP and IFRS which would affect Apollo. Additionally, U.S. GAAP provides specific guidance in classes of accounting transactions for which equivalent guidance in IFRS does not exist. The adoption of IFRS is highly complex and would have an impact on many aspects and operations of Apollo, including but not limited to financial accounting and reporting systems, internal controls, taxes, borrowing covenants and cash management. It is expected that a significant amount of time, internal and external resources and expenses over a multi-year period would be required for this conversion.

We face operational risk from errors made in the execution, confirmation or settlement of transactions and our dependence on our headquarters in New York City and third-party providers may have an adverse impact on our ability to continue to operate our businesses without interruption which could result in losses to us or limit our growth.
We face operational risk from errors made in the execution, confirmation or settlement of transactions. We also face operational risk from transactions not being properly recorded, evaluated or accounted for in our funds. In particular, our capital markets oriented credit business is highly dependent on our ability to process and evaluate, on a daily basis, transactions across markets and geographies in a time-sensitive, efficient and accurate manner. Consequently, we rely heavily on our financial, accounting and other data processing systems. New investment products we may introduce could create a significant risk that our

existing systems may not be adequate to identify or control the relevant risks in the investment strategies employed by such new investment products. In addition, our information systems and technology might not be able to accommodate our growth, and the cost of maintaining such systems might increase from its current level. These risks could cause us to suffer financial loss, a disruption of our businesses, liability to our funds, regulatory intervention and reputational damage.

Furthermore, we depend on our headquarters, which is located in New York City, for the operation of many of our businesses. A disaster or a disruption in the infrastructure that supports our businesses, including a disruption involving electronic communications or other services used by us or third parties with whom we conduct business, or directly affecting our headquarters, may have an adverse impact on our ability to continue to operate our businesses without interruption which could have a material adverse effect on us. Although we have disaster recovery programs in place, these may not be sufficient to mitigate the harm that may result from such a disaster or disruption. In addition, insurance and other safeguards might only partially reimburse us for our losses.

Finally, we rely on third-party service providers for certain aspects of our businesses, including for certain information systems, technology and administration of our funds and compliance matters. Any interruption or deterioration in the performance of these third parties could impair the quality of the funds' operations and could impact our reputation, adversely affect our businesses and limit our ability to grow.

We rely on our information systems to conduct our business, and failure to protect these systems against security breaches could adversely affect our business and results of operations. Additionally, if these systems fail or become unavailable for any significant period of time, our business could be harmed.

The efficient operation of our business is dependent on computer hardware and software systems. Information systems are vulnerable to security breaches by computer hackers and cyber terrorists. We rely on industry accepted security measures and technology to securely maintain confidential and proprietary information maintained on our information systems. However, these measures and technology may not adequately prevent security breaches. In addition, the unavailability of the information systems or the failure of these systems to perform as anticipated for any reason could disrupt our business and could result in decreased performance and increased operating costs, causing our business and results of operations to suffer. Any significant interruption or failure of our information systems or any significant breach of security could adversely affect our business and results of operations.

Our funds' portfolio companies also rely on data processing systems and the secure processing, storage and transmission of information, including payment and health information. A disruption or compromise of these systems could have a material adverse effect on the value of these businesses.

We derive a substantial portion of our revenues from funds managed pursuant to management agreements that may be terminated or fund partnership agreements that permit fund investors to request liquidation of investments in our funds on short notice.

The terms of our funds generally give either the general partner of the fund or the fund's board of directors the right to terminate our investment management agreement with the fund. However, insofar as we control the general partner of our funds that are limited partnerships, the risk of termination of investment management agreement for such funds is limited, subject to our fiduciary or contractual duties as general partner. This risk is more significant for certain of our funds which have independent boards of directors.

With respect to our funds that are subject to the Investment Company Act, following the initial two years of operation each fund's investment management agreement must be approved annually by such fund's board of directors or by the vote of a majority of the shareholders and the majority of the independent members of such fund's board of directors and, as required by law. Each investment management agreement for such funds can also be terminated by the majority of the shareholders. Termination of these agreements would reduce the fees we earn from the relevant funds, which could have a material adverse effect on our results of operations. Currently, AFT and AIF, management investment companies under the Investment Company Act, and AINV, a management investment company that has elected to be treated as a business development company under the Investment Company Act, are subject to these provisions of the Investment Company Act.

In addition, after undergoing the 2007 Reorganization, we no longer consolidate in our financial statements certain of the funds that have historically been consolidated in our financial statements. In connection with such deconsolidation, we amended the governing documents of those funds to provide that a simple majority of a fund's unaffiliated investors have the right to liquidate that fund, which would cause management fees and incentive income to terminate. Our ability to realize incentive income from such funds also would be adversely affected if we are required to liquidate fund investments at a time when market conditions result in our obtaining less for investments than could be obtained at later times. We do not know whether, and under what circumstances, the investors in our funds are likely to exercise such right.

In addition, the management agreements of our funds would terminate if we were to experience a change of control without obtaining investor consent. Such a change of control could be deemed to occur in the event our Managing Partners exchange enough of their interests in the Apollo Operating Group into our Class A shares such that our Managing Partners no longer own a controlling interest in us. We cannot be certain that consents required for the assignment of our management agreements will be obtained if such a deemed change of control occurs. Termination of these agreements would affect the fees we earn from the relevant funds and the transaction and advisory fees we earn from the underlying portfolio companies, which could have a material adverse effect on our results of operations.

Our use of leverage to finance our businesses will expose us to substantial risks, which are exacerbated by our funds' use of leverage to finance investments.

We have loans outstanding and an undrawn revolving credit facility under the 2013 AMH Credit Facilities described in note 14 to our consolidated financial statements. We may choose to finance our business operations through further borrowings. Our existing and future indebtedness exposes us to the typical risks associated with the use of leverage, including those discussed above under "—Dependence on significant leverage in investments by our funds could adversely affect our ability to achieve attractive rates of return on those investments." These risks are exacerbated by certain of our funds' use of leverage to finance investments and, if they were to occur, could cause us to suffer a decline in the credit ratings assigned to our debt by rating agencies, if any, which might result in an increase in our borrowing costs or result in other material adverse effects on our businesses.

Borrowings under the 2013 AMH Credit Facilities are scheduled to mature on January 18, 2019. As these borrowings and other indebtedness mature (or are otherwise repaid prior to their scheduled maturities), we may be required to either refinance them by entering into new facilities, which could result in higher borrowing costs, or issuing equity, which would dilute existing shareholders. We could also repay them by using cash on hand or cash from the sale of our assets. We could have difficulty entering into new facilities or issuing equity in the future on attractive terms, or at all.

Borrowings under the 2013 AMH Credit Facilities are floating-rate obligations based on either the London Interbank Offered Rate ("LIBOR") or the Alternate Base Rate ("ABR"). As a result, an increase in short-term interest rates will increase our interest costs to the extent such borrowings have not been hedged into fixed rates.

We are subject to third-party litigation that could result in significant liabilities and reputational harm, which could materially adversely affect our results of operations, financial condition and liquidity.

In general, we will be exposed to risk of litigation by our investors if our management of any fund is alleged to constitute bad faith, gross negligence, willful misconduct, fraud, willful or reckless disregard for our duties to the fund or other forms of misconduct. Investors could sue us to recover amounts lost by our funds due to our alleged misconduct, up to the entire amount of loss. Further, we may be subject to litigation arising from investor dissatisfaction with the performance of our funds or from allegations that we improperly exercised control or influence over companies in which our funds have large investments. By way of example, we, our funds and certain of our employees are each exposed to the risks of litigation relating to investment activities in our funds and actions taken by the officers and directors (some of whom may be Apollo employees) of portfolio companies, such as the risk of shareholder litigation by other shareholders of public companies in which our funds have large investments. We are also exposed to risks of litigation or investigation relating to transactions that presented conflicts of interest that were not properly addressed. In addition, our rights to indemnification by the funds we manage may not be upheld if challenged, and our indemnification rights generally do not cover bad faith, gross negligence, willful misconduct, fraud, willful or reckless disregard for our duties to the fund or other forms of misconduct. If we are required to incur all or a portion of the costs arising out of litigation or investigations as a result of inadequate insurance proceeds or failure to obtain indemnification from our funds, our results of operations, financial condition and liquidity would be materially adversely affected.

In addition, with a workforce that includes many very highly paid investment professionals, we face the risk of lawsuits relating to claims for compensation, which may individually or in the aggregate be significant in amount. Such claims are more likely to occur in the current environment where individual employees may experience significant volatility in their year-to-year compensation due to trading performance or other issues and in situations where previously highly compensated employees were terminated for performance or efficiency reasons. The cost of settling such claims could adversely affect our results of operations.

If any civil or criminal lawsuits brought against us were to result in a finding of substantial legal liability or culpability, the lawsuit could, in addition to any financial damage, cause significant reputational harm to us, which could seriously harm our business. We depend to a large extent on our business relationships and our reputation for integrity and high-caliber professional services to attract and retain investors and qualified professionals and to pursue investment opportunities for our funds. As a result, allegations of improper conduct by private litigants or regulators, whether the ultimate outcome is favorable or unfavorable to us, as well as negative publicity and press speculation about us, our investment activities or the private equity industry in general, whether or not valid, may harm our reputation, which may be more damaging to our business than to other types of businesses. See "Item 3. Legal Proceedings."

Our failure to deal appropriately with conflicts of interest could damage our reputation and adversely affect our businesses.

As we have expanded and as we continue to expand the number and scope of our businesses, we increasingly confront potential conflicts of interest relating to our funds' investment activities. Certain of our funds may have overlapping investment objectives, including funds that have different fee structures, and potential conflicts may arise with respect to our decisions regarding how to allocate investment opportunities among those funds. For example, a decision to acquire material non-public information about a company while pursuing an investment opportunity for a particular fund gives rise to a potential conflict of interest when it results in our having to restrict the ability of other funds to take any action. In addition, fund investors (or holders of Class A shares) may perceive conflicts of interest regarding investment decisions for funds in which our Managing Partners, who have and may continue to make significant personal investments in a variety of Apollo funds, are personally invested. Similarly, conflicts of interest may exist in the valuation of our investments and regarding decisions about the allocation of specific investment opportunities among us and our funds and the allocation of fees and costs among us, our funds and their portfolio companies. Pursuant to the terms of our operating agreement, whenever a potential conflict of interest exists or arises between any of the Managing Partners, one or more directors or their respective affiliates, on the one hand, and us, any of our subsidiaries or any shareholder other than a Managing Partner, on the other, any resolution or course of action by our board of directors shall be permitted and deemed approved by all shareholders if the resolution or course of action (i) has been specifically approved by a majority of the voting power of our outstanding voting shares (excluding voting shares owned by our manager or its affiliates) or by a conflicts committee of the board of directors composed entirely of one or more independent directors, (ii) is on terms no less favorable to us or our shareholders (other than a Managing Partner) than those generally being provided to or available from unrelated third parties or (iii) it is fair and reasonable to us and our shareholders taking into account the totality of the relationships between the parties involved. All conflicts of interest described in this report will be deemed to have been specifically approved by all shareholders. Notwithstanding the foregoing, it is possible that potential or perceived conflicts could give rise to investor dissatisfaction or litigation or regulatory enforcement actions. Appropriately dealing with conflicts of interest is complex and difficult and our reputation could be damaged if we fail, or appear to fail, to deal appropriately with one or more potential or actual conflicts of interest. Regulatory scrutiny of, or litigation in connection with, conflicts of interest would have a material adverse effect on our reputation which would materially adversely affect our businesses in a number of ways, including as a result of redemptions by our investors from our funds, an inability to raise additional funds and a reluctance of counterparties to do business with us.

Our organizational documents do not limit our ability to enter into new lines of businesses, and we may expand into new investment strategies, geographic markets and businesses, each of which may result in additional risks and uncertainties in our businesses.

We intend, to the extent that market conditions warrant, to grow our businesses by increasing AUM in existing businesses and expanding into new investment strategies, geographic markets and businesses. Our organizational documents, however, do not limit us to the investment management business. Accordingly, we may pursue growth through acquisitions of other investment management companies, acquisitions of critical business partners or other strategic initiatives, which may include entering into new lines of business, such as the insurance, broker-dealer or financial advisory industries. In addition, we expect opportunities will arise to acquire other alternative or traditional asset managers. To the extent we make strategic investments or acquisitions, undertake other strategic initiatives or enter into a new line of business, we will face numerous risks and uncertainties, including risks associated with (i) the required investment of capital and other resources, (ii) the possibility that we have insufficient expertise to engage in such activities profitably or without incurring inappropriate amounts of risk, (iii) combining or integrating operational and management systems and controls and (iv) the broadening of our geographic footprint, including the risks associated with conducting operations in foreign jurisdictions. Entry into certain lines of business may subject us to new laws and regulations with which we are not familiar, or from which we are currently exempt, and may lead to increased litigation and regulatory risk. If a new business generates insufficient revenues or if we are unable to efficiently manage our expanded operations, our results of operations will be adversely affected. Our strategic initiatives may include joint ventures, in which case we will be subject to additional risks and uncertainties in that we may be dependent upon, and subject to liability, losses or reputational damage relating to, systems, controls and personnel that are not under our control.

Table of Contents

Employee misconduct could harm us by impairing our ability to attract and retain investors and by subjecting us to significant legal liability, regulatory scrutiny and reputational harm.

Our reputation is critical to maintaining and developing relationships with the investors in our funds, potential fund investors and third parties with whom we do business. In recent years, there have been a number of highly publicized cases involving fraud, conflicts of interest or other misconduct by individuals in the financial services industry. There is a risk that our employees could engage in misconduct that adversely affects our businesses. For example, if an employee were to engage in illegal or suspicious activities, we could be subject to regulatory sanctions and suffer serious harm to our reputation, financial position, investor relationships and ability to attract future investors. It is not always possible to deter employee misconduct, and the precautions we take to detect and prevent this activity may not be effective in all cases. Misconduct by our employees, or the employees of our portfolio companies, or even unsubstantiated allegations, could result in a material adverse effect on our reputation and our businesses.

Underwriting activities expose us to risks.

Apollo Global Securities, LLC, a subsidiary of ours, may act as an underwriter in securities offerings. We may incur losses and be subject to reputational harm to the extent that, for any reason, we are unable to sell securities or indebtedness we purchased as an underwriter at the anticipated price levels. As an underwriter, we also are subject to potential liability for material misstatements or omissions in prospectuses and other offering documents relating to offerings we underwrite.

The due diligence process that we undertake in connection with investments by our funds may not reveal all facts that may be relevant in connection with an investment.

Before making investments in private equity and other fund investments, including real estate investments, we conduct due diligence that we deem reasonable and appropriate based on the facts and circumstances applicable to each investment. When conducting due diligence, we may be required to evaluate important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants and investment banks may be involved in the due diligence process in varying degrees depending on the type of investment. Nevertheless, when conducting due diligence and making an assessment regarding an investment, we rely on the resources available to us, including information provided by the target of the investment and, in some circumstances, third-party investigations. The due diligence investigation that we will carry out with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Moreover, such an investigation will not necessarily result in the investment being successful.

Certain of our funds utilize special situation and distressed debt investment strategies that involve significant risks.

Our funds often invest in obligors and issuers with weak financial conditions, poor operating results, substantial financial needs, negative net worth and/or special competitive problems. These funds also invest in obligors and issuers that are involved in bankruptcy or reorganization proceedings. In such situations, it may be difficult to obtain full information as to the exact financial and operating conditions of these obligors and issuers. Additionally, the fair values of such investments are subject to abrupt and erratic market movements and significant price volatility if they are publicly traded securities, and are subject to significant uncertainty in general if they are not publicly traded securities. Furthermore, some of our funds' distressed investments may not be widely traded or may have no recognized market. A fund's exposure to such investments may be substantial in relation to the market for those investments, and the assets are likely to be illiquid and difficult to sell or transfer. As a result, it may take a number of years for the market value of such investments to ultimately reflect their intrinsic value as perceived by us.

A central feature of our distressed investment strategy is our ability to successfully predict the occurrence of certain corporate events, such as debt and/or equity offerings, restructurings, reorganizations, mergers, takeover offers and other transactions, that we believe will improve the condition of the business. If the corporate event we predict is delayed, changed or never completed, the market price and value of the applicable fund's investment could decline sharply.

In addition, these investments could subject us to certain potential additional liabilities that may exceed the value of our original investment. Under certain circumstances, payments or distributions on certain investments may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance, a preferential payment or similar transaction under applicable bankruptcy and insolvency laws. In addition, under certain circumstances, a lender that has inappropriately exercised control of the management and policies of a debtor may have its claims subordinated or disallowed, or may be found liable for damages suffered by parties as a result of such actions. In the case where the investment in securities of troubled companies is made in connection with an attempt to influence a restructuring proposal or plan of reorganization in bankruptcy, our funds may become involved in substantial litigation.

Table of Contents

We often pursue investment opportunities that involve business, regulatory, legal or other complexities.

As an element of our investment style, we often pursue unusually complex investment opportunities. This can often take the form of substantial business, regulatory or legal complexity that would deter other investment managers. Our tolerance for complexity presents risks, as such transactions can be more difficult, expensive and time-consuming to finance and execute; it can be more difficult to manage or realize value from the assets acquired in such transactions; and such transactions sometimes entail a higher level of regulatory scrutiny or a greater risk of contingent liabilities. Any of these risks could harm the performance of our funds.

Our funds make investments in companies that we do not control.

Investments by some of our funds will include debt instruments and equity securities of companies that we do not control. Such instruments and securities may be acquired by our funds through trading activities or through purchases of securities from the issuer. In addition, in the future, our funds may seek to acquire minority equity interests more frequently and may also dispose of a portion of their majority equity investments in portfolio companies over time in a manner that results in the funds retaining a minority investment. Those investments will be subject to the risk that the company in which the investment is made may make business, financial or management decisions with which we do not agree or that the majority stakeholders or the management of the company may take risks or otherwise act in a manner that does not serve our interests. If any of the foregoing were to occur, the values of investments by our funds could decrease and our financial condition, results of operations and cash flow could suffer as a result.

Our funds may face risks relating to undiversified investments.

While diversification is generally an objective of our funds, we cannot give assurance as to the degree of diversification that will actually be achieved in any fund investments. Because a significant portion of a fund’s capital may be invested in a single investment or portfolio company, a loss with respect to such investment or portfolio company could have a significant adverse impact on such fund’s capital. Accordingly, a lack of diversification on the part of a fund could adversely affect a fund’s performance and therefore our financial condition and results of operations.

Some of our funds invest in foreign countries and securities of issuers located outside of the United States, which may involve foreign exchange, political, social, economic and tax uncertainties and risks.

Some of our funds invest all or a portion of their assets in the equity, debt, loans or other securities of issuers located outside the United States, including Germany, China, India, Australia, and Singapore. In addition to business uncertainties, such investments may be affected by changes in exchange values as well as political, social and economic uncertainty affecting a country or region. Many financial markets are not as developed or as efficient as those in the United States, and as a result, liquidity may be reduced and price volatility may be higher. The legal and regulatory environment may also be different, particularly with respect to bankruptcy and reorganization. Financial accounting standards and practices may differ, and there may be less publicly available information in respect of such companies.

Restrictions imposed or actions taken by foreign governments may adversely impact the value of our fund investments. Such restrictions or actions could include exchange controls, seizure or nationalization of foreign deposits or other assets and adoption of other governmental restrictions that adversely affect the prices of securities or the ability to repatriate profits on investments or the capital invested itself. Income received by our funds from sources in some countries may be reduced by withholding and other taxes. Any such taxes paid by a fund will reduce the net income or return from such investments. While our funds will take these factors into consideration in making investment decisions, including when hedging positions, our funds may not be able to fully avoid these risks or generate sufficient risk-adjusted returns.

In addition, as a result of the complexity of, and lack of clear precedent or authority with respect to, the application of various income tax laws to our structures, the application of rules governing how transactions and structures should be reported is also subject to differing interpretations. For example, certain countries such as Australia, China, and India, where our funds have made investments, have sought to tax investment gains derived by nonresident investors, including private equity funds, from the disposition of the equity in companies operating in those countries. In some cases this development is the result of new legislation or changes in the interpretation of existing legislation and local authority assertions that investors have a local taxable presence or are holding companies for trading purposes rather than for capital purposes, or are not otherwise entitled to treaty benefits. With respect to India, in 2012 the Supreme Court of India held in favor of a taxpayer finding that the sale of a foreign company that indirectly held Indian assets was not subject to Indian tax. However, the tax laws were amended in 2012 to subject such gains to Indian tax with retroactive effect. Further, a general anti-avoidance rule was also introduced that would provide a basis for the tax authorities to subject other sales and investments through intermediate holding jurisdictions such as Mauritius to

Table of Contents

Indian tax. While such rule is effective for tax years beginning on or after April 1, 2015, concerns have been raised with respect to these new rules including their retroactive effect in certain circumstances. Indian taxation of the capital gains of a foreign investor, upon a direct or indirect sale of an Indian company, therefore remains uncertain.

Third-party investors in our funds will have the right under certain circumstances to terminate commitment periods or to dissolve the funds, and investors in our credit funds may redeem their investments in our credit funds at any time after an initial holding period of 12 to 36 months. These events would lead to a decrease in our revenues, which could be substantial.

The governing agreements of certain of our funds allow the limited partners of those funds to (i) terminate the commitment period of the fund in the event that certain “key persons” (for example, one or more of our Managing Partners and/or certain other investment professionals) fail to devote the requisite time to managing the fund, (ii) (depending on the fund) terminate the commitment period, dissolve the fund or remove the general partner if we, as general partner or manager, or certain key persons engage in certain forms of misconduct, or (iii) dissolve the fund or terminate the commitment period upon the affirmative vote of a specified percentage of limited partner interests entitled to vote. Each of Fund VI, Fund VII and Fund VIII, on which our near- to medium-term performance will heavily depend, include a number of such provisions. Also, after undergoing the 2007 Reorganization, subsequent to which we deconsolidated certain funds that have historically been consolidated in our financial statements, we amended the governing documents of those funds to provide that a simple majority of a fund’s unaffiliated investors have the right to liquidate that fund. In addition to having a significant negative impact on our revenue, net income and cash flow, the occurrence of such an event with respect to any of our funds would likely result in significant reputational damage to us.

Investors in our credit funds may also generally redeem their investments on an annual, semiannual or quarterly basis following the expiration of a specified period of time when capital may not be redeemed (typically between one and five years). Fund investors may decide to move their capital away from us to other investments for any number of reasons in addition to poor investment performance. Factors which could result in investors leaving our funds include changes in interest rates that make other investments more attractive, changes in investor perception regarding our focus or alignment of interest, unhappiness with changes in or broadening of a fund’s investment strategy, changes in our reputation and departures or changes in responsibilities of key investment professionals. In a declining market, the pace of redemptions and consequent reduction in our AUM could accelerate. The decrease in revenues that would result from significant redemptions in these funds could have a material adverse effect on our businesses, revenues, net income and cash flows.

In addition, the management agreements of all of our funds would be terminated upon an “assignment,” without the requisite consent, of these agreements, which may be deemed to occur in the event the investment advisors of our funds were to experience a change of control. We cannot be certain that consents required to assign our investment management agreements will be obtained if a change of control occurs. In addition, with respect to our publicly traded closed-end funds, each fund’s investment management agreement must be approved annually by the independent members of such fund’s board of directors and, in certain cases, by its stockholders, as required by law. Termination of these agreements would cause us to lose the fees we earn from such funds.

Our financial projections for portfolio companies and other fund investments could prove inaccurate.

Our funds generally establish the capital structure of portfolio companies and certain other fund investments, including real estate investments, on the basis of financial projections for such investments. These projected operating results will normally be based primarily on management judgments. In all cases, projections are only estimates of future results that are based upon assumptions made at the time that the projections are developed. General economic conditions, which are not predictable, along with other factors may cause actual performance to fall short of the financial projections we used to establish a given investment's capital structure. Because of the leverage we typically employ in our investments, this could cause a substantial decrease in the value of our equity holdings in such investments. The inaccuracy of financial projections could thus cause our funds’ performance to fall short of our expectations.

Our private equity funds’ performance, and our performance, may be adversely affected by the financial performance of our portfolio companies and the industries in which our funds invest.

Our performance and the performance of our private equity funds is significantly impacted by the value of the companies in which our funds have invested. Our funds invest in companies in many different industries, each of which is subject to volatility based upon economic and market factors. Over the last few years, the credit crisis has caused significant fluctuations in the value of securities held by our funds and the global economic recession had a significant impact in overall performance activity and the demands for many of the goods and services provided by portfolio companies of the funds we manage. Although the U.S. economy has improved, there remain many obstacles to continued growth in the economy such as high unemployment, global geopolitical events, risks of inflation and high deficit levels for governmental agencies in the U.S. and abroad. These factors and other general economic trends are likely to impact the performance of portfolio companies in many industries and in particular, industries that are more impacted by changes in consumer demand, such as the packaging, manufacturing, chemical and refining industries, as well as travel and real estate industries. The performance of our private equity funds, and our performance, may be adversely affected to the extent our fund portfolio companies in these industries experience adverse performance or additional pressure due to downward trends. For example, the performance of certain of our portfolio companies in the packaging, manufacturing, chemical and refining industries is subject to the cyclical and volatile nature of the supply-demand balance in these industries. These industries historically have experienced alternating periods of capacity shortages leading to tight supply conditions, causing prices and profit margins to increase, followed by periods when substantial capacity is added, resulting in oversupply, declining capacity utilization rates and declining prices and profit margins. In addition to changes in the supply and demand for products, the volatility these industries experience occurs as a result of changes in energy prices, costs of raw materials and changes in various other economic conditions around the world. The performance of our investments in the commodities markets is also subject to a high degree of business and market risk, as it is substantially dependent upon prevailing prices of oil and natural gas. Prices for oil and natural gas are subject to wide fluctuation in response to relatively minor changes in the supply and demand for oil and natural gas, market uncertainty and a variety of additional factors that are beyond our control, such as level of consumer product demand, the refining capacity of oil purchasers, weather conditions, government regulations, the price and availability of alternative fuels, political conditions, foreign supply of such commodities and overall economic conditions. It is common in making investments in the commodities markets to deploy hedging strategies to protect against pricing fluctuations but such strategies may or may not protect our investments. Similarly, the performance of cruise ship operations is also susceptible to adverse changes in the economic climate, such as higher fuel prices, as increases in the cost of fuel globally would increase the cost of cruise ship operations. Economic and political conditions in certain parts of the world make it difficult to predict the price of fuel in the future. In addition, cruise ship operators could experience increases in other operating costs, such as crew, insurance and security costs, due to market forces and economic or political instability beyond their control.

In respect of real estate, even though the U.S. residential real estate market has recently shown some signs of stabilizing from a lengthy and deep downturn, various factors could halt or limit a recovery in the housing market and have an adverse effect on the performance of certain of our funds' investments, including, but not limited to, continued high unemployment, a low level of consumer confidence in the economy and/or the residential real estate market and rising mortgage interest rates.

In addition, our funds' investments in commercial mortgage loans and other commercial real-estate related loans are subject to risks of delinquency and foreclosure, and risks of loss that are greater than similar risks associated with mortgage loans made on the security of residential properties. If the net operating income of the commercial property is reduced, the borrower's ability to repay the loan may be impaired. Net operating income of a commercial property can be affected by various factors, such as success of tenant businesses, property management decisions, competition from comparable types of properties and declines in regional or local real estate values and rental or occupancy rates.

Fraud and other deceptive practices could harm fund performance.

Instances of bribery, fraud and other deceptive practices committed by senior management of portfolio companies in which an Apollo fund invests may undermine our due diligence efforts with respect to such companies, and if such fraud is discovered, negatively affect the valuation of a fund's investments. In addition, when discovered, financial fraud may contribute to overall market volatility that can negatively impact an Apollo fund's investment program. As a result, instances of bribery, fraud and other deceptive practices could result in fund performance that is poorer than expected.

Contingent liabilities could harm fund performance.

We may cause our funds to acquire an investment that is subject to contingent liabilities. Such contingent liabilities could be unknown to us at the time of acquisition or, if they are known to us, we may not accurately assess or protect against the risks that they present. Acquired contingent liabilities could thus result in unforeseen losses for our funds. In addition, in connection with the disposition of an investment in a portfolio company, a fund may be required to make representations about the business and financial affairs of such portfolio company typical of those made in connection with the sale of a business. A fund may also be required to indemnify the purchasers of such investment to the extent that any such representations are inaccurate. These arrangements may result in the incurrence of contingent liabilities by a fund, even after the disposition of an investment. Accordingly, the inaccuracy of representations and warranties made by a fund could harm such fund's performance.

Our funds may be forced to dispose of investments at a disadvantageous time.

Our funds may make investments that they do not advantageously dispose of prior to the date the applicable fund is dissolved, either by expiration of such fund's term or otherwise. Although we generally expect that investments will be disposed of prior to dissolution or be suitable for in-kind distribution at dissolution, and the general partners of the funds have a limited

Table of Contents

ability to extend the term of the fund with the consent of fund investors or the advisory board of the fund, as applicable, our funds may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution. This would result in a lower than expected return on the investments and, perhaps, on the fund itself.

Possession of material, non-public information could prevent Apollo funds from undertaking advantageous transactions; our internal controls could fail; we could determine to establish information barriers.

Our Managing Partners, investment professionals or other employees may acquire confidential or material non-public information and, as a result, be restricted from initiating transactions in certain securities. This risk affects us more than it does many other investment managers, as we generally do not use information barriers that many firms implement to separate persons who make investment decisions from others who might possess material, non-public information that could influence such decisions. Our decision not to implement these barriers could prevent our investment professionals from undertaking advantageous investments or dispositions that would be permissible for them otherwise.

In order to manage possible risks resulting from our decision not to implement information barriers, our compliance personnel maintain a list of restricted securities as to which we have access to material, non-public information and in which our funds and investment professionals are not permitted to trade. This internal control relating to the management of material non-public information could fail with the result that we, or one of our investment professionals, might trade when at least constructively in possession of material non-public information. Inadvertent trading on material non-public information could have adverse effects on our reputation, result in the imposition of regulatory or financial sanctions and as a consequence, negatively impact our financial condition. In addition, we could in the future decide that it is advisable to establish information barriers, particularly as our business expands and diversifies. In such event, our ability to operate as an integrated platform will be restricted. The establishment of such information barriers may also lead to operational disruptions and result in restructuring costs, including costs related to hiring additional personnel as existing investment professionals are allocated to either side of such barriers, which may adversely affect our business.

Regulations governing AINV’s operation as a business development company affect its ability to raise, and the way in which it raises, additional capital.

As a business development company under the Investment Company Act, AINV may issue debt securities or preferred stock and borrow money from banks or other financial institutions, which we refer to collectively as “senior securities,” up to the maximum amount permitted by the Investment Company Act. Under the provisions of the Investment Company Act, AINV is permitted to issue senior securities only in amounts such that its asset coverage, as defined in the Investment Company Act, equals at least 200% after each issuance of senior securities. If the value of its assets declines, it may be unable to satisfy this test. If that happens, it may be required to sell a portion of its investments and, depending on the nature of its leverage, repay a portion of its indebtedness at a time when such sales may be disadvantageous.

Business development companies may issue and sell common stock at a price below net asset value per share only in limited circumstances, one of which is during the one-year period after stockholder approval. AINV’s stockholders have, in the past, approved a plan so that during the subsequent 12-month period, AINV may, in one or more public or private offerings of its common stock, sell or otherwise issue shares of its common stock at a price below the then current net asset value per share, subject to certain conditions including parameters on the level of permissible dilution, approval of the sale by a majority of its independent directors and a requirement that the sale price be not less than approximately the market price of the shares of its common stock at specified times, less the expenses of the sale. AINV may ask its stockholders for additional approvals from year to year. There is no assurance such approvals will be obtained.

Regulations governing AFT's and AIF’s operation affect their ability to raise, and the way in which they raise, additional capital.

As registered investment companies under the Investment Company Act, each of AFT and AIF may issue debt securities or preferred stock and borrow money from banks or other financial institutions, up to the maximum amount permitted by the Investment Company Act. Under the provisions of the Investment Company Act, each of AFT and

AIF is permitted to (i) issue preferred shares in amounts such that their respective asset coverage equals at least 200% after issuance and (ii) to incur indebtedness, including through the issuance of debt securities, so long as immediately thereafter the fund will have an asset coverage of at least 300% after issuance. If the value of its assets declines, such fund may be unable to satisfy this test. If that happens, such fund may be required to sell a portion of its investments and, depending on the nature of its leverage, repay a portion of its indebtedness at a time when such sales may be disadvantageous. Further, each of AFT and AIF may raise capital by issuing common shares, however, the offering price per common share must equal or exceed the net asset value per share, exclusive of any underwriting commissions or discounts, of our shares.

Table of Contents

Our credit funds are subject to numerous additional risks.

Our credit funds are subject to numerous additional risks, including the risks set forth below.

- Generally, there are few limitations on the execution of these funds' investment strategies, which are subject to the sole discretion of the management company or the general partner of such funds.
- These funds may engage in short-selling, which is subject to a theoretically unlimited risk of loss.
- These funds are exposed to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the fund to suffer a loss.
- Credit risk may arise through a default by one of several large institutions that are dependent on one another to meet their liquidity or operational needs, so that a default by one institution causes a series of defaults by the other institutions.
- The efficacy of investment and trading strategies depend largely on the ability to establish and maintain an overall market position in a combination of financial instruments, which can be difficult to execute.
- These funds may make investments or hold trading positions in markets that are volatile and which may become illiquid.
- These funds' investments are subject to risks relating to investments in commodities, futures, options and other derivatives, the prices of which are highly volatile and may be subject to a theoretically unlimited risk of loss in certain circumstances.

Risks Related to Our Class A Shares

The market price and trading volume of our Class A shares may be volatile, which could result in rapid and substantial losses for our shareholders.

The market price of our Class A shares may be highly volatile and could be subject to wide fluctuations. In addition, the trading volume in our Class A shares may fluctuate and cause significant price variations to occur. If the market price of our Class A shares declines significantly, you may be unable to resell your Class A shares at or above your purchase price, if at all. The market price of our Class A shares may fluctuate or decline significantly in the future. Some of the factors that could negatively affect the price of our Class A shares or result in fluctuations in the price or trading volume of our Class A shares include:

- variations in our quarterly operating results or distributions, which variations we expect will be substantial;
- our policy of taking a long-term perspective on making investment, operational and strategic decisions, which is expected to result in significant and unpredictable variations in our quarterly returns;
- failure to meet analysts' earnings estimates;
- publication of research reports about us or the investment management industry or the failure of securities analysts to cover our Class A shares;
- additions or departures of our Managing Partners and other key management personnel;
- adverse market reaction to any indebtedness we may incur or securities we may issue in the future;
- actions by shareholders;
- changes in market valuations of similar companies;
- speculation in the press or investment community;
- changes or proposed changes in laws or regulations or differing interpretations thereof affecting our businesses or enforcement of these laws and regulations, or announcements relating to these matters;
- a lack of liquidity in the trading of our Class A shares;
- adverse publicity about the asset management industry generally or individual scandals, specifically; and
- general market and economic conditions.

In addition, from time to time, management may also declare special quarterly distributions based on investment realizations. Volatility in the market price of our Class A shares may be heightened at or around times of investment realizations as well as following such realization, as a result of speculation as to whether such a distribution may be declared.

An investment in Class A shares is not an investment in any of our funds, and the assets and revenues of our funds are not directly available to us.

Class A shares are securities of Apollo Global Management, LLC only. While our historical consolidated and combined financial information includes financial information, including assets and revenues of certain Apollo funds on a consolidated basis, and our future financial information will continue to consolidate certain of these funds, such assets and revenues are available to

Table of Contents

the fund and not to us except through management fees, incentive income, distributions and other proceeds arising from agreements with funds, as discussed in more detail in this report.

Our Class A share price may decline due to the large number of shares eligible for future sale and for exchange into Class A shares.

The market price of our Class A shares could decline as a result of sales of a large number of our Class A shares or the perception that such sales could occur. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell equity securities in the future at a time and price that we deem appropriate. As of December 31, 2013, we had 146,280,784 Class A shares outstanding. The Class A shares reserved under our equity incentive plan are increased on the first day of each fiscal year by (i) the amount (if any) by which (a) 15% of the number of outstanding Class A shares and Apollo Operating Group units (“AOG Units”) exchangeable for Class A shares on a fully converted and diluted basis on the last day of the immediately preceding fiscal year exceeds (b) the number of shares then reserved and available for issuance under the Equity Plan, or (ii) such lesser amount by which the administrator may decide to increase the number of Class A shares. Taking into account grants of restricted share units (“RSUs”) and options made through December 31, 2013, 42,364,563 Class A shares remained available for future grant under our equity incentive plan. In addition, Holdings may at any time exchange its AOG Units for up to 228,954,598 Class A shares on behalf of our Managing Partners and Contributing Partners subject to the Amended and Restated Exchange Agreement. See "Item 13. Certain Relationships and Related Party Transactions—Amended and Restated Exchange Agreement." We may also elect to sell additional Class A shares in one or more future primary offerings.

Our Managing Partners and Contributing Partners, through their partnership interests in Holdings, owned an aggregate of 61.0% of the AOG Units as of December 31, 2013. Subject to certain procedures and restrictions (including any transfer restrictions and lock-up agreements applicable to our Managing Partners and Contributing Partners), each Managing Partner and Contributing Partner has the right, upon 60 days’ notice prior to a designated quarterly date, to exchange the AOG Units for Class A shares. These Class A shares are eligible for resale from time to time, subject to certain contractual restrictions and Securities Act limitations.

Our Managing Partners and Contributing Partners (through Holdings) have the ability to cause us to register the Class A shares they acquire upon exchange of their AOG Units, as was done in connection with the Company's Secondary Offering in May 2013. See “Item 13. Certain Relationships and Related Party Transactions—Managing Partner Shareholders Agreement— Registration Rights.”

The Strategic Investors have the ability to cause us to register any of their non-voting Class A shares, as was done in connection with the Company's Secondary Offering in May 2013. See “Item 13. Certain Relationships and Related Party Transactions—Lenders Rights Agreement.”

We have on file with the SEC a registration statement on Form S-8 covering the shares issuable under our equity incentive plan. Subject to vesting and contractual lock-up arrangements, such shares will be freely tradable.

We cannot assure you that our intended quarterly distributions will be paid each quarter or at all.

Our intention is to distribute to our Class A shareholders on a quarterly basis substantially all of our net after-tax cash flow from operations in excess of amounts determined by our manager to be necessary or appropriate to provide for the conduct of our businesses, to make appropriate investments in our businesses and our funds, to comply with applicable laws and regulations, to service our indebtedness or to provide for future distributions to our Class A shareholders for any ensuing quarter. The declaration, payment and determination of the amount of our quarterly dividend, if any, will be at the sole discretion of our manager, who may change our dividend policy at any time. We cannot assure you that any distributions, whether quarterly or otherwise, will or can be paid. In making decisions regarding our quarterly dividend, our manager considers general economic and business conditions, our strategic plans and prospects, our businesses and investment opportunities, our financial condition and operating results, working capital requirements and anticipated cash needs, contractual restrictions and obligations, legal, tax, regulatory and other restrictions that may have implications on the payment of distributions by us to our common shareholders or by our subsidiaries to us, and such other factors as our manager may deem relevant.

Our Managing Partners’ beneficial ownership of interests in the Class B share that we have issued to BRH Holdings GP, Ltd. (“BRH”), the control exercised by our manager and anti-takeover provisions in our charter documents and

Delaware law could delay or prevent a change in control.
Our Managing Partners, through their ownership of BRH, beneficially own the Class B share that we have issued to BRH. The Managing Partners interests in such Class B share represented 69.3% of the total combined voting power of our shares entitled

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to vote as of December 31, 2013. As a result, they are able to exercise control over all matters requiring the approval of shareholders and are able to prevent a change in control of our company. In addition, our operating agreement provides that so long as the Apollo control condition (as described in "Item 10. Directors, Executive Officers and Corporate Governance—Our Manager") is satisfied, our manager, which is owned and controlled by our Managing Partners, manages all of our operations and activities. The control of our manager will make it more difficult for a potential acquirer to assume control of our Company. Other provisions in our operating agreement may also make it more difficult and expensive for a third party to acquire control of us even if a change of control would be beneficial to the interests of our shareholders. For example, our operating agreement requires advance notice for proposals by shareholders and nominations, places limitations on convening shareholder meetings, and authorizes the issuance of preferred shares that could be issued by our board of directors to thwart a takeover attempt. In addition, certain provisions of Delaware law may delay or prevent a transaction that could cause a change in our control. The market price of our Class A shares could be adversely affected to the extent that our Managing Partners' control over our Company, the control exercised by our manager as well as provisions of our operating agreement discourage potential takeover attempts that our shareholders may favor.

We are a Delaware limited liability company, and there are certain provisions in our operating agreement regarding exculpation and indemnification of our officers and directors that differ from the Delaware General Corporation Law (DGCL) in a manner that may be less protective of the interests of our Class A shareholders.

Our operating agreement provides that to the fullest extent permitted by applicable law our directors or officers will not be liable to us. However, under the DGCL, a director or officer would be liable to us for (i) breach of duty of loyalty to us or our shareholders, (ii) intentional misconduct or knowing violations of the law that are not done in good faith, (iii) improper redemption of shares or declaration of dividend, or (iv) a transaction from which the director derived an improper personal benefit. In addition, our operating agreement provides that we indemnify our directors and officers for acts or omissions to the fullest extent provided by law. However, under the DGCL, a corporation can only indemnify directors and officers for acts or omissions if the director or officer acted in good faith, in a manner he reasonably believed to be in the best interests of the corporation, and, in criminal action, if the officer or director had no reasonable cause to believe his conduct was unlawful. Accordingly, our operating agreement may be less protective of the interests of our Class A shareholders, when compared to the DGCL, insofar as it relates to the exculpation and indemnification of our officers and directors.

Risks Related to Our Organization and Structure

Although not enacted, the U.S. Congress has considered legislation that would have: (i) in some cases after a ten-year transition period, precluded us from qualifying as a partnership or required us to hold carried interest through taxable corporations; and (ii) taxed certain income and gains at increased rates. If similar legislation were to be enacted and apply to us, the value of our Class A shares could be adversely affected.

The U.S. Congress, the IRS and the U.S. Treasury Department have over the past several years examined the U.S. Federal income tax treatment of private equity funds, hedge funds and other kinds of investment partnerships. The present U.S. Federal income tax treatment of a holder of Class A shares and/or our own taxation may be adversely affected by any new legislation, new regulations or revised interpretations of existing tax law that arise as a result of such examinations. In May 2010, the U.S. House of Representatives passed legislation (the "May 2010 House Bill") that would have, in general, treated income and gains, including gain on sale, attributable to an interest in an investment services partnership interest ("ISPI") as income subject to a new blended tax rate that is higher than under current law, except to the extent such ISPI would have been considered under the legislation to be a qualified capital interest. The interests of Class A shareholders and our interests in the Apollo Operating Group that are entitled to receive carried interest may be classified as ISPIs for purposes of this legislation. The United States Senate considered, but did not pass, similar legislation. On February 14, 2012, Representative Levin introduced similar legislation (the "2012 Levin Bill") that would tax carried interest at ordinary income rates (which would be higher than the proposed blended rate in the May 2010 House Bill). It is unclear whether or when the U.S. Congress will pass such legislation or what provisions would be included in any legislation, if enacted.

Both the May 2010 House Bill and the 2012 Levin Bill provide that, for taxable years beginning ten years after the date of enactment, income derived with respect to an ISPI that is not a qualified capital interest and that is treated as ordinary income under the rules discussed above would not meet the qualifying income requirements under the publicly traded partnership rules. Therefore, if similar legislation were to be enacted, following such ten-year period, we would be precluded from qualifying as a partnership for U.S. Federal income tax purposes or be required to hold all such ISPIs through corporations, possibly U.S. corporations. If we were taxed as a U.S. corporation or required to hold all ISPIs through corporations, our effective tax rate would increase significantly. The federal statutory rate for corporations is currently 35%. In addition, we could be subject to increased state and local taxes. Furthermore, holders of Class A shares could be subject to tax on our conversion into a corporation or any restructuring required in order for us to hold our ISPIs through a corporation.

Table of Contents

On September 12, 2011, the Obama administration submitted similar legislation to Congress in the American Jobs Act that would tax income and gain, now treated as capital gains, including gain on disposition of interests attributable to an ISPI, at rates higher than the capital gains rate applicable to such income under current law, with an exception for certain qualified capital interests. The proposed legislation would also characterize certain income and gain in respect of ISPIs as non-qualifying income under the publicly traded partnership rules after a ten-year transition period from the effective date, with an exception for certain qualified capital interests. This proposed legislation follows several prior statements by the Obama administration in support of changing the taxation of carried interest. In its published revenue proposal for 2014, the Obama administration proposed that the current law regarding treatment of carried interest be changed to subject such income to ordinary income tax. The Obama administration's published revenue proposals for 2010, 2011, 2012 and 2013 contained similar proposals.

States and other jurisdictions have also considered legislation to increase taxes with respect to carried interest. For example, New York has periodically considered legislation under which non-residents of New York could be subject to New York state income tax on income in respect of our Class A shares as a result of certain activities of our affiliates in New York, although it is unclear when or whether such legislation would be enacted.

On February 22, 2012, the Obama administration announced its framework of key elements to change the U.S. Federal income tax rules for businesses. Few specifics were included, and it is unclear what any actual legislation could provide, when it would be proposed, or its prospects for enactment. Several parts of the framework, if enacted, could adversely affect us. First, the framework could reduce the deductibility of interest for corporations in some manner not specified. A reduction in interest deductions could increase our tax rate and thereby reduce cash available for distribution to investors or for other uses by us. Such a reduction could also limit our ability to finance new transactions and increase the effective cost of financing by companies in which we invest, which could reduce the value of our carried interest in respect of such companies. The framework also suggests that some entities currently treated as partnerships for tax purposes could be subject to an entity-level income tax similar to the corporate income tax. If such a proposal caused us to be subject to additional entity-level taxes, it could reduce cash available for distribution to investors or for other uses by us. The framework reiterates the President's support for treatment of carried interest as ordinary income, as provided in the President's revenue proposal for 2014 is unknown, and the ultimate consequences of tax reform legislation, if any, are also presently not known.

Our shareholders do not elect our manager or vote and have limited ability to influence decisions regarding our businesses.

So long as the Apollo control condition is satisfied, our manager, AGM Management, LLC, which is owned and controlled by our Managing Partners, will manage all of our operations and activities. AGM Management, LLC is managed by BRH, a Cayman entity owned by our Managing Partners and managed by an executive committee composed of our Managing Partners. Our shareholders do not elect our manager, its manager or its manager’s executive committee and, unlike the holders of common stock in a corporation, have only limited voting rights on matters affecting our businesses and therefore limited ability to influence decisions regarding our businesses. Furthermore, if our shareholders are dissatisfied with the performance of our manager, they will have little ability to remove our manager. As discussed below, the Managing Partners collectively had 69.3% of the voting power of Apollo Global Management, LLC as of December 31, 2013. Therefore, they have the ability to control any shareholder vote that occurs, including any vote regarding the removal of our manager.

Our board of directors has no authority over our operations other than that which our manager has chosen to delegate to it.

For so long as the Apollo control condition is satisfied, our manager, which is owned and controlled by our Managing Partners, manages all of our operations and activities, and our board of directors has no authority other than that which our manager chooses to delegate to it. In the event that the Apollo control condition is not satisfied, our board of directors will manage all of our operations and activities.

For so long as the Apollo control condition is satisfied, our manager (i) nominates and elects all directors to our board of directors, (ii) sets the number of directors of our board of directors and (iii) fills any vacancies on our board of directors. After the Apollo control condition is no longer satisfied, each of our directors will be elected by the vote of a plurality of our shares entitled to vote, voting as a single class, to serve until his or her successor is duly elected or appointed and qualified or until his or her earlier death, retirement, disqualification, resignation or removal.

Control by our Managing Partners of the combined voting power of our shares and holding their economic interests through the Apollo Operating Group may give rise to conflicts of interests.

Our Managing Partners controlled 69.3% of the combined voting power of our shares entitled to vote as of December 31, 2013. Accordingly, our Managing Partners have the ability to control our management and affairs to the extent not controlled by our manager. In addition, they are able to determine the outcome of all matters requiring shareholder approval (such as a proposed sale of all or substantially of our assets, the approval of a merger or consolidation involving the company, and an election by our manager to dissolve the company) and are able to cause or prevent a change of control of our company and could preclude any unsolicited acquisition of our company. The control of voting power by our Managing Partners could deprive Class A shareholders of an opportunity to receive a premium for their Class A shares as part of a sale of our company, and might ultimately affect the market price of the Class A shares.

In addition, our Managing Partners and Contributing Partners, through their partnership interests in Holdings, are entitled to 61.0% of Apollo Operating Group's economic returns through the AOG Units owned by Holdings as of December 31, 2013. Because they hold their economic interest in our businesses directly through the Apollo Operating Group, rather than through the issuer of the Class A shares, our Managing Partners and Contributing Partners may have conflicting interests with holders of Class A shares. For example, our Managing Partners and Contributing Partners may have different tax positions from us, which could influence their decisions regarding whether and when to dispose of assets, and whether and when to incur new or refinance existing indebtedness, especially in light of the existence of the tax receivable agreement. For a description of the tax receivable agreement, see "Item 13. Certain Relationships and Related Party Transactions—Amended and Restated Tax Receivable Agreement." In addition, the structuring of future transactions may take into consideration the Managing Partners' and Contributing Partners' tax considerations even where no similar benefit would accrue to us.

We qualify for, and rely on, exceptions from certain corporate governance and other requirements under the rules of the NYSE.

We qualify for exceptions from certain corporate governance and other requirements under the rules of the NYSE. Pursuant to these exceptions, we may elect not to comply with certain corporate governance requirements of the NYSE, including the requirements (i) that a majority of our board of directors consist of independent directors, (ii) that we have a nominating/corporate governance committee that is composed entirely of independent directors and (iii) that we have a compensation committee that is composed entirely of independent directors. In addition, we are not required to hold annual meetings of our shareholders. Pursuant to the exceptions available to a controlled company under the rules of the NYSE, we have elected not to have a nominating and corporate governance committee comprised entirely of independent directors, nor a compensation committee comprised entirely of independent directors. Although we currently have a board of directors comprised of a majority of independent directors, we plan to continue to avail ourselves of these exceptions. Accordingly, you will not have the same protections afforded to equity holders of entities that are subject to all of the corporate governance requirements of the NYSE.

Potential conflicts of interest may arise among our manager, on the one hand, and us and our shareholders on the other hand. Our manager and its affiliates have limited fiduciary duties to us and our shareholders, which may permit them to favor their own interests to the detriment of us and our shareholders.

Conflicts of interest may arise among our manager, on the one hand, and us and our shareholders, on the other hand. As a result of these conflicts, our manager may favor its own interests and the interests of its affiliates over the interests of us and our shareholders. These conflicts include, among others, the conflicts described below.

- Our manager determines the amount and timing of our investments and dispositions, indebtedness, issuances of additional stock and amounts of reserves, each of which can affect the amount of cash that is available for distribution to you.
- Our manager is allowed to take into account the interests of parties other than us in resolving conflicts of interest, which has the effect of limiting its duties (including fiduciary duties) to our shareholders; for example, our affiliates that serve as general partners of our funds have fiduciary and contractual obligations to our fund investors, and such obligations may cause such affiliates to regularly take actions that might adversely affect our near-term results of operations or cash flow; our manager has no obligation to intervene in, or to notify our shareholders of, such actions by such affiliates.
- Because our Managing Partners and Contributing Partners hold their AOG Units through entities that are not subject to corporate income taxation and Apollo Global Management, LLC holds the AOG Units in part through a wholly-owned subsidiary that is subject to corporate income taxation, conflicts may arise between our Managing Partners and Contributing Partners, on the one hand, and Apollo Global Management, LLC, on the other hand, relating to the selection, structuring, and disposition of investments. For example, the earlier taxable disposition of

assets following an exchange transaction by a Managing Partner or Contributing Partner may accelerate payments under the tax receivable agreement and increase the present value of such payments, and the taxable disposition of assets before an exchange or transaction by a Managing Partner or Contributing Partner may increase the tax liability of a Managing Partner or Contributing Partner without giving rise to any rights to such Managing Partner or Contributing Partner to receive payments under the tax receivable agreement.

Table of Contents

- Other than as set forth in the non-competition, non-solicitation and confidentiality agreements to which our Managing Partners and other professionals are subject, which may not be enforceable, affiliates of our manager and existing and former personnel employed by our manager are not prohibited from engaging in other businesses or activities, including those that might be in direct competition with us.
- Our manager has limited its liability and reduced or eliminated its duties (including fiduciary duties) under our operating agreement, while also restricting the remedies available to our shareholders for actions that, without these limitations, might constitute breaches of duty (including fiduciary duty). In addition, we have agreed to indemnify our manager and its affiliates to the fullest extent permitted by law, except with respect to conduct involving bad faith, fraud or willful misconduct. By purchasing our Class A shares, you will have agreed and consented to the provisions set forth in our operating agreement, including the provisions regarding conflicts of interest situations that, in the absence of such provisions, might constitute a breach of fiduciary or other duties under applicable state law.
- Our operating agreement does not restrict our manager from causing us to pay it or its affiliates for any services rendered, or from entering into additional contractual arrangements with any of these entities on our behalf, so long as the terms of any such additional contractual arrangements are fair and reasonable to us as determined under the operating agreement.
- Our manager determines how much debt we incur and that decision may adversely affect our credit ratings.
- Our manager determines which costs incurred by it and its affiliates are reimbursable by us.
- Our manager controls the enforcement of obligations owed to us by it and its affiliates.

Our manager decides whether to retain separate counsel, accountants or others to perform services for us. See “Item 13. Certain Relationships and Related Party Transactions” for a more detailed discussion of these conflicts.

Our operating agreement contains provisions that reduce or eliminate duties (including fiduciary duties) of our manager and limit remedies available to shareholders for actions that might otherwise constitute a breach of duty. It will be difficult for a shareholder to challenge a resolution of a conflict of interest by our manager or by its conflicts committee.

Our operating agreement contains provisions that waive or consent to conduct by our manager and its affiliates that might otherwise raise issues about compliance with fiduciary duties or applicable law. For example, our operating agreement provides that when our manager is acting in its individual capacity, as opposed to in its capacity as our manager, it may act without any fiduciary obligations to us or our shareholders whatsoever. When our manager, in its capacity as our manager, is permitted to or required to make a decision in its “sole discretion” or “discretion” or that it deems “necessary or appropriate” or “necessary or advisable,” then our manager will be entitled to consider only such interests and factors as it desires, including its own interests, and will have no duty or obligation (fiduciary or otherwise) to give any consideration to any interest of or factors affecting us or any of our shareholders and will not be subject to any different standards imposed by our operating agreement, the Delaware Limited Liability Company Act or under any other law, rule or regulation or in equity.

Whenever a potential conflict of interest exists between us and our manager, our manager may resolve such conflict of interest. If our manager determines that its resolution of the conflict of interest is on terms no less favorable to us than those generally being provided to or available from unrelated third parties or is fair and reasonable to us, taking into account the totality of the relationships between us and our manager, then it will be presumed that in making this determination, our manager acted in good faith. A shareholder seeking to challenge this resolution of the conflict of interest would bear the burden of overcoming such presumption. This is different from the situation with Delaware corporations, where a conflict resolution by an interested party would be presumed to be unfair and the interested party would have the burden of demonstrating that the resolution was fair.

The above modifications of fiduciary duties are expressly permitted by Delaware law. Hence, we and our shareholders will only have recourse and be able to seek remedies against our manager if our manager breaches its obligations pursuant to our operating agreement. Unless our manager breaches its obligations pursuant to our operating agreement, we and our unitholders will not have any recourse against our manager even if our manager were to act in a manner that was inconsistent with traditional fiduciary duties. Furthermore, even if there has been a breach of the obligations set forth in our operating agreement, our operating agreement provides that our manager and its officers and directors will not be liable to us or our shareholders for errors of judgment or for any acts or omissions unless there has been a final and non-appealable judgment by a court of competent jurisdiction determining that the manager or its officers and directors acted in bad faith or engaged in fraud or willful misconduct. These provisions are detrimental to the shareholders because they restrict the remedies available to them for actions that without those limitations might constitute breaches of duty, including fiduciary duties.

Also, if our manager obtains the approval of its conflicts committee, the resolution will be conclusively deemed to be fair and reasonable to us and not a breach by our manager of any duties it may owe to us or our shareholders. This is different

Table of Contents

from the situation with Delaware corporations, where a conflict resolution by a committee consisting solely of independent directors may, in certain circumstances, merely shift the burden of demonstrating unfairness to the plaintiff. If you purchase a Class A share, you will be treated as having consented to the provisions set forth in the operating agreement, including provisions regarding conflicts of interest situations that, in the absence of such provisions, might be considered a breach of fiduciary or other duties under applicable state law. As a result, shareholders will, as a practical matter, not be able to successfully challenge an informed decision by the conflicts committee.

The control of our manager may be transferred to a third party without shareholder consent.

Our manager may transfer its manager interest to a third party in a merger or consolidation or in a transfer of all or substantially all of its assets without the consent of our shareholders. Furthermore, at any time, the partners of our manager may sell or transfer all or part of their partnership interests in our manager without the approval of the shareholders, subject to certain restrictions as described elsewhere in this report. A new manager may not be willing or able to form new funds and could form funds that have investment objectives and governing terms that differ materially from those of our current funds. A new owner could also have a different investment philosophy, employ investment professionals who are less experienced, be unsuccessful in identifying investment opportunities or have a track record that is not as successful as Apollo's track record. If any of the foregoing were to occur, we could experience difficulty in making new investments, and the value of our existing investments, our businesses, our results of operations and our financial condition could materially suffer.

Our ability to pay regular distributions may be limited by our holding company structure. We are dependent on distributions from the Apollo Operating Group to pay distributions, taxes and other expenses.

As a holding company, our ability to pay distributions will be subject to the ability of our subsidiaries to provide cash to us. We intend to make quarterly distributions to our Class A shareholders. Accordingly, we expect to cause the Apollo Operating Group to make distributions to its unitholders (Holdings, which is 100% owned, directly and indirectly, by our Managing Partners and our Contributing Partners, and the three intermediate holding companies, which are 100% owned by us), pro rata in an amount sufficient to enable us to pay such distributions to our Class A shareholders; however, such distributions may not be made. In addition, our manager can reduce or eliminate our dividend at any time, in its discretion. The Apollo Operating Group may make periodic distributions to its unitholders in amounts sufficient to cover hypothetical income tax obligations attributable to allocations of taxable income resulting from their ownership interest in the various limited partnerships making up the Apollo Operating Group, subject to compliance with any financial covenants or other obligations. By paying that cash distribution rather than investing that cash in our business, we might risk slowing the pace of our growth or not having a sufficient amount of cash to fund our operations, new investments or unanticipated capital expenditures, should the need arise.

There may be circumstances under which we are restricted from paying distributions under applicable law or regulation (for example, due to Delaware limited partnership or limited liability company act limitations on making distributions if liabilities of the entity after the distribution would exceed the value of the entity's assets).

Tax consequences to our Managing Partners and Contributing Partners may give rise to conflicts of interests.

As a result of unrealized built-in gain attributable to the value of our assets held by the Apollo Operating Group entities at the time of the Private Offering Transactions, upon the sale, refinancing or disposition of the assets owned by the Apollo Operating Group entities, our Managing Partners and Contributing Partners may incur different and greater tax liabilities as a result of the disproportionately greater allocations of items of taxable income and gain to the Managing Partners and Contributing Partners upon a realization event. As the Managing Partners and Contributing Partners will not receive a corresponding greater distribution of cash proceeds, they may, subject to applicable fiduciary or contractual duties, have different objectives regarding the appropriate pricing, timing and other material terms of any sale, refinancing, or disposition, or whether to sell such assets at all. Decisions made with respect to an acceleration or deferral of income or the sale or disposition of assets with unrealized built-in gains may also influence the timing and amount of payments that are received by an exchanging or selling founder or partner under the tax receivable agreement. All other factors being equal, earlier disposition of assets with unrealized built-in gains following such exchange will tend to accelerate such payments and increase the present value of the tax receivable agreement, and disposition of assets with unrealized built-in gains before an exchange will increase a Managing

Partner's or Contributing Partner's tax liability without giving rise to any rights to receive payments under the tax receivable agreement. Decisions made regarding a change of control also could have a material influence on the timing and amount of payments received by our Managing Partners and Contributing Partners pursuant to the tax receivable agreement.

Table of Contents

We are required to pay our Managing Partners and Contributing Partners for most of the actual tax benefits we realize as a result of the tax basis step-up we receive in connection with our acquisitions of units from our Managing Partners and Contributing Partners.

Subject to certain restrictions, each Managing Partner and Contributing Partner has the right to exchange the AOG Units that he holds through his partnership interest in Holdings for our Class A shares in a taxable transaction. These exchanges, as well as our acquisitions of units from our Managing Partners or Contributing Partners, may result in increases in the tax basis of the intangible assets of the Apollo Operating Group that otherwise would not have been available. Any such increases may reduce the amount of tax that APO Corp. ("APO Corp."), a wholly owned subsidiary of Apollo Global Management, LLC, would otherwise be required to pay in the future.

We have entered into a tax receivable agreement with our Managing Partners and Contributing Partners that provides for the payment by APO Corp., to our Managing Partners and Contributing Partners of 85% of the amount of actual tax savings, if any, that APO Corp. realizes (or is deemed to realize in the case of an early termination payment by APO Corp. or a change of control, as discussed below) as a result of these increases in tax deductions and tax basis and certain other tax benefits, including imputed interest expense, related to entering into the tax receivable agreement. In April 2013 and April 2012, the Apollo Operating Group made a distribution of $30.4 million and $5.8 million, respectively, to APO Corp. and APO Corp. made a payment to satisfy the liability under the tax receivable agreement to the Managing Partners and Contributing Partners from a realized tax benefit for the tax years 2012 and 2011. Future payments that APO Corp. may make to our Managing Partners and Contributing Partners could be material in amount. In the event that any other of our current or future U.S. subsidiaries become taxable as corporations and acquire AOG Units in the future, or if we become taxable as a corporation for U.S. Federal income tax purposes, we expect, and have agreed that, each U.S corporation will become subject to a tax receivable agreement with substantially similar terms.

The IRS could challenge our claim to any increase in the tax basis of the assets owned by the Apollo Operating Group that results from the exchanges entered into by the Managing Partners or Contributing Partners. The IRS could also challenge any additional tax depreciation and amortization deductions or other tax benefits (including deductions for imputed interest expense associated with payments made under the tax receivable agreement) we claim as a result of, or in connection with, such increases in the tax basis of such assets. If the IRS were to successfully challenge a tax basis increase or tax benefits we previously claimed from a tax basis increase, Holdings would not be obligated under the tax receivable agreement to reimburse APO Corp. for any payments previously made to them (although any future payments would be adjusted to reflect the result of such challenge). As a result, in certain circumstances, payments could be made to our Managing Partners and Contributing Partners under the tax receivable agreement in excess of 85% of the actual aggregate cash tax savings of APO Corp. APO Corp.'s ability to achieve benefits from any tax basis increase and the payments to be made under this agreement will depend upon a number of factors, including the timing and amount of its future income.

In addition, the tax receivable agreement provides that, upon a merger, asset sale or other form of business combination or certain other changes of control, APO Corp.'s (or its successor's) obligations with respect to exchanged or acquired units (whether exchanged or acquired before or after such change of control) would be based on certain assumptions, including that APO Corp. would have sufficient taxable income to fully utilize the deductions arising from the increased tax deductions and tax basis and other benefits related to entering into the tax receivable agreement. See "Item 13. Certain Relationships and Related Party Transactions—Amended and Restated Tax Receivable Agreement."

If we were deemed an investment company under the Investment Company Act, applicable restrictions could make it impractical for us to continue our businesses as contemplated and could have a material adverse effect on our businesses and the price of our Class A shares.

We do not believe that we are an "investment company" under the Investment Company Act because the nature of our assets and the income derived from those assets allow us to rely on the exception provided by Rule 3a-1 issued under the Investment Company Act. In addition, we believe we are not an investment company under Section 3(b)(1) of the Investment Company Act because we are primarily engaged in non-investment company businesses. We intend to conduct our operations so that we will not be deemed an investment company. However, if we were to be deemed an investment company, we would be taxed as a corporation and other restrictions imposed by the Investment Company Act, including limitations on our capital structure and our ability to transact with affiliates that apply to us, could make it impractical for us to continue our businesses as contemplated and would have a material adverse effect on our businesses and the price of our Class A shares.

Table of Contents

Risks Related to Taxation

You may be subject to U.S. Federal income tax on your share of our taxable income, regardless of whether you receive any cash distributions from us.

Under current law, so long as we are not required to register as an investment company under the Investment Company Act and 90% of our gross income for each taxable year constitutes "qualifying income" within the meaning of the Internal Revenue Code on a continuing basis, we will be treated, for U.S. Federal income tax purposes, as a partnership and not as an association or a publicly traded partnership taxable as a corporation. You may be subject to U.S. Federal, state, local and possibly, in some cases, foreign income taxation on your allocable share of our items of income, gain, loss, deduction and credit for each of our taxable years ending with or within your taxable year, regardless of whether or not you receive cash distributions from us. Accordingly, you may be required to make tax payments in connection with your ownership of Class A shares that significantly exceed your cash distributions in any specific year.

If we are treated as a corporation for U.S. Federal income tax purposes, the value of the Class A shares would be adversely affected.

The value of your investment will depend in part on our company being treated as a partnership for U.S. Federal income tax purposes, which requires that 90% or more of our gross income for every taxable year consist of qualifying income, as defined in Section 7704 of the Internal Revenue Code, and that we are not required to register as an investment company under the Investment Company Act and related rules. Although we intend to manage our affairs so that our partnership will meet the 90% test described above in each taxable year, we may not meet these requirements or, as discussed below, current law may change so as to cause, in either event, our partnership to be treated as a corporation for U.S. Federal income tax purposes. If we were treated as a corporation for U.S. Federal income tax purposes, (i) we would become subject to corporate income tax and (ii) distributions to shareholders would be taxable as dividends for U.S. Federal income tax purposes to the extent of our earnings and profits.

Current law may change, causing us to be treated as a corporation for U.S. Federal or state income tax purposes or otherwise subjecting us to entity level taxation. See "—Risks Related to Our Organization and Structure—Although not enacted, the U.S. Congress has considered legislation that would have: (i) in some cases after a ten-year transition period, precluded us from qualifying as a partnership or required us to hold carried interest through taxable corporations and (ii) taxed certain income and gains at increased rates. If similar legislation were to be enacted and apply to us, the value of our Class A shares could be adversely affected." Because of widespread state budget deficits, several states are evaluating ways to subject partnerships to entity level taxation through the imposition of state income, franchise or other forms of taxation. If any state were to impose a tax upon us as an entity, our distributions to you would be reduced.

Our structure involves complex provisions of U.S. Federal income tax law for which no clear precedent or authority may be available. Our structure is also subject to potential legislative, judicial or administrative change and differing interpretations, possibly on a retroactive basis.

The U.S. Federal income tax treatment of holders of Class A shares depends in some instances on determinations of fact and interpretations of complex provisions of U.S. Federal income tax law for which no clear precedent or authority may be available. You should be aware that the U.S. Federal income tax rules are constantly under review by persons involved in the legislative process, the IRS and the U.S. Treasury Department, frequently resulting in revised interpretations of established concepts, statutory changes, revisions to regulations and other modifications and interpretations. The IRS pays close attention to the proper application of tax laws to partnerships and entities taxed as partnerships. The present U.S. Federal income tax treatment of an investment in our Class A shares may be modified by administrative, legislative or judicial interpretation at any time, and any such action may affect investments and commitments previously made. Changes to the U.S. Federal income tax laws and interpretations thereof could make it more difficult or impossible to meet the exception for us to be treated as a partnership for U.S. Federal income tax purposes that is not taxable as a corporation, affect or cause us to change our investments and commitments, affect the tax considerations of an investment in us, change the character or treatment of portions of our income (including, for instance, the treatment of carried interest as ordinary income rather than capital gain) and adversely affect an investment in our Class A shares. For example, as discussed above under "—Risks Related to Our Organization and

Structure—Although not enacted, the U.S. Congress has considered legislation that would have: (i) in some cases after a ten-year transition period, precluded us from qualifying as a partnership or required us to hold carried interest through taxable corporations; and (ii) taxed certain income and gains at increased rates. If similar legislation were to be enacted and apply to us, the value of our Class A shares could be adversely affected," the U.S. Congress has considered various legislative proposals to treat all or part of the capital gain and dividend income that is recognized by an investment partnership and allocable to a partner affiliated with the sponsor of the partnership (i.e., a portion of the carried interest) as ordinary income to such partner for U.S. Federal income tax purposes.

Table of Contents

Our operating agreement permits our manager to modify our operating agreement from time to time, without the consent of the holders of Class A shares, to address certain changes in U.S. Federal income tax regulations, legislation or interpretation. In some circumstances, such revisions could have a material adverse impact on some or all holders of Class A shares. For instance, our manager could elect at some point to treat us as an association taxable as a corporation for U.S. Federal (and applicable state) income tax purposes. If our manager were to do this, the U.S. Federal income tax consequences of owning our Class A shares would be materially different. Moreover, we will apply certain assumptions and conventions in an attempt to comply with applicable rules and to report income, gain, deduction, loss and credit to holders of Class A shares in a manner that reflects such beneficial ownership of items by holders of Class A shares, taking into account variation in ownership interests during each taxable year because of trading activity. However, those assumptions and conventions may not be in compliance with all aspects of applicable tax requirements. It is possible that the IRS will assert successfully that the conventions and assumptions used by us do not satisfy the technical requirements of the Internal Revenue Code and/or Treasury regulations and could require that items of income, gain, deductions, loss or credit, including interest deductions, be adjusted, reallocated or disallowed in a manner that adversely affects holders of Class A shares.

Our interests in certain of our businesses are held through entities that are treated as corporations for U.S. Federal income tax purposes; such corporations may be liable for significant taxes and may create other adverse tax consequences, which could potentially adversely affect the value of your investment.

In light of the publicly traded partnership rules under U.S. Federal income tax law and other requirements, we hold our interests in certain of our businesses through entities that are treated as corporations for U.S. Federal income tax purposes. Each such corporation could be liable for significant U.S. Federal income taxes and applicable state, local and other taxes that would not otherwise be incurred, which could adversely affect the value of your investment. Furthermore, it is possible that the IRS could challenge the manner in which such corporation's taxable income is computed by us.

Changes in U.S. tax law could adversely affect our ability to raise funds from certain foreign investors.

Under the U.S. Foreign Account Tax Compliance Act, or FATCA, all entities in a broadly defined class of foreign entities including foreign financial institutions, or FFIs, are required to comply with a complicated and expansive reporting regime or, beginning after June 30, 2014, be subject to a 30% United States withholding tax on certain U.S. payments (and beginning in 2017, a 30% withholding tax on gross proceeds from the sale of U.S. stocks and securities) and non-U.S. entities which are not FFIs are required to either certify they have no substantial U.S. beneficial ownership or to report certain information with respect to their substantial U.S. beneficial ownership or, beginning after June 30, 2014, be subject to a 30% U.S. withholding tax on certain U.S. payments (and beginning in 2017, a 30% withholding tax on gross proceeds from the sale of U.S. stocks and securities). The reporting obligations imposed under FATCA require FFIs to comply with agreements with the IRS to obtain and disclose information about certain investors to the IRS. The administrative and economic costs of compliance with FATCA may discourage some foreign investors from investing in U.S. funds, which could adversely affect our ability to raise funds from these investors.

We may hold or acquire certain investments through an entity classified as a PFIC or CFC for U.S. Federal income tax purposes.

Certain of our investments may be in foreign corporations or may be acquired through foreign subsidiaries that would be classified as corporations for U.S. Federal income tax purposes. Such entities may be passive foreign investment companies, or "PFICs," or controlled foreign corporations, or "CFCs," for U.S. Federal income tax purposes. For example, APO (FC), LLC is considered to be a CFC for U.S. Federal income tax purposes. Class A shareholders indirectly owning an interest in a PFIC or a CFC may experience adverse U.S. tax consequences, including the recognition of taxable income prior to the receipt of cash relating to such income. In addition, gain on the sale of a PFIC or CFC may be taxable at ordinary income tax rates.

Complying with certain tax-related requirements may cause us to forego otherwise attractive business or investment opportunities or enter into acquisitions, borrowings, financings or arrangements we may not have otherwise entered into.

In order for us to be treated as a partnership for U.S. Federal income tax purposes, and not as an association or publicly traded partnership taxable as a corporation, we must meet the qualifying income exception discussed above on a continuing basis and we must not be required to register as an investment company under the Investment Company Act. In order to effect such treatment we (or our subsidiaries) may be required to invest through foreign or domestic corporations, forego attractive business or investment opportunities or enter into borrowings or financings we may not have otherwise entered into. This may cause us to incur additional tax liability and/or adversely affect our ability to operate solely to maximize our cash flow. Our structure also may impede our ability to engage in certain corporate acquisitive transactions because we generally intend to hold all of our assets through the Apollo Operating Group. In addition, we may be unable to participate in certain corporate reorganization transactions that would be tax free to our holders if we were a corporation. To the extent we hold assets other than through the Apollo Operating Group, we will make appropriate adjustments to the Apollo Operating Group agreements so that distributions to Holdings and us would be the same as if such assets were held at that level. Moreover, we are precluded by a contract with one of the Strategic Investors from acquiring assets in a manner that would cause that Strategic Investor to be engaged in a commercial activity within the meaning of Section 892 of the Internal Revenue Code.

Tax gain or loss on disposition of our Class A shares could be more or less than expected.

If you sell your Class A shares, you will recognize a gain or loss equal to the difference between the amount realized and your adjusted tax basis allocated to those Class A shares. Prior distributions to you in excess of the total net taxable income allocated to you will have decreased the tax basis in your Class A shares. Therefore, such excess distributions will increase your taxable gain, or decrease your taxable loss, when the Class A shares are sold and may result in a taxable gain even if the sale price is less than the original cost. A portion of the amount realized, whether or not representing gain, may be ordinary income to you.

We cannot match transferors and transferees of Class A shares, and we have therefore adopted certain income tax accounting conventions that may not conform with all aspects of applicable tax requirements. The IRS may challenge this treatment, which could adversely affect the value of our Class A shares.

Because we cannot match transferors and transferees of Class A shares, we have adopted depreciation, amortization and other tax accounting positions that may not conform with all aspects of existing Treasury regulations. A successful IRS challenge to those positions could adversely affect the amount of tax benefits available to holders of Class A shares. It also could affect the timing of these tax benefits or the amount of gain on the sale of Class A shares and could have a negative impact on the value of Class A shares or result in audits of and adjustments to the tax returns of holders of Class A shares.

The sale or exchange of 50% or more of our capital and profit interests will result in the termination of our partnership for U.S. Federal income tax purposes. We will be considered to have been terminated for U.S. Federal income tax purposes if there is a sale or exchange of 50% or more of the total interests in our capital and profits within a twelve-month period. Our termination would, among other things, result in the closing of our taxable year for all holders of Class A shares and could result in a deferral of depreciation deductions allowable in computing our taxable income.

Non-U.S. persons face unique U.S. tax issues from owning Class A shares that may result in adverse tax consequences to them.

In light of our investment activities, we may be, or may become, engaged in a U.S. trade or business for U.S. Federal income tax purposes, in which case some portion of our income would be treated as effectively connected income with respect to non-U.S. holders of our Class A shares, or “ECI.” Moreover, dividends paid by an investment that we make in a real estate investment trust, or “REIT,” that are attributable to gains from the sale of U.S. real property interests and sales of certain investments in interests in U.S. real property, including stock of certain U.S. corporations owning significant U.S. real property, may be treated as ECI with respect to non-U.S. holders of our Class A shares. In addition, certain income of non-U.S. holders from U.S. sources not connected to any U.S. trade or business conducted by us could be treated as ECI. To the extent our income is treated as ECI, each non-U.S. holder generally would be subject to withholding tax on its allocable share of such income, would be required to file a U.S. Federal income tax return for such year reporting its allocable share of income effectively connected with such trade or business and any other income treated as ECI, and would be subject to U.S. Federal income tax at regular U.S. tax rates on any such income (state and local income taxes and filings may also apply in that event). Non-U.S. holders that are corporations may also be subject to a 30% branch profits tax on their allocable share of such income. In addition, certain income from U.S. sources that is not ECI allocable to non-U.S. holders may be reduced by withholding taxes imposed at the highest effective applicable tax rate.

An investment in Class A shares will give rise to UBTI to certain tax-exempt holders.

We will not make investments through taxable U.S. corporations solely for the purpose of limiting unrelated business taxable income ("UBTI") from “debt-financed” property and, thus, an investment in Class A shares will give rise to UBTI to tax-exempt holders of Class A shares. For example, APO Asset Co., LLC will hold interests in entities treated as partnerships, or otherwise subject to tax on a flow-through basis, that will incur indebtedness. Moreover, if the IRS successfully asserts that we are engaged in a trade or business, then additional amounts of income could be treated as UBTI.

We do not intend to make, or cause to be made, an election under Section 754 of the Internal Revenue Code to adjust our asset basis or the asset basis of certain of the Apollo Operating Group Partnerships. Thus, a holder of Class A shares could be allocated more taxable income in respect of those Class A shares prior to disposition than if such an election were made.

We did not make and currently do not intend to make, or cause to be made, an election to adjust asset basis under Section 754 of the Internal Revenue Code with respect to Apollo Principal Holdings I, L.P., Apollo Principal Holdings II, L.P., Apollo

Table of Contents

Principal Holdings III, L.P., Apollo Principal Holdings IV, L.P., Apollo Principal Holdings V, L.P., Apollo Principal Holdings VI, L.P., Apollo Principal Holdings VII, L.P., Apollo Principal Holdings VIII, L.P. and Apollo Principal Holdings IX, L.P. If no such election is made, there will generally be no adjustment for a transferee of Class A shares even if the purchase price of those Class A shares is higher than the Class A shares' share of the aggregate tax basis of our assets immediately prior to the transfer. In that case, on a sale of an asset, gain allocable to a transferee could include built-in gain allocable to the transferor at the time of the transfer, which built-in gain would otherwise generally be eliminated if a Section 754 election had been made.

Class A shareholders may be subject to state and local taxes and return filing requirements as a result of investing in our Class A shares.

In addition to U.S. Federal income taxes, our Class A shareholders may be subject to other taxes, including state and local taxes, unincorporated business taxes and estate, inheritance or intangible taxes that are imposed by the various jurisdictions in which we do business or own property now or in the future, even if our Class A shareholders do not reside in any of those jurisdictions. Our Class A shareholders may also be required to file state and local income tax returns and pay state and local income taxes in some or all of these jurisdictions. Further, Class A shareholders may be subject to penalties for failure to comply with those requirements. It is the responsibility of each Class A shareholder to file all U.S. Federal, state and local tax returns that may be required of such Class A shareholder.

We may not be able to furnish to each Class A shareholder specific tax information within 90 days after the close of each calendar year, which means that holders of Class A shares who are U.S. taxpayers should anticipate the need to file annually a request for an extension of the due date of their income tax return. In addition, it is possible that Class A shareholders may be required to file amended income tax returns.

As a publicly traded partnership, our operating results, including distributions of income, dividends, gains, losses or deductions and adjustments to carrying basis, will be reported on Schedule K-1 and distributed to each Class A shareholder annually. It may require longer than 90 days after the end of our fiscal year to obtain the requisite information from all lower-tier entities so that K-1s may be prepared for us. For this reason, Class A shareholders who are U.S. taxpayers should anticipate the need to file annually with the IRS (and certain states) a request for an extension past April 15 or the otherwise applicable due date of their income tax return for the taxable year.

In addition, it is possible that a Class A shareholder will be required to file amended income tax returns as a result of adjustments to items on the corresponding income tax returns of the partnership. Any obligation for a Class A shareholder to file amended income tax returns for that or any other reason, including any costs incurred in the preparation or filing of such returns, are the responsibility of each Class A shareholder.

You may be subject to an additional U.S. Federal income tax on net investment income allocated to you by us and on gain on the sale of the Class A shares.

As of 2013, individuals, estates and trusts are subject to an additional 3.8% tax on "net investment income" (or undistributed "net investment income," in the case of estates and trusts) for each taxable year, with such tax applying to the lesser of such income or the excess of such person's adjusted gross income (with certain adjustments) over a specified amount. Net investment income includes net income from interest, dividends, annuities, royalties and rents and net gain attributable to the disposition of investment property. It is anticipated that net income and gain attributable to an investment in us will be included in a holder of the Class A share's "net investment income" subject to this additional tax.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our principal executive offices are located in leased office space at 9 West 57th Street, New York, New York 10019. We also lease the space for our offices in New York, California, Houston, Toronto, London, Singapore, Frankfurt, Mumbai, Hong Kong and Luxembourg. We do not own any real property. We consider these facilities to be suitable and adequate for the management and operation of our businesses.

Table of Contents

ITEM 3. LEGAL PROCEEDINGS

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

In March 2012, plaintiffs filed two putative class actions, captioned Kelm v. Chase Bank (No. 12-cv-332) and Miller v. 1-800-Flowers.com, Inc. (No. 12-cv-396), in the District of Connecticut on behalf of a class of consumers alleging online fraud. The defendants included, among others, Trilegiant Corporation, Inc. (“Trilegiant”), its parent company, Affinion Group, LLC (“Affinion”), and Apollo Global Management, LLC (“AGM”), which is affiliated with funds that are the beneficial owners of 68% of Affinion’s common stock. In both cases, plaintiffs allege that Trilegiant, aided by its business partners, who include e-merchants and credit card companies, developed a set of business practices intended to create consumer confusion and ultimately defraud consumers into unknowingly paying fees to clubs for unwanted services. Plaintiffs allege that AGM is a proper defendant because of its indirect stock ownership and ability to appoint the majority of Affinion’s board. The complaints assert claims under the Racketeer Influenced Corrupt Organizations Act; the Electronic Communications Privacy Act; the Connecticut Unfair Trade Practices Act; and the California Business and Professional Code, and seek, among other things, restitution or disgorgement, injunctive relief, compensatory, treble and punitive damages, and attorneys’ fees. The allegations in Kelm and Miller are substantially similar to those in Schnabel v. Trilegiant Corp. (No. 3:10-cv-957), a putative class action filed in the District of Connecticut in 2010 that names only Trilegiant and Affinion as defendants. The court has consolidated the Kelm, Miller, and Schnabel cases under the caption In re: Trilegiant Corporation, Inc. and ordered that they proceed on the same schedule. On June 18, 2012, the court appointed lead plaintiffs’ counsel, and on September 7, 2012, plaintiffs filed their consolidated amended complaint (“CAC”), which alleges the same causes of action against AGM as did the complaints in the Kelm and Miller cases. Defendants filed motions to dismiss on December 7, 2012, plaintiffs filed opposition papers on February 7, 2013, and defendants filed replies on April 5, 2013. On December 5, 2012, plaintiffs filed another putative class action, captioned Frank v. Trilegiant Corp. (No. 12-cv-1721), in the District of Connecticut, naming the same defendants and containing allegations substantially similar to those in the CAC. On January 23, 2013, plaintiffs moved to transfer and consolidate Frank into In re: Trilegiant. On June 13, 2013, the Court extended all defendants’ deadlines to respond to the Frank complaint until 21 days after a ruling on the motion to transfer and consolidate. On July 24, 2013 the Frank court transferred the case to Judge Bryant, who is presiding over In re: Trilegiant, but the cases have not yet been consolidated. On September 25, 2013, the Court held oral argument on Defendants’ motions to dismiss. AGM believes that plaintiffs’ claims against it in these cases are without merit. For this reason, and because the claims against AGM are in their early stages, no reasonable estimate of possible loss, if any, can be made at this time.

Various state attorneys general and federal and state agencies have initiated industry-wide investigations into the use of placement agents in connection with the solicitation of investments, particularly with respect to investments by public pension funds. Certain affiliates of Apollo have received subpoenas and other requests for information from various government regulatory agencies and investors in Apollo's funds, seeking information regarding the use of placement agents. CalPERS, one of our Strategic Investors, announced on October 14, 2009, that it had initiated a special review of placement agents and related issues. The Report of the CalPERS Special Review was issued on March 14, 2011. That report does not allege any wrongdoing on the part of Apollo or its affiliates. Apollo is continuing to cooperate with all such investigations and other reviews. In addition, on May 6, 2010, the California Attorney General filed a civil complaint against Alfred Villalobos and his company, Arvco Capital Research, LLC ("Arvco") (a placement agent that Apollo has used) and Federico Buenrostro Jr., the former CEO of CalPERS, alleging conduct in violation of certain California laws in connection with CalPERS's purchase of securities in various funds managed by Apollo and another asset manager. Apollo is not a party to the civil lawsuit and the lawsuit does not allege any misconduct on the part of Apollo. Likewise, on April 23, 2012, the United States Securities and Exchange Commission filed a lawsuit alleging securities fraud on the part of Arvco, as well as Messrs. Buenrostro and Villalobos, in connection with their activities concerning certain CalPERS investments in funds managed by Apollo. This lawsuit also does not allege wrongdoing on the part of Apollo, and in fact alleges that Apollo was defrauded by Arvco, Villalobos, and Buenrostro. Finally, on March 14, 2013, the United States Department of Justice unsealed an indictment against Messrs. Villalobos and Buenrostro alleging, among other crimes, fraud in connection with those same activities; again, Apollo is not accused of any wrongdoing and in fact is alleged to have been defrauded by the defendants. Additionally, on April 15, 2013, Mr. Villalobos, Arvco and related entities (the "Arvco Debtors") brought a civil action in the United States Bankruptcy Court for the District of Nevada against Apollo. This action alleges that Arvco served as a placement agent for Apollo in connection with several funds associated with Apollo, and seek to recover purported fees they claim Apollo has not paid them for a portion of Arvco's placement agent services. In addition, the Arvco Debtors allege that Apollo has interfered with the Arvco Debtors' commercial relationships with third parties, purportedly causing the Arvco Debtors to lose business and to incur fees and expenses in the defense of various investigations and litigations. The Arvco Debtors also seek compensation from Apollo for these alleged lost profits and fees and expenses. The Arvco Debtors' complaint asserts various theories of recovery under the Bankruptcy Code and the common law. Apollo denies the merit of all of the Arvco Debtors' claims and will vigorously contest them. The Bankruptcy Court has stayed the civil action until April 2014. For these reasons, no estimate of possible loss, if any, can be made at this time.

Table of Contents

On July 9, 2012, Apollo was served with a subpoena by the New York Attorney General's Office regarding Apollo's fee waiver program. The subpoena is part of what we understand to be an industry-wide investigation by the New York Attorney General into the tax implications of the fee waiver program implemented by numerous private equity and hedge funds. Under the fee waiver program, individual fund managers for certain Apollo-managed funds prospectively elected to waive their management fees. Program participants received an interest in the future profits, if any, that would be earned on the invested amounts representing waived fees. They receive such profits from time to time in the ordinary course when distributions are made generally, as provided for in the applicable fund governing documents and waiver agreements. Four Apollo funds implemented the program, but the investment period for all funds was terminated as of December 31, 2012. Apollo believes its fee waiver program complies with all applicable laws, and is cooperating with the investigation.

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

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

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

Iran Related Activities

Disclosure Pursuant to Section 219 of the Iran Threat Reduction and Syria Human Rights Act

On October 24, 2013, certain investment funds managed by affiliates of Apollo beneficially owned approximately 22% of the limited liability company interests of CEVA Holdings, LLC ("CEVA"). Under the limited liability company agreement governing CEVA, certain investment funds managed by affiliates of Apollo hold a majority of the voting power of CEVA and have the right to elect a majority of the board of CEVA. CEVA may be deemed to be controlled by Apollo, but this statement is not meant to be an admission that control exists. As a result, it appears that we are required to provide disclosures as set forth below pursuant to Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012 ("ITRA") and Section 13(r) of the Exchange Act.

CEVA has provided Apollo with the information below relevant to Section 13(r) of the Exchange Act. The disclosure below does not relate to any activities conducted by Apollo and does not involve Apollo or its management. The disclosure relates solely to activities conducted by CEVA and its consolidated subsidiaries. Apollo has not independently verified or participated in the preparation of the disclosure below.

"Through an internal review of its global operations, CEVA has identified the following transactions in an Initial Notice of Voluntary Self-Disclosure that CEVA filed with the U.S. Treasury Department Office of Foreign Assets Control ("OFAC") on October 28, 2013. CEVA's review is ongoing. CEVA will file a further report with OFAC after completing its review.

The internal review indicates that, in February 2013, CEVA Freight Holdings (Malaysia) SDN BHD ("CEVA Malaysia") provided customs brokerage for export and local haulage services for a shipment of polyethylene resin to Iran shipped on a vessel owned and/or operated by HDS Lines, also an SDN. The revenues and net profits for these services were approximately $779.54 USD and $311.13 USD, respectively. In September 2013, CEVA Malaysia provided customs brokerage services for the import into Malaysia of fruit juice from Alifard Co. in Iran via HDS Lines. The revenues and net profits for these services were approximately $227.41 USD and $89.29 USD, respectively.

These transactions violate the terms of internal CEVA compliance policies, which prohibit transactions involving Iran. Upon discovering these transactions, CEVA promptly launched an internal investigation, and is taking action to block and prevent such transactions in the future. CEVA intends to cooperate with OFAC in its review of this matter."

- 57-

Table of Contents

PART II—OTHER INFORMATION

ITEM 5. MARKETS FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our Class A shares are traded on the NYSE under the symbol "APO." Our Class A shares began trading on the NYSE on March 30, 2011.

The number of holders of record of our Class A shares as of February 26, 2014 was 4. This does not include the number of shareholders that hold shares in "street name" through banks or broker-dealers. As of February 26, 2014, there was 1 holder of our Class B share.

The following table sets forth the high and low intra-day sales prices per unit of our Class A shares, for the periods indicated, as reported by the NYSE:

	Sales Price	
2013	High	Low
First Quarter	$ 24.87	$ 17.72
Second Quarter	28.14	20.86
Third Quarter	29.98	22.61
Fourth Quarter	34.88	28.04

	Sales Price	
2012	High	Low
First Quarter	$ 15.48	$ 12.50
Second Quarter	14.70	10.42
Third Quarter	15.06	12.00
Fourth Quarter	17.85	13.83

	Sales Price	
2011	High	Low
First Quarter	$ 19.00	$ 17.91
Second Quarter	18.91	15.27
Third Quarter	17.94	9.83
Fourth Quarter	14.21	8.85

Cash Distribution Policy

With respect to fiscal year 2013, we paid four cash distributions of $1.05, $0.57, $1.32 and $1.01 per Class A share on February 28, 2013, May 30, 2013, August 30, 2013, and November 29, 2013, respectively, (aggregating to $3.95 per Class A share) and we have declared an additional cash distribution of $1.08 per Class A share in respect of the fourth quarter of 2013 which was paid on February 26, 2014 to holders of record of Class A shares at the close of business on February 19, 2014. These distributions represented our net after-tax cash flow from operations in excess of amounts determined by our manager to be necessary or appropriate to provide for the conduct of our business, to make appropriate investments in our business and our funds, to comply with applicable law, any of our debt instruments or other agreements, or to provide for future distributions to our shareholders for any ensuing quarter.

With respect to fiscal year 2012, we paid four cash distributions of $0.46, $0.25, $0.24 and $0.40 per Class A share on February 29, 2012, May 30, 2012, August 31, 2012, and November 30, 2012, respectively, aggregating to $1.35 per Class A share. These distributions represented our net after-tax cash flow from operations in excess of amounts determined by our manager to be necessary or appropriate to provide for the conduct of our business, to make appropriate investments in our business and our funds, to comply with applicable law, any of our debt instruments or other agreements, or to provide for future distributions to our shareholders for any ensuing quarter.

Table of Contents

With respect to fiscal year 2011, we paid four cash distributions of $0.17, $0.22, $0.24 and $0.20 per Class A share on January 14, 2011, June 1, 2011, August 29, 2011 and December 2, 2011, respectively, aggregating to $0.83 per Class A share. These distributions represented our net after-tax cash flow from operations in excess of amounts determined by our manager to be necessary or appropriate to provide for the conduct of our business, to make appropriate investments in our business and our funds, to comply with applicable law, any of our debt instruments or other agreements, or to provide for future distributions to our shareholders for any ensuing quarter.

Our current intention is to distribute to our Class A shareholders on a quarterly basis substantially all of our net after-tax cash flow from operations in excess of amounts determined by our manager to be necessary or appropriate to provide for the conduct of our businesses, to make appropriate investments in our businesses and our funds, to comply with applicable law, to service our indebtedness or to provide for future distributions to our Class A shareholders for any ensuing quarter. Because we will not know what our actual available cash flow from operations will be for any year until sometime after the end of such year, our fourth quarter distribution may be adjusted to take into account actual net after-tax cash flow from operations for that year.

The declaration, payment and determination of the amount of our quarterly distribution will be at the sole discretion of our manager, which may change our cash distribution policy at any time. We cannot assure you that any distributions, whether quarterly or otherwise, will or can be paid. In making decisions regarding our quarterly distribution, our manager will take into account general economic and business conditions, our strategic plans and prospects, our businesses and investment opportunities, our financial condition and operating results, working capital requirements and anticipated cash needs, contractual restrictions and obligations, legal, tax and regulatory restrictions, restrictions and other implications on the payment of distributions by us to our common shareholders or by our subsidiaries to us and such other factors as our manager may deem relevant.

Because we are a holding company that owns intermediate holding companies, the funding of each distribution, if declared, will occur in three steps, as follows.

- First, we will cause one or more entities in the Apollo Operating Group to make a distribution to all of its partners, including our wholly-owned subsidiaries APO Corp., APO Asset Co., LLC and APO (FC), LLC (as applicable), and Holdings, on a pro rata basis;
- Second, we will cause our intermediate holding companies, APO Corp., APO Asset Co., LLC and APO (FC), LLC (as applicable), to distribute to us, from their net after-tax proceeds, amounts equal to the aggregate distribution we have declared; and
- Third, we will distribute the proceeds received by us to our Class A shareholders on a pro rata basis.

Payments that any of our intermediate holding companies make under the tax receivable agreement will reduce amounts that would otherwise be available for distribution by us on our Class A shares. See note 17 to our consolidated financial statements.

Under Delaware law we are prohibited from making a distribution to the extent that our liabilities, after such distribution, exceed the fair value of our assets. Our operating agreement does not contain any restrictions on our ability to make distributions, except that we may only distribute Class A shares to holders of Class A shares. The 2013 AMH Credit Facilities, as defined in note 14 to our consolidated financial statements, do not contain restrictions on our or our subsidiaries' ability to pay distributions; however, instruments governing indebtedness that we or our subsidiaries incur in the future may contain restrictions on our or our subsidiaries' ability to pay distributions or make other cash distributions to equity holders.

In addition, the Apollo Operating Group’s cash flow from operations may be insufficient to enable it to make tax distributions to its partners, in which case the Apollo Operating Group may have to borrow funds or sell assets, and thus our liquidity and financial condition could be materially adversely affected. Furthermore, by paying cash distributions rather than investing that cash in our businesses, we might risk slowing the pace of our growth, or not having a sufficient amount of cash to fund our operations, new investments or unanticipated capital expenditures, should the need arise.

Our cash distribution policy has certain risks and limitations, particularly with respect to liquidity. Although we expect to pay distributions according to our cash distribution policy, we may not pay distributions according to our policy, or at all, if, among other things, we do not have the cash necessary to pay the intended distributions.

As of December 31, 2013, approximately 26.2 million RSUs granted to Apollo employees (net of forfeited awards) were entitled to distribution equivalents, to be paid in the form of cash compensation.

Securities Authorized for Issuance Under Equity Compensation Plans

See the table under "Securities Authorized for Issuance Under Equity Compensation Plans" set forth in "Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters."

Table of Contents

Class A Shares Repurchases in the Fourth Quarter of 2013

No purchases of our Class A shares were made by us or on our behalf in the fourth quarter of the year ended December 31, 2013.

Unregistered Sale of Equity Securities

On October 16, 2013 and November 13, 2013, we issued 6,878 and 297,634 Class A shares, net of taxes, to Apollo Management Holdings, L.P., respectively, for an aggregate purchase price of $219,683 and $9,038,609, respectively. The issuances were exempt from registration under the Securities Act in accordance with Section 4(a)(2) and Rule 506(b) thereof, as transactions by the issuer not involving a public offering. We determined that the purchaser of Class A shares in the transactions, Apollo Management Holdings, L.P., was an accredited investor.

ITEM 6. SELECTED FINANCIAL DATA

The following selected historical consolidated and combined financial and other data of Apollo Global Management, LLC should be read together with "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and the historical financial statements and related notes included in "Item 8. Financial Statements and Supplementary Data."

The selected historical consolidated statements of operations data of Apollo Global Management, LLC for each of the years ended December 31, 2013, 2012 and 2011 and the selected historical consolidated statements of financial condition data as of December 31, 2013 and 2012 have been derived from our consolidated financial statements which are included in "Item 8. Financial Statements and Supplementary Data."

We derived the selected historical consolidated statements of operations data of Apollo Global Management, LLC for the years ended December 31, 2010 and 2009 and the selected consolidated statements of financial condition data as of December 31, 2011, 2010 and 2009 from our audited consolidated financial statements which are not included in this document.

Table of Contents

	Year Ended December 31,				
	2013	2012	2011	2010	2009
	(in thousands, except per share amounts)				
Statement of Operations Data					
Revenues:					
Advisory and transaction fees from affiliates, net	$196,562	$149,544	$81,953	$79,782	$56,075
Management fees from affiliates	674,634	580,603	487,559	431,096	406,257
Carried interest income (loss) from affiliates	2,862,375	2,129,818	(397,880)	1,599,020	504,396
Total Revenues	3,733,571	2,859,965	171,632	2,109,898	966,728
Expenses:					
Compensation and benefits:					
Equity-based compensation	126,227	598,654	1,149,753	1,118,412	1,100,106
Salary, bonus and benefits	294,753	274,574	251,095	249,571	227,356
Profit sharing expense	1,173,255	872,133	(60,070)	575,367	167,548
Total Compensation and Benefits	1,594,235	1,745,361	1,340,778	1,943,350	1,495,010
Interest expense	29,260	37,116	40,850	35,436	50,252
Professional fees	83,407	64,682	59,277	61,919	33,889
General, administrative and other	98,202	87,961	75,558	65,107	61,066
Placement fees	42,424	22,271	3,911	4,258	12,364
Occupancy	39,946	37,218	35,816	23,067	29,625
Depreciation and amortization	54,241	53,236	26,260	24,249	24,299
Total Expenses	1,941,715	2,047,845	1,582,450	2,157,386	1,706,505
Other Income:					
Net gains (losses) from investment activities	330,235	288,244	(129,827)	367,871	510,935
Net gains (losses) from investment activities of consolidated variable interest entities	199,742	(71,704)	24,201	48,206	—
Income from equity method investments	107,350	110,173	13,923	69,812	83,113
Interest income	12,266	9,693	4,731	1,528	1,450
Gain from repurchase of debt(1)	—	—	—	—	36,193
Other income, net	40,114	1,964,679	205,520	195,032	41,410
Total Other Income	689,707	2,301,085	118,548	682,449	673,101
Income (loss) before income tax provision	2,481,563	3,113,205	(1,292,270)	634,961	(66,676)
Income tax provision	(107,569)	(65,410)	(11,929)	(91,737)	(28,714)
Net Income (Loss)	2,373,994	3,047,795	(1,304,199)	543,224	(95,390)
Net (income) loss attributable to Non-Controlling Interests(2)(3)	(1,714,603)	(2,736,838)	835,373	(448,607)	(59,786)
Net Income (Loss) Attributable to Apollo Global Management, LLC	$659,391	$310,957	$(468,826)	$94,617	$(155,176)
Distributions Declared per Class A Share	$3.95	$1.35	$0.83	$0.21	$0.05
Net Income (Loss) Available to Class A Share – Basic	$4.06	$2.06	$(4.18)	$0.83	$(1.62)
Net Income (Loss) Available to Class A Share –Diluted	$4.03	$2.06	$(4.18)	$0.83	$(1.62)

- 61-

Table of Contents

	As of December 31,				
	2013	2012	2011	2010	2009
	(in thousands)				
Statement of Financial Condition Data					
Total assets	$22,477,981	$20,636,858	$7,975,873	$6,552,372	$3,385,197
Debt (excluding obligations of consolidated variable interest entities)	750,000	737,818	738,516	751,525	933,834
Debt obligations of consolidated variable interest entities	12,423,962	11,834,955	3,189,837	1,127,180	—
Total shareholders' equity	6,688,722	5,703,383	2,648,321	3,081,419	1,299,110
Total Non-Controlling Interests	$4,051,453	$3,036,565	$1,921,920	$2,930,517	$1,603,146

(1) During April and May 2009, the Company repurchased a combined total of $90.9 million of face value of debt for $54.7 million and recognized a net gain of $36.2 million which is included in other (loss) income in the consolidated and combined statements of operations for the year ended December 31, 2009.

(2) Reflects Non-Controlling Interests attributable to AAA, consolidated variable interest entities and the remaining interests held by certain individuals who receive an allocation of income from certain of our credit management companies.

(3) Reflects the Non-Controlling Interests in the net (loss) income of the Apollo Operating Group relating to the units held by our Managing Partners and Contributing Partners after the 2007 Reorganization which is calculated by applying the ownership percentage of Holding in the Apollo Operating Group.

The ownership interest was impacted by a share repurchase in February 2009, the Company's IPO in April 2011, issuances of Class A shares in settlement of vested RSUs in 2010, 2011, 2012, and 2013, and the Company's secondary offering in May 2013. See "Item 8. Financial Statements and Supplementary Data" for details of the ownership percentage. Additionally, in November 2013, certain AOG Units were exchanged for Class A shares and sold, which also impacted the ownership interest.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with Apollo Global Management, LLC's consolidated financial statements and the related notes as of December 31, 2013 and 2012 and for the years ended December 31, 2013, 2012, and 2011. This discussion contains forward-looking statements that are subject to known and unknown risks and uncertainties. Actual results and the timing of events may differ significantly from those expressed or implied in such forward-looking statements due to a number of factors, including those included in the section of this report entitled "Item 1A. Risk Factors." The highlights listed below have had significant effects on many items within our consolidated financial statements and affect the comparison of the current period's activity with those of prior periods.

General

Our Businesses

Founded in 1990, Apollo is a leading global alternative investment manager. We are contrarian, value-oriented investors in private equity, credit and real estate with significant distressed expertise and a flexible mandate in the majority of our funds that enables our funds to invest opportunistically across a company's capital structure. We raise, invest and manage funds on behalf of some of the world's most prominent pension, endowment and sovereign wealth funds as well as other institutional and individual investors. Apollo is led by our Managing Partners, Leon Black, Joshua Harris and Marc Rowan, who have worked together for more than 23 years and lead a team of 710 employees, including 277 investment professionals, as of December 31, 2013.

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

(i) Private equity—primarily invests in control equity and related debt instruments, convertible securities and distressed debt instruments;

(ii) Credit—primarily invests in non-control corporate and structured debt instruments; and

(iii) Real estate—primarily invests in 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.

Table of Contents

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

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

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

As of December 31, 2013, approximately 96% of our total AUM was in funds with a contractual life at inception of seven years or more, and 7% of our total AUM was in permanent capital vehicles with unlimited duration.

As of December 31, 2013, we had total AUM of $161.2 billion across all of our businesses. On December 31, 2013, Apollo Investment Fund VIII, L.P. ("Fund VIII") held a final closing raising a total of $17.5 billion in third-party capital and approximately $880 million of additional capital from Apollo and affiliated investors, and as of December 31, 2013, Fund VIII had $18.2 billion of uncalled commitments, or "dry powder," remaining. Additionally, Fund VII held a final closing in December 2008, raising a total of $14.7 billion, and as of December 31, 2013, Fund VII had $3.4 billion of uncalled commitments remaining. We have consistently produced attractive long-term investment returns in our private equity funds, generating a 39% gross IRR and a 26% net IRR on a compound annual basis from inception through December 31, 2013. For further detail related to fund performance metrics across all of our businesses, see "—The Historical Investment Performance of Our Funds."

Table of Contents

Holding Company Structure

The diagram below depicts our current organizational structure:

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

(1) The Strategic Investors hold 30.21% of the Class A shares outstanding and 11.91% of the economic interests in the Apollo Operating Group. The Class A shares held by investors other than the Strategic Investors represent 31.23% of the total voting power of our shares entitled to vote and 27.51% of the economic interests in the Apollo Operating Group. Class A shares held by the Strategic Investors do not have voting rights. However, such Class A shares will become entitled to vote upon transfers by a Strategic Investor in accordance with the agreements entered into in connection with the investments made by the Strategic Investors.

(2) Our Managing Partners own BRH Holdings GP, Ltd., which in turn holds our only outstanding Class B share. The Class B share represents 68.77% of the total voting power of our shares entitled to vote but no economic interest in Apollo Global Management, LLC. Our Managing Partners' economic interests are instead represented by their indirect beneficial ownership, through Holdings, of 53.42% of the limited partner interests in the Apollo Operating Group.

(3) Through BRH Holdings, L.P., our Managing Partners indirectly beneficially own through estate planning vehicles, limited partner interests in Holdings.

(4) Holdings owns 60.58% of the limited partner interests in each Apollo Operating Group entity. The AOG Units held by Holdings are exchangeable for Class A shares. Our Managing Partners, through their interests in BRH and Holdings, beneficially own 53.42% of the AOG Units. Our Contributing Partners, through their ownership interests in Holdings, beneficially own 7.16% of the AOG Units.

(5) BRH Holdings GP, Ltd is the sole member of AGM Management, LLC, our manager. The management of Apollo Global Management, LLC is vested in our manager as provided in our operating agreement.

(6) Represents 39.42% of the limited partner interests in each Apollo Operating Group entity, held through intermediate holding companies. Apollo Global Management, LLC, also indirectly owns 100% of the general partner interests in each Apollo Operating Group entity.

Table of Contents

Each of the Apollo Operating Group partnerships holds interests in different businesses or entities organized in different jurisdictions.

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

- We are a holding company that is qualified as a partnership for U.S. Federal income tax purposes. Our intermediate holding companies enable us to maintain our partnership status and to meet the qualifying income exception.
- We have historically used multiple management companies to segregate operations for business, financial and other reasons. Going forward, we may increase or decrease the number of our management companies or partnerships within the Apollo Operating Group based on our views regarding the appropriate balance between (a) administrative convenience and (b) continued business, financial, tax and other optimization.

Business Environment

As a global investment manager, we are affected by numerous factors, including the condition of financial markets and the economy. Fluctuations in equity prices, which may be volatile, can significantly impact the valuation of our funds' portfolio companies and related income we may recognize. In the U.S., the S&P 500 Index rose 9.9% in the fourth quarter of 2013, bringing the full year appreciation to 29.6% and closed at a new record high at the end of the fourth quarter of 2013. Outside the U.S., world equity markets also continued to rise in the fourth quarter of 2013, completing a strong year. The MSCI All Country World ex USA Index was up 4.4% in the fourth quarter of 2013 and 12.3% for the year ended December 31, 2013. Importantly, we believe that the continued strength in the equity markets has been accommodative for continued equity capital markets activity, including IPOs and secondary offerings of the portfolio companies within our funds.

Conditions in the global credit markets also have a significant impact on our business. Credit indices rose in the fourth quarter of 2013, completing a positive year, with the BoAML HY Master II Index up 3.5% in the fourth quarter of 2013 and 7.4% for the year ended December 31, 2013, while the S&P/LSTA Leveraged Loan Index was up 1.7% during the fourth quarter of 2013 and 5.3% for the year ended December 31, 2013. Benchmark interest rates increased sharply during the fourth quarter of 2013 with the U.S. 10-year Treasury up approximately 40 basis points to 3.0%, following the Federal Reserve's commencement of tapering its quantitative easing policy.

In terms of economic conditions, the Bureau of Economic Analysis reported that real GDP in the U.S. increased at an annual rate of 3.2% in the fourth quarter of 2013 and 1.9% for the full year ended December 31, 2013. As of January 2014, The International Monetary Fund estimates that the U.S. economy will expand by 2.8% in 2014. Additionally, the U.S. unemployment rate remained elevated at 7.0% as of December 31, 2013, despite recent signs of improvement.

Amid the generally favorable backdrop of elevated asset prices, Apollo continued to generate significant realizations for fund investors. Apollo returned $5.8 billion and $22.6 billion of capital and realized gains to the limited partners of the funds it manages during the fourth quarter of 2013 and the full year ended December 31, 2013, respectively. Apollo's fundraising activities also continued at a strong pace, with $10.0 billion and $22.1 billion of new capital raised during the fourth quarter and full year 2013, respectively, as institutional investors continued to allocate capital towards alternative investment managers for more attractive risk-adjusted returns in a low rate environment.

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

Table of Contents

Market Considerations

Our revenues consist of the following:

- Management fees, which are calculated based upon any of "net asset value," "gross assets," "adjusted par asset value," "adjusted costs of all unrealized portfolio investments," "capital commitments," "adjusted assets," "invested capital," "capital contributions," or "stockholders' equity," each as defined in the applicable management agreement of the unconsolidated funds;
- Advisory and transaction fees relating to the investments our funds make, or individual monitoring agreements with individual portfolio companies of the private equity funds and certain credit funds as well as advisory services provided to certain credit funds; and
- Carried interest with respect to our funds.

Our ability to grow our revenues depends in part on our ability to attract new capital and investors, which in turn depends on our ability to appropriately invest our funds' capital, and on the conditions in the financial markets, including the availability and cost of leverage, and economic conditions in the United States, Western Europe, Asia, and to some extent, elsewhere in the world. The market factors that impact this include the following:

- The strength of the alternative investment management industry, including the amount of capital invested and withdrawn from alternative investments. Allocations of capital to the alternative investment sector are dependent, in part, on the strength of the economy and the returns available from other investments relative to returns from alternative investments. Our share of this capital is dependent on the strength of our performance relative to the performance of our competitors. The capital we attract and our returns are drivers of our Assets Under Management, which, in turn, drive the fees we earn. In light of the current volatile conditions in the financial markets, our funds' returns may be lower than they have been historically and fundraising efforts may be more challenging.
- The strength and liquidity of the U.S. and relevant global equity markets generally, and the initial public offering market specifically. The strength of these markets affects the value of, and our ability to successfully exit, our equity positions in our private equity portfolio companies in a timely manner.
- The strength and liquidity of the U.S. and relevant global debt markets. Our funds and our portfolio companies borrow money to make acquisitions and our funds utilize leverage in order to increase investment returns that ultimately drive the performance of our funds. Furthermore, we utilize debt to finance the principal investments in our funds and for working capital purposes. To the extent our ability to borrow funds becomes more expensive or difficult to obtain, the net returns we can earn on those investments may be reduced.
- Stability in interest rate and foreign currency exchange rate markets. We generally benefit from stable interest rate and foreign currency exchange rate markets. The direction and impact of changes in interest rates or foreign currency exchange rates on certain of our funds are dependent on the funds' expectations and the related composition of their investments at such time.

For the most part, we believe the trends in these factors have historically created a favorable investment environment for our funds. However, adverse market conditions may affect our businesses in many ways, including reducing the value or hampering the performance of the investments made by our funds, and/or reducing the ability of our funds to raise or deploy capital, each of which could materially reduce our revenue, net income and cash flow, and affect our financial condition and prospects. As a result of our value-oriented, contrarian investment style which is inherently long-term in nature, there may be significant fluctuations in our financial results from quarter to quarter and year to year.

The financial markets encountered a series of negative events in 2007 and 2008 which led to a global liquidity and broad economic crisis and impacted the performance of many of our funds' portfolio companies. The impact of such events on our private equity and credit funds resulted in volatility in our revenue. If the market were to experience similar periods of volatility, we and the funds we manage may experience tightening of liquidity, reduced earnings and cash flow, impairment charges, as well as challenges in raising additional capital, obtaining investment financing and making investments on attractive terms. These market conditions can also have an impact on our ability to liquidate positions in a timely and efficient manner. For a more detailed description of how economic and global financial market conditions can materially affect our financial performance and condition, see “Item 1A. Risk Factors—Risks Related to Our Businesses—Difficult market conditions may adversely affect our businesses in many ways, including by reducing the value or hampering the performance of the investments made by our funds or reducing the ability of our funds to raise or deploy capital, each of which could materially reduce our revenue, net income and cash flow and adversely affect our financial prospects and condition.”

Uncertainty remains regarding Apollo’s future taxation levels. On May 28, 2010, the House of Representatives passed legislation that would, if enacted in its present form, preclude us from qualifying for treatment as a partnership for U.S. Federal income tax purposes under the publicly traded partnership rules. See “Item 1A. Risk Factors-Risks Related to Our Organization and Structure-Although not enacted, the U.S. Congress has considered legislation that would have: (i) in some cases after a ten-year transition period, precluded us from qualifying as a partnership or required us to hold carried interest through taxable corporations; and (ii) taxed certain income and gains at increased rates. If similar legislation were to be enacted and apply to us, the value of our Class A shares could be adversely affected” and “Item 1A. Risk Factors—Risks Related to Taxation—Our structure involves complex provisions of U.S. Federal income tax law for which no clear precedent or authority may be available. Our structure is also subject to potential legislative, judicial or administrative change and differing interpretations, possibly on a retroactive basis.”

Managing Business Performance

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

Economic Net Income (Loss)

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

During the second quarter of 2013, monitoring fees based on Athene's capital and surplus and the change in the market value of the derivative contracts related to Athene's capital and surplus recorded in advisory and transaction fees from affiliates, net, as disclosed in note 17 to the consolidated financial statements, were reclassified from the private equity segment to the credit segment to better evaluate the performance of Apollo's private equity and credit segments in making key operating decisions. Reclassifications have been made to the prior period financial data for Apollo's reportable segments to conform to the current presentation. The impact of this reclassification on the ENI for the private equity and credit segment is reflected in the table below for the years ended December 31, 2012 and 2011:

	Impact of Reclassification on Economic Net (Loss) Income	
	Private Equity Segment	Credit Segment
For the year ended December 31, 2012	$(16,787)	$16,787
For the year ended December 31, 2011	$(8,768)	$8,768

During the fourth quarter of 2013, certain reclassifications were made to prior period financial data within salary, bonus and benefits and profit sharing expense to conform to the current presentation. The impact of these reclassifications on management business ENI and incentive business ENI is reflected in the table below for Apollo's three reportable segments for the years ended December 31, 2012 and 2011.

	Impact of Reclassification on Management Business Economic Net Income (Loss)		
	Private Equity Segment	Credit Segment	Real Estate Segment
For the year ended December 31, 2012	$24,397	$(17,082)	$(7,315)
For the year ended December 31, 2011	3,434	(2,081)	(1,353)
	Impact of Reclassification on Incentive Business Economic Net (Loss) Income		
	Private Equity Segment	Credit Segment	Real Estate Segment
For the year ended December 31, 2012	$(24,397)	$17,082	$7,315
For the year ended December 31, 2011	(3,434)	2,081	1,353

As it relates to the reclassifications described above, the impact to the combined segments' ENI for all periods presented was zero.

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

- Decisions related to the allocation of resources such as staffing decisions including hiring and locations for deployment of the new hires. As the amount of fees, investment income, and ENI is indicative of the performance of the management companies and advisors within each segment, management can assess the need for additional resources and the location for deployment of the new hires based on the results of this measure. For example, a positive ENI could indicate the need for additional staff to manage the respective segment whereas a negative ENI could indicate the need to reduce staff assigned to manage the respective segment.
- Decisions related to capital deployment such as providing capital to facilitate growth for our business and/or to facilitate expansion into new businesses. As the amount of fees, investment income, and ENI is indicative of the performance of the management companies and advisors within each segment, management can assess the availability and need to provide capital to facilitate growth or expansion into new businesses based on the results of this measure. For example, a negative ENI may indicate the lack of performance of a segment and thus indicate a need for additional capital to be deployed into the respective segment.
- Decisions related to expenses, such as determining annual discretionary bonuses and equity-based compensation awards to its employees. With respect to compensation, management seeks to align the interests of certain professionals and selected other individuals with those of the investors in such funds and those of the Company's shareholders by providing such individuals a profit sharing interest in the carried interest income earned in relation to the funds. To achieve that objective, a certain amount of compensation is based on the Company's performance and growth for the year.

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

(i) non-cash charges related to RSUs granted in connection with the 2007 private placement and amortization of AOG Units (the costs associated with the 2007 private placement are expected to be recurring components of our costs but at a diminishing rate, we may be able to incur lower cash compensation costs with the granting of equity-based compensation). The AOG Units were fully vested and amortized as of June 30, 2013;

(ii) income tax, which represents a necessary and recurring element of our operating costs and our ability to generate revenue because ongoing revenue generation is expected to result in future income tax expense;

(iii) amortization of intangible assets associated with the 2007 Reorganization and acquisitions, which is a recurring item until all intangibles have been fully amortized; and

(iv) Non-Controlling Interests, excluding the remaining interest held by certain individuals who receive an allocation of income from certain of our credit management companies, which is expected to be a recurring item and represents the aggregate of the income or loss that is not owned by the Company.

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

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

- Inclusion of the impact of RSUs granted in connection with the 2007 private placement and non-cash equity-based compensation expense comprising amortization of AOG Units. Management assesses our performance based on management fees, advisory and transaction fees, and carried interest income generated by the business and excludes the impact of non-cash charges related to RSUs granted in connection with the 2007 private placement and amortization of AOG Units because these non-cash charges are not viewed as part of our core operations. The AOG Units were fully amortized as of June, 2013.
- Inclusion of the impact of income taxes as we do not take income taxes into consideration when evaluating the performance of our segments or when determining compensation for our employees. Additionally, income taxes at the segment level (which exclude APO Corp.'s corporate taxes) are not meaningful, as the majority of the entities included in our segments operate as partnerships and therefore are only subject to New York City unincorporated business taxes and foreign taxes when applicable.
- Inclusion of amortization of intangible assets associated with the 2007 Reorganization and subsequent acquisitions as these non-cash charges are not viewed as part of our core operations.
- Carried interest income, management fees and other revenues from Apollo funds are reflected on an unconsolidated basis. As such, ENI excludes the Non-Controlling Interests in consolidated funds, which remain consolidated in our consolidated financial statements. Management views the business as an alternative investment management firm and therefore assesses performance using the combined total of carried interest income and management fees from each of our funds. One exception is the Non-Controlling Interest related to certain individuals who receive an allocation of income from certain of our credit management companies, which is deducted from ENI to better reflect the performance attributable to shareholders.

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

Operating Metrics

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

Assets Under Management

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

(i) the fair value of our private equity investments plus the capital that we are entitled to call from our investors pursuant to the terms of their capital commitments;

(ii) the NAV, of our credit funds, other than certain CLOs and CDOs, which have a fee generating basis other than the mark-to-market value of the underlying assets, plus used or available leverage and/or capital commitments;

(iii) the gross asset value or net asset value of our real estate entities and the structured portfolio company investments included within the funds we manage, which includes the leverage used by such structured portfolio companies;

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

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

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

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

Assets Under Management—Fee-Generating/Non-Fee Generating

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

Non-fee generating AUM consists of assets that do not produce management fees or monitoring fees. These assets generally consist of the following: (a) fair value above invested capital for those funds that earn management fees based on invested capital, (b) net asset values related to general partner and co-investment ownership, (c) unused credit facilities, (d) available

Table of Contents

commitments on those funds that generate management fees on invested capital, (e) structured portfolio company investments that do not generate monitoring fees and (f) the difference between gross asset and net asset value for those funds that earn management fees based on net asset value.

We use non-fee generating AUM combined with fee-generating AUM as a performance measurement of our investment activities, as well as to monitor fund size in relation to professional resource and infrastructure needs. Non-fee generating AUM includes assets on which we could earn carried interest income.

The table below displays fee-generating and non-fee generating AUM by segment as of December 31, 2013, 2012 and 2011. Changes in market conditions, additional funds raised and acquisitions have had significant impacts to our AUM:

	As of December 31,				
	2013		2012		2011
	(in millions)				
Total Assets Under Management	$161,177	(1)	$113,379	(1)	$75,222
Fee-generating	128,368		81,934		58,121
Non-fee generating	32,809	(1)	31,445	(1)	17,101
Private Equity	49,908		37,832		35,384
Fee-generating	34,173		27,932		28,031
Non-fee generating	15,735		9,900		7,353
Credit[2]	100,886		64,406		31,867
Fee-generating	88,249		49,518		26,553
Non-fee generating	12,637		14,888		5,314
Real Estate[2]	9,289		8,800		7,971
Fee-generating	5,946		4,484		3,537
Non-fee generating	3,343		4,316		4,434

(1) As of December 31, 2013 and 2012, includes $1.1 billion and $2.3 billion of commitments, respectively, that have yet to be deployed to an Apollo fund within our three segments.

(2) Includes fee-generating and non-fee generating AUM as of September 30, 2012 for certain publicly traded vehicles managed by Apollo.

During the year ended December 31, 2013, our total fee-generating AUM increased primarily due to acquisitions and increases in subscriptions, this was partially offset by distributions, leverage, and movements between fee-generating and non-fee generating AUM. The fee-generating AUM of our private equity funds increased primarily due to subscriptions, offset primarily by distributions and movement between fee-generating and non-fee generating AUM. The fee-generating AUM of our credit funds increased during the year ended December 31, 2013 primarily due to acquisitions and subscriptions, and offset by decreases in leverage and distributions. The fee-generating AUM of our real estate segment increased primarily due to net segment transfers in and subscriptions, and was partially offset by distributions.

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

With respect to our private equity funds and certain of our credit and real estate funds, we charge management fees on the amount of committed or invested capital and we generally are entitled to realized carried interest on the realized gains on the disposition of such funds' investments. Certain funds may have current fair values below invested capital; however, the management fee would still be computed on the invested capital for such funds. With respect to ARI and

AMTG, we receive management fees on stockholders' equity as defined in the applicable management agreement. In addition, our fee-generating AUM reflects leverage vehicles that generate monitoring fees on value in excess of fund commitments. As of December 31, 2013, our total fee-generating AUM is comprised of approximately 97% of assets that earn management fees and the remaining balance of assets earn monitoring fees.

Table of Contents

The Company's entire fee-generating AUM is subject to management or monitoring fees. The components of fee-generating AUM by segment as of December 31, 2013, 2012 and 2011 are presented below:

	As of December 31, 2013				
	Private Equity		Credit	Real Estate	Total
	(in millions)				
Fee-generating AUM based on capital commitments	$19,630		$5,834	$156	$25,620
Fee-generating AUM based on invested capital	11,923		1,649	3,753	17,325
Fee-generating AUM based on gross/adjusted assets	925		72,202	1,769	74,896
Fee-generating AUM based on leverage	1,695		1,587	—	3,282
Fee-generating AUM based on NAV	—		6,977	268	7,245
Total Fee-Generating AUM	$34,173	(1)	$88,249	$5,946	$128,368

(1) The weighted average remaining life of the private equity funds excluding permanent capital vehicles at December 31, 2013 was 75 months.

	As of December 31, 2012				
	Private Equity		Credit	Real Estate	Total
	(in millions)				
Fee-generating AUM based on capital commitments	$15,854		$5,156	$194	$21,204
Fee-generating AUM based on invested capital	7,613		3,124	1,866	12,603
Fee-generating AUM based on gross/adjusted assets	855		31,599	2,134	34,588
Fee-generating AUM based on leverage	3,610		3,101	—	6,711
Fee-generating AUM based on NAV	—		6,538	290	6,828
Total Fee-Generating AUM	$27,932	(1)	$49,518	$4,484	$81,934

(1) The weighted average remaining life of the private equity funds excluding permanent capital vehicles at December 31, 2012 was 61 months.

	As of December 31, 2011				
	Private Equity		Credit	Real Estate	Total
	(in millions)				
Fee-generating AUM based on capital commitments	$14,848		$2,747	$279	$17,874
Fee-generating AUM based on invested capital	8,635		2,909	1,820	13,364
Fee-generating AUM based on gross/adjusted assets	948		15,862	1,213	18,023
Fee-generating AUM based on leverage	3,600		3,213	—	6,813
Fee-generating AUM based on NAV	—		1,822	225	2,047
Total Fee-Generating AUM	$28,031	(1)	$26,553	$3,537	$58,121

(1) The weighted average remaining life of the private equity funds excluding permanent capital vehicles at December 31, 2011 was 65 months.

- 72-

Table of Contents

AUM as of December 31, 2013, 2012 and 2011 was as follows:

	Total Assets Under Management As of December 31,		
	2013	2012	2011
	(in millions)		
AUM:			
Private equity	$49,908	$37,832	$35,384
Credit	100,886	64,406	31,867
Real estate	9,289	8,800	7,971
Total[1]	$161,177	$113,379	$75,222

(1) As of December 31, 2013 and 2012, includes $1.1 billion and $2.3 billion of commitments, respectively, that have yet to be deployed to an Apollo fund within our three segments.

The following table presents total AUM and fee-generating AUM amounts for our private equity segment by strategy:

	Total AUM As of December 31,			Fee-Generating AUM As of December 31,		
	2013	2012	2011	2013	2012	2011
	(in millions)					
Traditional Private Equity Funds	$46,998	$35,617	$34,232	$31,929	$25,706	$26,984
ANRP	1,367	1,284	—	1,295	1,295	—
Other	1,543 (1)	931 (1)	1,152	949 (1)	931 (1)	1,047
Total	$49,908	$37,832	$35,384	$34,173	$27,932	$28,031

(1) Represents co-investments contributed to Athene by AAA, through its investment in AAA Investments, as part of the AAA Transaction.

Table of Contents

The following table presents total AUM and fee-generating AUM amounts for our credit segment by strategy:

	Total AUM As of December 31,			Fee-Generating AUM As of December 31,		
	2013	2012	2011[1]	2013	2012	2011[1]
	(in millions)					
Athene[2]	$50,345	$10,970	$5,974	$50,345	$10,845	$5,974
U.S. Performing Credit	$22,177	$27,509	$14,719	$17,510	$20,567	$11,377
Structured Credit	12,779	11,436	2,442	9,362	7,589	1,789
Opportunistic Credit	7,068	6,177	5,310	4,763	4,722	4,603
Non-Performing Loans	5,688	6,404	1,935	4,330	4,527	1,636
European Credit	2,829	1,910	1,434	1,939	1,268	1,122
Other	—	—	53	—	—	52
Total	$100,886	$64,406	$31,867	$88,249	$49,518	$26,553

(1) Reclassified to conform to current presentation.
(2) Excludes AUM that is either sub-advised by Apollo or invested in Apollo funds and investment vehicles across its private equity, credit and real estate funds.

The following table presents total AUM and fee-generating AUM amounts for our real estate segment by strategy:

	Total AUM As of December 31,			Fee-Generating AUM As of December 31,		
	2013	2012	2011	2013	2012	2011
	(in millions)					
Debt	$5,731	$4,826	$4,042	$3,701	$2,332	$1,411
Equity	3,558	3,974	3,929	2,245	2,152	2,126
Total	$9,289	$8,800	$7,971	$5,946	$4,484	$3,537

Table of Contents

The following tables summarize changes in total AUM and total AUM for each of our segments for the years ended December 31, 2013, 2012 and 2011:

	For the Year Ended December 31, 2013	2012	2011
	(in millions)		
Change in Total AUM:			
Beginning of Period	$113,379 [1]	$75,222	$67,551
Income (Loss)	15,150	12,038	(1,477)
Subscriptions/Capital raised	22,142	9,688	3,797
Other inflows/Acquisitions	43,832	23,629	9,355
Distributions	(22,641)	(10,858)	(5,153)
Redemptions	(1,508)	(1,221)	(532)
Leverage	(9,177)	4,881	1,681
End of Period	$161,177 [1]	$113,379 [1]	$75,222
Change in Private Equity AUM:			
Beginning of Period	$37,832	$35,384	$38,799
Income (Loss)	10,656	8,108	(1,612)
Subscriptions/Capital raised	17,613	662	417
Distributions	(15,620)	(6,537)	(3,464)
Redemptions[2]	(176)	—	—
Net segment transfers	2,133	317	167
Leverage	(2,530)	(102)	1,077
End of Period	$49,908	$37,832	$35,384
Change in Credit AUM:			
Beginning of Period	$64,406	$31,867	$22,283
Income (Loss)	4,082	3,274	(110)
Subscriptions/Capital raised	3,439	5,504	3,094
Other inflows/Acquisitions	43,832	23,629	9,355
Distributions	(5,458)	(3,197)	(1,237)
Redemptions	(1,042)	(948)	(532)
Net segment transfers	(2,056)	(1,023)	(1,353)
Leverage	(6,317)	5,300	367
End of Period	$100,886	$64,406	$31,867
Change in Real Estate AUM:			
Beginning of Period	$8,800	$7,971	$6,469
Income	399	656	245
Subscriptions/Capital raised	1,090	475	286
Distributions	(1,559)	(1,124)	(452)
Redemptions [2]	(290)	(273)	—
Net segment transfers	1,179	1,412	1,186
Leverage	(330)	(317)	237
End of Period	$9,289	$8,800	$7,971

(1) As of December 31, 2013 and 2012, includes $1.1 billion and $2.3 billion of commitments, respectively, that have yet to be deployed to an Apollo fund within our three segments.

(2)

Represents release of unfunded commitments primarily related to Fund III and several legacy CPI real estate funds that were past their investment periods.

Table of Contents

The following tables summarize changes in total fee-generating AUM and fee-generating AUM for each of our segments for the years ended December 31, 2013, 2012 and 2011:

	For the Year Ended December 31, 2013	2012	2011
	(in millions)		
Change in Total Fee-Generating AUM:			
Beginning of Period	$81,934	$58,121	$47,037
Income (Loss)	2,100	1,390	(393)
Subscriptions/Capital raised	21,104	5,873	2,547
Other inflows/Acquisitions	43,832	21,277	9,355
Distributions	(7,517)	(3,728)	(734)
Redemptions	(946)	(909)	(481)
Net movements between Fee-Generating and Non-Fee Generating	(6,215)	(564)	761
Leverage	(5,924)	474	29
End of Period	$128,368	$81,934	$58,121
Change in Private Equity Fee-Generating AUM:			
Beginning of Period	$27,932	$28,031	$27,874
Income (Loss)	398	285	(112)
Subscriptions/Capital raised	17,582	644	410
Distributions	(3,430)	(1,256)	(272)
Redemptions	(19)	—	—
Net segment transfers	482	50	(88)
Net movements between Fee-Generating and Non-Fee Generating	(6,858)	515	285
Leverage	(1,914)	(337)	(66)
End of Period	$34,173	$27,932	$28,031
Change in Credit Fee-Generating AUM:			
Beginning of Period	$49,518	$26,553	$16,484
Income	1,630	988	301
Subscriptions/Capital raised	2,504	4,953	1,795
Other inflows/Acquisitions	43,832	21,277	9,355
Distributions	(3,118)	(2,029)	(283)
Redemptions	(927)	(909)	(481)
Net segment transfers	(1,611)	(1,096)	(638)
Net movements between Fee-Generating and Non-Fee Generating	431	(1,030)	356
Leverage	(4,010)	811	(336)
End of Period	$88,249	$49,518	$26,553
Change in Real Estate Fee-Generating AUM:			
Beginning of Period	$4,484	$3,537	$2,679
Income (Loss)	72	117	(582)
Subscriptions/Capital raised	1,018	276	342
Distributions	(969)	(443)	(179)
Net segment transfers	1,129	1,045	726
Net movements between Fee-Generating and Non-Fee Generating	212	(48)	120
Leverage	—	—	431
End of Period	$5,946	$4,484	$3,537

Private Equity

During the year ended December 31, 2013, the AUM in our private equity segment increased by $12.1 billion, or 31.9%. This increase was a result of subscriptions of $17.5 billion in Fund VIII and $10.7 billion of income from improved unrealized gains, including $5.9 billion from Fund VII and $4.3 billion from Fund VI. Offsetting this increase was $15.6 billion of distributions, including $8.7 billion from Fund VII and $5.8 billion from Fund VI, and $2.5 billion of decreased leverage, including $2.0 billion in Fund VII.

During the year ended December 31, 2012, the total AUM in our private equity segment increased by $2.4 billion, or 6.9%. This increase was primarily a result of income of $8.1 billion attributable to improved unrealized gains in our private equity funds, including $4.5 billion from Fund VII and $3.1 billion from Fund VI. In addition, contributing to this increase was an additional $0.7 billion in subscriptions from AION and ANRP. Offsetting this increase was $6.5 billion in distributions, including $3.7 billion from Fund VII and $2.1 billion from Fund VI.

During the year ended December 31, 2011, the total AUM in our private equity segment decreased by $3.4 billion, or 8.8%. This decrease was primarily a result of distributions of $3.5 billion, including $1.5 billion from Fund VII and $0.9 billion from Fund IV and $0.8 billion from Fund VI. In addition, $1.6 billion of unrealized losses were incurred that were primarily attributable to Fund VI. Offsetting these decreases was a $1.1 billion increase in leverage, primarily from Fund VII and capital raised of $0.4 billion, primarily in ANRP.

Credit

During the year ended December 31, 2013, AUM in our credit segment increased by $36.5 billion, or 56.6%. This increase consisted of $43.8 billion in acquisitions related to the acquisition of Aviva USA by Athene Holding Ltd., $4.1 billion in unrealized gains, subscriptions of $3.4 billion, including $0.9 billion in Financial Credit Investment II, L.P. ("FCI II") and $0.6 billion in COF III. This increase in AUM was partially offset by a decrease in leverage of $6.3 billion, including $1.0 billion in U.S. performing credit strategy from net CLO vehicle wind-down, $1.3 billion in COF II, and $0.8 billion in AMTG, $5.5 billion in distributions, including $1.9 billion from COF I, $0.6 billion from EPF I and $1.1 billion from COF II.

During the year ended December 31, 2012, total AUM in our credit segment increased by $32.5 billion, or 102.1%. This increase was primarily attributable to $18.5 billion in acquisitions related to Stone Tower Capital LLC and its related management companies ("Stone Tower"), $5.1 billion in other inflows related to Athene and $5.3 billion in increased leverage, including $3.4 billion from AMTG. The increase was also a result of $5.5 billion of additional subscriptions, including $3.0 billion by EPF II, $0.6 billion by Apollo Centre Street Partnership, L.P. (“ACSP”) and $0.4 billion by AMTG. This increase was partially offset by $3.2 billion of distributions, including $1.5 billion collectively from COF I and COF II and $0.3 billion from EPF I.

During the year ended December 31, 2011, total AUM in our credit segment increased by $9.6 billion, or 43.0%. This increase was primarily attributable to inflows of $9.4 billion related to $6.4 billion from Athene and $3.0 billion from the acquisition of Gulf Stream Asset Management, LLC (“Gulf Stream”). Also contributing to this increase was $3.1 billion of capital raised driven by $0.8 billion in Apollo Palmetto Strategic Partnership, L.P. (“Palmetto”), $0.4 billion in Financial Credit Investment I, L.P. (“FCI”), $0.3 billion in AFT, $0.5 billion in Apollo European Strategic Investments, L.P. (“AESI”) and $0.2 billion in EPF II. Partially offsetting these increases were distributions of $1.2 billion and redemptions of $0.5 billion, as well as $1.4 billion in net transfers between segments.

Real Estate

During the year ended December 31, 2013, AUM in our real estate segment increased by $0.5 billion, or 5.5%. This increase was the result of $1.2 billion in net segment transfers in, including $0.6 billion from Athene Accounts related to subordinate commercial estate loans ("Athene CRE Lending") and $0.5 billion from Athene Accounts related to commercial mortgage backed securities, $1.1 billion in subscriptions, including $0.7 billion in AGRE Debt Fund I and $0.3 billion in Apollo Commercial Real Estate Finance Inc ("ARI"). These increases were partially offset by distributions of $1.6 billion, including $0.4 billion from Athene CRE Lending and $0.4 billion from CPI Capital Partners Asia Pacific, L.P.

During the year ended December 31, 2012, total AUM in our real estate segment increased by $0.8 billion, or 10.4%. This increase was primarily a result of $1.4 billion in net transfers from other segments and additional subscriptions of

$0.5 billion, including $0.2 billion from a real estate investment. In addition, also contributing to this increase was income of $0.7 billion attributable to improved unrealized gains in our real estate funds, including $0.4 billion from CPI Capital Partners North America L.P., CPI Capital Partners Europe L.P., CPI Capital Partners Asia Pacific, L.P. (collectively, the "CPI Funds"). Partially offsetting this increase was $1.1 billion in distributions, including $0.8 billion from the CPI Funds.

Table of Contents

During the year ended December 31, 2011, total AUM in our real estate segment increased by $1.5 billion, or 23.2%. This increase was primarily attributable to $1.2 billion from other net segments. Also impacting this change was an increase in leverage of $0.2 billion, primarily from AGRE CMBS Fund, L.P. and 2011 A-4 Fund, L.P. In addition, there was $0.2 billion of income that was primarily attributable to improved unrealized gains in our real estate funds. These increases were offset by $0.5 billion of distributions.

Private Equity Dollars Invested and Uncalled Private Equity Commitments

Private equity dollars invested represents the aggregate amount of capital invested by our private equity funds during a reporting period. Uncalled private equity commitments, by contrast, represent unfunded commitments by investors in our private equity funds to contribute capital to fund future investments or expenses incurred by the funds, fees and applicable expenses as of the reporting date. Private equity dollars invested and uncalled private equity commitments are indicative of the pace and magnitude of fund capital that is deployed or will be deployed, and which therefore could result in future revenues that include transaction fees and incentive income. Private equity dollars invested and uncalled private equity commitments can also give rise to future costs that are related to the hiring of additional resources to manage and account for the additional capital that is deployed or will be deployed. Management uses private equity dollars invested and uncalled private equity commitments as key operating metrics since we believe the results measure our investment activities.

The following table summarizes the private equity dollars invested during the specified reporting periods:

	For the Year Ended December 31,		
	2013	2012	2011
	(in millions)		
Private equity dollars invested	$2,561	$3,191	$3,350

The following table summarizes the uncalled private equity commitments as of December 31, 2013, 2012 and 2011:

	As of December 31,		
	2013	2012	2011
	(in millions)		
Uncalled private equity commitments	$23,689	$7,464	$8,204

The Historical Investment Performance of Our Funds

Below we present information relating to the historical performance of our funds, including certain legacy Apollo funds that do not have a meaningful amount of unrealized investments, and in respect of which the general partner interest has not been contributed to us.

When considering the data presented below, you should note that the historical results of our funds are not indicative of the future results that you should expect from such funds, from any future funds we may raise or from your investment in our Class A shares.

An investment in our Class A shares is not an investment in any of the Apollo funds, and the assets and revenues of our funds are not directly available to us. The historical and potential future returns of the funds we manage are not directly linked to returns on our Class A shares. Therefore, you should not conclude that continued positive performance of the funds we manage will necessarily result in positive returns on an investment in our Class A shares. However, poor performance of the funds that we manage would cause a decline in our revenue from such funds, and would therefore have a negative effect on our performance and in all likelihood the value in our Class A shares. There can be no assurance that any Apollo fund will continue to achieve the same results in the future.

Moreover, the historical returns of our funds should not be considered indicative of the future results you should expect from such funds or from any future funds we may raise, in part because:

- market conditions during previous periods were significantly more favorable for generating positive performance, particularly in our private equity business, than the market conditions we have experienced for the last few years and may experience in the future;

Table of Contents

- our funds’ returns have benefited from investment opportunities and general market conditions that may not exist and may not repeat themselves, and there can be no assurance that our current or future funds will be able to avail themselves of profitable investment opportunities;
- our private equity funds’ rates of return, which are calculated on the basis of net asset value of the funds’ investments, reflect unrealized gains, which may never be realized;
- our funds’ returns have benefited from investment opportunities and general market conditions that may not repeat themselves, including the availability of debt capital on attractive terms and the availability of distressed debt opportunities, and we may not be able to achieve the same returns or profitable investment opportunities or deploy capital as quickly;
- the historical returns that we present are derived largely from the performance of our earlier private equity funds, whereas future fund returns will depend increasingly on the performance of our newer funds, which may have little or no realized investment track record;
- Fund VIII, Fund VII and Fund VI are several times larger than our previous private equity funds, and this additional capital may not be deployed as profitably as our prior funds;
- the attractive returns of certain of our funds have been driven by the rapid return of invested capital, which has not occurred with respect to all of our funds and we believe is less likely to occur in the future;
- our track record with respect to our credit and real estate funds is relatively short as compared to our private equity funds;
- in recent years, there has been increased competition for private equity investment opportunities resulting from the increased amount of capital invested in private equity funds and periods of high liquidity in debt markets, which may result in lower returns for the funds; and
- our newly established funds may generate lower returns during the period that they take to deploy their capital; consequently, we do not provide return information for any funds which have not been actively investing capital for at least 24 months prior to the valuation date as we believe this information is not meaningful.

Finally, our private equity IRRs have historically varied greatly from fund to fund. For example, Fund IV has generated a 12% gross IRR and a 9% net IRR since its inception through December 31, 2013, while Fund V has generated a 61% gross IRR and a 44% net IRR since its inception through December 31, 2013. Accordingly, the IRR going forward for any current or future fund may vary considerably from the historical IRR generated by any particular fund, or for our private equity funds as a whole. Future returns will also be affected by the applicable risks, including risks of the industries and businesses in which a particular fund invests. See “Item 1A. Risk Factors—Risks Related to Our Businesses—The historical returns attributable to our funds should not be considered as indicative of the future results of our funds or of our future results or of any returns expected on an investment in our Class A shares.”

Table of Contents

Investment Record

Private Equity

The following table summarizes the investment record of our private equity funds. All amounts are as of December 31, 2013, unless otherwise noted:

	Vintage Year	Committed Capital	Total Invested Capital	Committed Capital Less Unfunded Capital Commitments[1]	Realized	Unrealized[2]	Total Value	As of December 31, 2013 Gross IRR	As of December 31, 2013 Net IRR	As of December 31, 2012 Gross IRR	As of December 31, 2012 Net IRR	As of Dece 31, 2011 Gross IRR	N I
	(in millions)												
Fund VIII[3]	2013	$18,377	$100	$183	$—	$100	$100	NM [4]	NM [4]	N/A	N/A	N/A	N
AION[3]	—	376	55	67	—	57	57	NM [4]	NM [4]	NM [4]	NM [4]	N/A	N
ANRP	2012	1,323	370	415	19	437	456	18 %	7 %	NM [4]	NM [4]	NM [4]	N
Fund VII	2008	14,676	14,979	11,250	19,569	10,843	30,412	39	30	35 %	26 %	31 %	2
Fund VI	2006	10,136	12,457	9,710	12,541	9,551	22,092	15	12	11	9	6 %	5
Fund V	2001	3,742	5,192	3,742	12,385	463	12,848	61	44	61	44	61 %	4
Fund IV	1998	3,600	3,481	3,600	6,776	38	6,814	12	9	12	9	12 %	9
Fund III	1995	1,500	1,499	1,500	2,695	—	2,695	18	11	18	11	18 %	1
Fund I, II & MIA[5]	1990/92	2,220	3,773	2,220	7,924	—	7,924	47	37	47	37	47 %	3
Totals		$55,950	$41,906	$32,687	$61,909	$21,489	$83,398	39% [6]	26% [6]	39% [6]	25% [6]	39 % [6]	2

	Vintage Year	Current Net Asset Value as of December 31, 2013	Total Return For the Year Ended December 31, 2013	For the Year Ended December 31, 2012	For the Year Ended December 31, 2011
AAA[7]	2006	$1,941.2	21 %	20 %	(8)%

(1) "Committed Capital Less Unfunded Capital Commitments" represents capital commitments from limited partners to invest in a particular fund less capital that is available for investment or reinvestment subject to the provisions of the applicable limited partnership agreements.

(2) Figures include the market values, estimated fair value of certain unrealized investments and capital committed to investments.

(3) Fund VIII and AION were launched during 2013 and 2012, respectively. Fund VIII had its final capital raise in 2013, establishing its vintage year.

(4) Returns have not been presented as the fund commenced investing capital less than 24 months prior to the period indicated and therefore such return information was deemed not meaningful.

(5) Fund I and Fund II were structured such that investments were made from either fund depending on which fund had available capital. "MIA" represents a "mirrored" investment account established to mirror Funds I and II for investment in debt securities. We do not differentiate between Fund I and Fund II investments for purposes of

performance figures because they are not meaningful on a separate basis and do not demonstrate the progression of returns over time. The general partners and managers of Funds I, II and MIA, as well as the general partner of Fund III were excluded assets in connection with the 2007 Reorganization of Apollo Global Management, LLC. As a result, Apollo Global Management, LLC did not receive the economics associated with these entities. The investment performance of these funds is presented to illustrate fund performance associated with our managing partners and other investment professionals.

(6) Total IRR is calculated based on total cash flows for all funds presented.

(7) AAA completed its initial public offering in June 2006 and is the sole limited partner in AAA Investments, L.P. ("AAA Investments"). AAA was originally designed to give investors in its common units exposure as a limited partner to certain of the strategies that we employ and allowed us to manage the asset allocations to those strategies by investing alongside our private equity funds and directly in our credit funds and certain other opportunistic investments that we sponsor and manage. On October 31, 2012, AAA Investments consummated a transaction whereby substantially all of its assets were contributed to Athene in exchange for common shares of Athene Holding Ltd., cash and a short term promissory note (the "AAA Transaction"). Following receipt of required regulatory consents, AAA Investments transferred its remaining investments to Athene Holding Ltd. on July 29, 2013. After the AAA Transaction, Athene Holding Ltd. was AAA's only material investment and as of December 31, 2013, AAA, through its investment in AAA Investments, was the largest shareholder of Athene Holding Ltd. with an economic ownership stake of approximately 72.5% (without giving effect to restricted common shares issued under Athene's management equity plan and conversion of AAA Investments' note receivable), and as of December 31, 2013, effectively held 45% of the voting power of Athene. Additional

Table of Contents

information related to AAA can be found on its website www.apolloalternativeassets.com. The information contained in AAA's website is not part of this Annual Report on Form 10-K.

The following table summarizes the investment record for distressed investments made in our private equity fund portfolios excluding ANRP and AION, since the Company's inception. All amounts are as of December 31, 2013:

	Total Invested Capital (in millions)	Total Value	Gross IRR[1]	
Distressed for Control	$5,608	$16,593	29	%
Non-Control Distressed	6,078	9,023	71	
Total	11,686	25,616	49	
Buyout Equity, Portfolio Company Debt and Other Credit[2]	29,795	57,269	23	
Total	$41,481	$82,885	39	%

(1) IRR information is presented gross and does not give effect to management fees, incentive compensation, certain other expenses and taxes.

(2) Other Credit is defined as investments in debt securities of issuers other than portfolio companies that are not considered to be distressed.

The following tables provide additional detail on the composition of our Fund VIII, Fund VII, Fund VI and Fund V private equity portfolios based on investment strategy. All amounts are as of December 31, 2013:

Fund VIII

	Total Invested Capital (in millions)	Total Value
Buyout Equity and Portfolio Company Debt	$100	$100
Total	$100	$100

Fund VII

	Total Invested Capital (in millions)	Total Value
Buyout Equity and Portfolio Company Debt	$10,302	$22,785
Other Credit and Classic Distressed[1]	4,677	7,627
Total	$14,979	$30,412

Fund VI

	Total Invested Capital (in millions)	Total Value
Buyout Equity and Portfolio Company Debt	$10,312	$18,402
Other Credit and Classic Distressed[1]	2,145	3,690
Total	$12,457	$22,092

Table of Contents

Fund V

	Total Invested Capital (in millions)	Total Value
Buyout Equity	$4,412	$11,874
Classic Distressed[1]	780	974
Total	$5,192	$12,848

(1) Classic Distressed is defined as investments in debt securities of issuers other than portfolio companies that are considered to be distressed.

During the recovery and expansionary periods of 1994 through 2000 and late 2003 through the first half of 2007, our private equity funds invested or committed to invest approximately $13.7 billion primarily in traditional and corporate partner buyouts. During the recessionary periods of 1990 through 1993, 2001 through late 2003 and the current recessionary and post recessionary periods (second half of 2007 through December 31, 2013), our private equity funds have invested $29.6 billion, of which $16.6 billion was in distressed buyouts and debt investments when the debt securities of quality companies traded at deep discounts to par value. Our average entry multiple for Fund VII, VI and V was 6.1x, 7.7x and 6.6x, respectively as of December 31, 2013. The average entry multiple for a private equity fund is the average of the total enterprise value over an applicable EBITDA which we believe captures the true economics for our funds' purchases of portfolio companies.

Table of Contents

Credit

The following table summarizes the investment record for certain funds and SIAs with a defined maturity date and internal rate of return since inception, which is computed for the purposes of this table based on the actual dates of capital contributions, distributions and ending limited partners' capital as of the specified date. Apollo also manages CLOs within our credit segment, with such CLOs representing a total AUM of approximately $9.4 billion as of December 31, 2013. Such CLO performance information is not included in the following credit investment record tables. All amounts are as of December 31, 2013, unless otherwise noted:

	Strategy	Vintage Year	Committed Capital	Invested Capital	Realized	Unrealized[1]	Total Value	As of December 31, 2013 Gross IRR	As of December 31, 2013 Net IRR	As of Decem 2012 Gross IRR
			(in millions)							
ACRF II[2]	Structured Credit	2012	$104.4	$202.3	$103.9	$111.4	$215.3	NM [4]	NM [4]	NM
EPF II[3][5]	Non-Performing Loans	2012	3,662.4	1,021.8	44.3	1,153.1	1,197.4	NM [4]	NM [4]	NM
FCI[3]	Structured Credit	2012	558.8	443.2	170.5	457.6	628.1	NM [4]	NM [4]	NM
AEC[3]	European Credit	2012	292.5	461.9	316.0	204.3	520.3	18.8%	11.9%	NM
AESI[3][5]	European Credit	2011	488.6	808.2	553.0	365.6	918.6	23.2	17.7	NM
AIE II[5]	European Credit	2008	283.8	895.9	1,299.6	126.2	1,425.8	20.3	16.8	19.4%
COF I	U.S. Performing Credit	2008	1,484.9	1,611.3	3,842.4	544.2	4,386.6	30.4	27.4	30.7
COF II	U.S. Performing Credit	2008	1,583.0	2,176.4	2,783.4	346.4	3,129.8	13.8	11.2	14.3
EPF I[5]	Non-Performing Loans	2007	1,779.7	2,338.7	2,108.8	2,017.4	4,126.2	21.2	16.4	18.6
ACLF	U.S. Performing Credit	2007	984.0	1,448.5	2,420.3	122.4	2,542.7	13.0	11.3	13.0
Artus[6]	U.S. Performing Credit	2007	106.6	190.1	225.9	—	225.9	6.9	6.7	7.0
Totals			$11,328.7	$11,598.3	$13,868.1	$5,448.6	$19,316.7			

(1) Figures include the market values, estimated fair value of certain unrealized investments and capital committed to investments.

(2) As part of the acquisition of Stone Tower, Apollo acquired the manager of Apollo Structured Credit Recovery Master Fund II, Ltd. ("ACRF II"). Apollo became the manager of this fund upon completing the acquisition on April 2, 2012.

(3) Apollo European Strategic Investment, L.P. ("AESI") was launched during 2011 and established its vintage year in the fourth quarter of 2011. Apollo European Principal Finance Fund II, L.P. ("EPF II"), Apollo European Credit Master Fund, L.P., ("AEC"), and Financial Credit Investment I, L.P. ("FCI") deployed capital prior to their vintage year and had their final capital raises in 2012, establishing their vintage year.

(4) Returns have not been presented as the fund commenced investing capital less than 24 months prior to the period indicated and therefore such return information was deemed not meaningful.

(5) Funds are denominated in Euros and translated into U.S. dollars at an exchange rate of €1.00 to $1.37 as of December 31, 2013.

(6) Apollo/Artus Investors 2007-I, L.P. ("Artus") was liquidated during the fourth quarter 2013. Amounts presented represent the historical performance and returns for the fund.

- 83-

Table of Contents

The following table summarizes the investment record for certain funds and SIAs with no maturity date. All amounts are as of December 31, 2013, unless otherwise noted:

	Strategy	Vintage Year	Net Asset Value as of December 31, 2013 (in millions)	Net Return Since Inception to December 31, 2013	For the Year Ended December 31, 2013	For the Year Ended December 31, 2012	For the Year Ended December 31, 2011
ACSP[1]	Opportunistic Credit	2012	$272.7	NM [2]	NM [2]	NM [2]	NM [2]
ACSF[3]	Opportunistic Credit	2011	284.8	NM [3]	NM [3]	NM [3]	NM [3]
STCS[3]	Opportunistic Credit	2010	19.3	NM [3]	NM [3]	NM [3]	NM [3]
SOMA[4]	Opportunistic Credit	2007	673.8	58.4 %	9.3 %	15.1 %	(10.5)%
ACF[3]	U.S. Performing Credit	2005	2,189.8	NM [3]	NM [3]	NM [3]	NM [3]
Value Funds[5]	Opportunistic Credit	2003/2006	288.8	74.1	4.7	10.8	(9.6)
Totals			$3,729.2				

(1) Apollo Centre Street Partnership, L.P. (“ACSP”) is a strategic investment account with $615.0 million of committed capital. Net asset value is presented for the primary mandate and excludes investments in other Apollo funds.

(2) Returns have not been presented as the fund commenced investing capital less than 24 months prior to the period indicated and therefore such return information was deemed not meaningful.

(3) As part of the Stone Tower acquisition, Apollo acquired the manager of Apollo Credit Strategies Master Fund Ltd. (“ACSF”), Stone Tower Credit Solutions Master Fund Ltd. (“STCS”), and Apollo Credit Master Fund Ltd. (“ACF”). As of December 31, 2013, the net returns from inception for ACSF, ACF and STCS were 37.8%, 3.2%, and 36.2%, respectively. These returns were primarily achieved during a period in which Apollo did not make the initial investment decisions. Apollo became the manager of these funds upon completing the acquisition on April 2, 2012.

(4) Net asset value and returns are for the primary mandate and excludes investments made by Apollo Special Opportunities Managed Account, L.P. ("SOMA") in other Apollo funds.

(5) Value Funds consist of Apollo Strategic Value Master Fund, L.P., together with its feeder funds, and Apollo Value Investment Master Fund, L.P., together with its feeder funds.

The following table summarizes the investment record for our publicly traded vehicles in our credit segment as of December 31, 2013:

	Strategy	IPO Year[1]	Raised Capital[2]	Gross Assets	Current Net Asset Value	Net Return Since Inception to December 31, 2013	For the Year Ended December 31, 2013	For the Year Ended December 31, 2012	For the Year Ended December 31, 2011
		(in millions)							
AIF[3]	U.S. Performing Credit	2013	$275.7	$420.2	$282.2	NM [4]	NM [4]	NM [4]	NM [4]

AFT[3]	U.S. Performing Credit	2011	294.6	451.1	297.7	21.7%	9.2 %	NM [4]	NM [4]
AMTG[5]	Structured Credit	2011	790.8	3,911.6	757.6	N/A [5]	N/A [5]	N/A [5]	N/A [5]
AINV[6]	Opportunistic Credit	2004	2,977.7	3,379.7	1,925.3	70.2	15.7	9.9 %	(5.1)%
			$4,338.8	$8,162.6	$3,262.8				

(1) An initial public offering ("IPO") year represents the year in which the vehicle commenced trading on a national securities exchange. AIF, AFT and AMTG are publicly traded vehicles traded on the New York Stock Exchange ("NYSE"). AINV is a public investment company traded on the National Association of Securities Dealers Automated Quotation ("NASDAQ").

(2) Amounts represent gross raised capital net of offering and issuance costs.

(3) AFT and AIF completed their initial public offerings during the first quarter of 2011 and 2013, respectively. Gross Assets represents total managed assets of these closed-end funds. Refer to www.agmfunds.com for the most recent financial information on AFT and AIF. The information contained in AFT's and AIF's website is not part of this Annual Report on Form 10-K.

(4) Returns have not been presented as the fund commenced investing capital less than 24 months prior to the period indicated and therefore such return information was deemed not meaningful.

(5) Refer to www.apolloresidentialmortgage.com for the most recent financial information on AMTG. The information contained in AMTG's website is not part of this Annual Report on Form 10-K.

(6) Net return for AINV represents net asset value return including reinvested dividends. Refer to www.apolloic.com for the most recent public financial information on AINV. The information contained in AINV's website is not part of this Annual Report on Form 10-K.

Table of Contents

Real Estate

The following table summarizes the investment record for certain funds and SIAs with a defined maturity date and internal rate of return since inception, which for the purposes of this table is computed based on the actual dates of capital contributions, distributions and ending limited partners' capital as of the specified date. All amounts are as of December 31, 2013, unless otherwise noted:

	Vintage Year	Committed Capital	Current Net Asset Value	Total Invested Capital	Realized	Unrealized[1]	Total Value	As of December 31, 2013 Gross IRR	As of December 31, 2013 Net IRR	As of December 31, 2012 Gross IRR	As of December 31, 2012 Net IRR
		(in millions)									
AGRE U.S. Real Estate Fund, L.P[3]	2012	$866.6	$547.3	$435.9	$4.1	$544.1	$548.2	17.3%	13.7%	NM [2]	NM (
AGRE Debt Fund I, LP	2011	816.4	736.1	812.2	173.5	731.1	904.6	13.1	11.1	NM [2]	NM (
2011 A4 Fund, L.P.	2011	234.7	210.7	205.9	83.6	203.8	287.4	13.5	11.7	NM [2]	NM (
AGRE CMBS Fund, L.P.	2009	418.8	67.1	301.0	447.0	63.1	510.1	13.5	11.3	14.1%	11.8%
CPI Capital Partners North America	2006	600.0	65.2	452.7	318.5	60.5	379.0	17.1 [4]	13.0 [4]	NM [4]	NM (
CPI Capital Partners Asia Pacific	2006	1,291.6	253.5	1,163.6	1,454.8	231.2	1,686.0	36.7 [4]	32.6 [4]	NM [4]	NM (
CPI Capital Partners Europe[5]	2006	1,596.9	583.7	1,053.9	182.4	549.0	731.4	2.4 [4]	0.6 [4]	NM [4]	NM (
CPI Other[6]	Various	2,403.8	868.8	N/A [6]	N/A [6]	N/A [6]	N/A [6]	NM [6]	NM [6]	NM [6]	NM (
Totals		$8,228.8	$3,332.4	$4,425.2	$2,663.9	$2,382.8	$5,046.7				

(1) Figures include estimated fair value of unrealized investments.

(2) Returns have not been presented as the fund commenced investing capital less than 24 months prior to the period indicated and therefore such return information was deemed not meaningful.

(3) AGRE U.S. Real Estate Fund, L.P., a closed-end private investment fund that intends to make real estate-related investments principally located in the United States, held closings in January 2011, June 2011 and April 2012 for a total of $263.2 million in base capital commitments and $450 million in additional capital commitments. Additionally, there was $153.4 million of co-invest commitments raised, which is included in the figures in the table above. A co-invest entity within AGRE U.S. Real Estate Fund is denominated in GBP and translated into U.S. dollars at an exchange rate of £1.00 to $1.66 as of December 31, 2013.

(4) As part of the CPI acquisition, Apollo acquired general partner interests in fully invested funds. The gross and net IRRs are presented in the investment record table above since acquisition on November 12, 2010. The net IRRs from the inception of the respective fund to December 31, 2013 were (6.8)%, 7.9% and (9.7)% for the CPI Capital Partners North America, Asia Pacific and Europe funds, respectively. These net IRRs were primarily achieved during a period in which Apollo did not make the initial investment decisions and Apollo only became the general partner or manager of these funds upon completing the acquisition on November 12, 2010.

(5) CPI Capital Partners Europe is denominated in Euros and translated into U.S. dollars at an exchange rate of €1.00 to $1.37 as of December 31, 2013.

(6) CPI Other consists of funds or individual investments of which we are not the general partner or manager and only receive fees pursuant to either a sub-advisory agreement or an investment management and administrative agreement. CPI Other fund performance is a result of invested capital prior to Apollo’s management of these funds. Return and certain other performance data are therefore not considered meaningful as we perform primarily an administrative role.

The following table summarizes the investment record for ARI as of December 31, 2013:

	IPO Year	Raised Capital	Gross Assets	Current Net Asset Value
	(in millions)			
ARI[(1)]	2009	$715.9	$907.5	$683.0

(1) ARI is a public company traded on the NYSE. Refer to www.apolloreit.com for the most recent financial information on ARI. The information contained in ARI’s website is not part of this Annual Report on Form 10-K.

Table of Contents

Athene and SIAs

As of December 31, 2013, Athene Asset Management managed $59.5 billion of total AUM in accounts owned by or related to Athene, of which approximately $9.2 billion, was either sub-advised by Apollo or invested in Apollo funds and investment vehicles. Of the approximately $9.2 billion of assets, the vast majority were in sub-advisory managed accounts that manage high grade credit asset classes, such as CLO debt, commercial mortgage backed securities, and insurance-linked securities.

In addition to certain funds and SIAs included in the investment record tables and capital deployed from certain SIAs across our private equity, credit and real estate funds, we also managed an additional approximate $7.2 billion of total AUM in SIAs as of December 31, 2013. The above investment record tables exclude certain funds and SIAs with an aggregate AUM of approximately $5.7 billion as of December 31, 2013, which were excluded because management deemed them to be immaterial.

Performance information for our funds is included throughout this discussion and analysis to facilitate an understanding of our results of operations for the periods presented. An investment in our Class A shares is not an investment in any of our funds. The performance information reflected in this discussion and analysis is not indicative of the possible performance of our Class A shares and is also not necessarily indicative of the future results of any particular fund. There can be no assurance that our funds will continue to achieve, or that our future funds will achieve, comparable results.

The following table provides a summary of the cost and fair value of our funds' investments by segment:

	As of December 31, 2013[1] (in millions)	2012[1]		2011
Private Equity:				
Cost	$14,213	$16,927		$15,956
Fair Value	23,432	25,867		20,700
Credit:				
Cost	$15,642	$15,097	(2)	$10,917
Fair Value	16,656	16,287	(2)	11,696
Real Estate:				
Cost	$4,246	$3,848	(2)	$4,791
Fair Value	4,160	3,680	(2)	4,344

(1) Cost and fair value amounts are presented for investments of the funds that are listed in the investment record tables.

(2) AMTG and ARI cost and fair value amounts are as of September 30, 2012.

Table of Contents

Overview of Results of Operations

Revenues

Advisory and Transaction Fees from Affiliates, Net. As a result of providing advisory services with respect to actual and potential private equity, credit, and real estate investments, we are entitled to receive fees for transactions related to the acquisition and, in certain instances, disposition of portfolio companies as well as fees for ongoing monitoring of portfolio company operations and directors' fees. We also receive an advisory fee for advisory services provided to certain credit funds. In addition, monitoring fees are generated on certain structured portfolio company investments. Under the terms of the limited partnership agreements for certain funds, the management fee payable by the funds may be subject to a reduction based on a certain percentage of such advisory and transaction fees, net of applicable broken deal costs ("Management Fee Offset"). Such amounts are presented as a reduction to advisory and transaction fees from affiliates, net, in the consolidated statements of operations. See note 2 to our consolidated financial statements for more detail.

The Management Fee Offsets are calculated for each fund as follows:

- 65%-100% for private equity funds, gross advisory, transaction and other special fees;
- 65%-100% for certain credit funds, gross advisory, transaction and other special fees; and
- 100% for certain real estate funds, gross advisory, transaction and other special fees.

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. If a deal is successfully completed, Apollo is reimbursed by the fund or fund's portfolio company of all costs incurred and no offset is generated.

As the Company acts as an agent for the funds it manages, any transaction costs incurred and paid by the Company on behalf of the respective funds relating to successful or broken deals are presented net on the Company's consolidated statements of operations, and any receivable from the respective funds is presented in Due from Affiliates on the consolidated statement of financial condition.

Management Fees from Affiliates. The significant growth of the assets we manage has had a positive effect on our revenues. Management fees are typically calculated based upon any of "net asset value," "gross assets," "adjusted par asset value," "adjusted costs of all unrealized portfolio investments," "capital commitments," "invested capital," "adjusted assets," "capital contributions," or "stockholders' equity," each as defined in the applicable limited partnership agreement and/or management agreement of the unconsolidated funds.

Carried Interest Income from Affiliates. The general partners of our funds, in general, are entitled to an incentive return that can amount to as much as 20% of the total returns on fund capital, depending upon performance of the underlying funds and subject to preferred returns and high water marks, as applicable. The carried interest income from affiliates is recognized in accordance with U.S. GAAP guidance applicable to accounting for arrangement fees based on a formula. In applying the U.S. GAAP guidance, the carried interest from affiliates for any period is based upon an assumed liquidation of the funds' assets at the reporting date, and distribution of the net proceeds in accordance with the funds' allocation provisions.

As of December 31, 2013, approximately 70% of the value of our fund investments on a gross basis was determined using market-based valuation methods (i.e., reliance on broker or listed exchange quotes) and the remaining 30% was determined primarily by comparable company and industry multiples or discounted cash flow models. For our private equity, credit and real estate segments, the percentage determined using market-based valuation methods as of December 31, 2013 was 56%, 84% and 48%, respectively. See "Item 1A. Risk Factors—Risks Related to Our Businesses—Our private equity funds' performance, and our performance, may be adversely affected by the financial performance of our portfolio companies and the industries in which our funds invest" for a discussion regarding certain industry-specific risks that could affect the fair value of our private equity funds' portfolio company investments.

Carried interest income fee rates can be as much as 20% for our private equity funds. In our private equity funds, the Company does not earn carried interest income until the investors in the fund have achieved cumulative investment returns on invested capital (including management fees and expenses) in excess of an 8% hurdle rate. Additionally, certain of our credit and real estate funds have various carried interest rates and hurdle rates. Certain credit funds allocate carried interest to the general partner in a similar manner as the private equity funds. In our private equity, certain credit and certain real estate funds, so long

Table of Contents

as the investors achieve their priority returns, there is a catch-up formula whereby the Company earns a priority return for a portion of the return until the Company's carried interest income equates to its incentive fee rate for that fund; thereafter, the Company participates in returns from the fund at the carried interest income rate. Carried interest income is subject to reversal to the extent that the carried interest income distributed exceeds the amount due to the general partner based on a fund's cumulative investment returns. The accrual for potential repayment of previously received carried interest income 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. This actual general partner obligation, however, would not become payable or realized until the end of a fund's life.

The table below presents an analysis of our (i) carried interest receivable on an unconsolidated basis as of December 31, 2013 and 2012 and (ii) realized and unrealized carried interest income (loss) for our combined segments' incentive business as of and for the years ended December 31, 2013, 2012 and 2011:

	As of December 31,		For the Year Ended December 31, 2013			For the Year Ended December 31, 2012			For the Year En[ded December] 31, 2011	
	2013	2012								
	Carried Interest Receivable on an Unconsolidated Basis	Carried Interest Receivable on an Unconsolidated Basis	Unrealized Carried Interest (Loss) Income	Realized Carried Interest Income	Total Carried Interest Income (Loss)	Unrealized Carried Interest Income (Loss)	Realized Carried Interest Income	Total Carried Interest Income (Loss)	Unrealized Carried Interest (Loss) Income	R C In In
	(in millions)									
Private Equity Funds:										
Fund VII	$890.8	$904.3	$(13.6)	$1,163.6	$1,150.0	$435.5	$472.1	$907.6	$(135.9)	$1
Fund VI	697.6	270.3	427.3	760.3	1,187.6 (1)	345.6 (5)	294.0	639.6	(723.6) (5)	80
Fund V	43.0	134.3	(91.2)	99.1	7.9	9.3	33.4	42.7	(51.6)	24
Fund IV	7.7	10.9	(3.2)	1.7	(1.5)	(7.0)	2.9	(4.1)	(118.1)	20
AAA/Other[2]	228.7 (3)	93.6	135.4 (5)	37.9	173.3	71.5 (5)	10.2	81.7	9.5 (5)	—
Total Private Equity Funds	1,867.8	1,413.4	454.7	2,062.6	2,517.3	854.9	812.6	1,667.5	(1,019.7)	57
Credit Funds:										
U.S. Performing Credit	179.9	401.7	(164.1)	284.6	120.5	206.3	154.3	360.6	(79.6)	62
Opportunistic Credit	59.8	36.7	20.4 (5)	36.7	57.1	7.7 (5)	41.5	49.2	(21.8) (5)	43
Structured Credit	54.3	21.2	32.7	11.2	43.9	18.5	13.4	31.9	—	—
European Credit	35.6	18.4	2.1	27.8	29.9	18.0	8.5	26.5	(18.7)	13
Non-Performing Loans	154.2	102.1	52.3	33.0	85.3	50.6	—	50.6	53.2	—
Total Credit Funds	483.8	580.1	(56.6)	393.3	336.7	301.1	217.7	518.8	(66.9)	11
Real Estate Funds:										
CPI Funds	5.3	10.8	(5.2)	0.5	(4.7)	10.4	4.7	15.1	—	—
AGRE U.S. Real Estate	5.6	—	5.6	—	5.6	—	—	—	—	—

Fund										
Other	4.3	—	4.3	—	4.3	—	—	—	—	—
Total Real Estate Funds	15.2	10.8	4.7	0.5	5.2	10.4	4.7	15.1	—	—
Total	$2,366.8 (4)	$2,004.3 (4)	$402.8	$2,456.4	$2,859.2	$1,166.4	$1,035.0	$2,201.4	$(1,086.6)	$(

(1) Includes $452.3 million for Fund VI related to the catch-up formula whereby the Company earns a disproportionate return (typically 80%) for a portion of the return until the Company’s carried interest income equates to its 20% of cumulative profits of the funds.

(2) Includes certain SIAs.

(3) Includes $100.9 million and $69.0 million of carried interest receivable from AAA Investments' investment in Athene Holding Ltd., as of December 31, 2013 and 2012, respectively, which may be settled in shares of Athene Holding Ltd. (valued at the then fair market value) if there is a distribution in kind of shares of Athene Holding Ltd. or paid in cash if AAA sells the shares of Athene Holding Ltd. During years ended December 31, 2013 and 2012 the Company earned $31.9 million 54.8 million, respectively, from AAA Investments' investment in Athene Holding Ltd.

(4) There was a corresponding profit sharing payable of $992.2 million and $857.7 million as of December 31, 2013 and 2012, respectively, that resulted in a net carried interest receivable on an unconsolidated basis amount of $1,374.6 million and $1,146.6 million as of December 31, 2013 and 2012, respectively. Included within profit sharing payable are contingent consideration obligations of $135.5 million and $141.0 million as of December 31, 2013 and 2012, respectively.

(5) Included in unrealized carried interest (loss) income from affiliates for the year ended December 31, 2013 was a reversal of $19.3 million and $0.3 million of the entire general partner obligation to return previously distributed carried interest income to SOMA and APC, respectively. Included in unrealized carried interest income (loss) from affiliates for the year ended December 31, 2012 was a reversal of $75.3 million of the entire general partner obligation to return previously distributed carried interest income with respect to Fund VI and reversal of previously realized carried interest income due to the general partner obligation to return previously distributed carried interest income of $1.2 million and $0.3 million for SOMA and APC, respectively. Included in unrealized carried interest (loss) income from affiliates for the year ended December 31, 2011 was a reversal of previously realized carried interest income due to the general partner obligation to return previously distributed carried interest income of $75.3 million and $18.1 million for Fund VI and SOMA, respectively.

Table of Contents

The general partners of the private equity, credit and real estate funds listed in the table above were accruing carried interest income as of December 31, 2013. As of December 31, 2013, AAA Investments (Co-Invest VI), L.P. ("AAA Co-Invest VI"), Fund VII and Fund VI were each above their hurdle rate of 8% and generating carried interest income. AAA Co-Invest VI is one of the investment partnerships (the “Contributed Partnerships”) that contributed to Athene in connection with the AAA Transaction. The Contributed Partnerships pay a quarterly management fee and carried interest to Apollo with respect to the assets contributed in the AAA Transaction as further described under “—Liquidity and Capital Resources—Athene”.

The investment manager of AINV accrues carried interest in the management company business as it is earned. Additionally, certain of our credit funds, including AIE II, AESI, COF I, COF II, and EPF I were each above their hurdle rates or preferred return of 7.5%, 8.0%, 8.0%, 7.5%, and 8.0% respectively, and generating carried interest income. As of December 31, 2013, the CPI Funds and AGRE U.S. Real Estate Fund, L.P. were above their hurdle rate ranges of 8-13% and 10%, respectively.

The investment manager of AINV accrues carried interest in the management company business as it is earned. The general partners of certain of our credit funds accrue carried interest when the fair value of investments exceeds the cost basis of the individual investors’ investments in the fund, including any allocable share of expenses incurred in connection with such investments. These high water marks are applied on an individual investor basis. Certain of our credit funds have investors with various high water marks and are subject to market conditions and investment performance. As of December 31, 2013, approximately 90% of the limited partners’ capital in the Value Funds was generating carried interest income.

Carried interest income from our private equity funds and certain credit and real estate funds is subject to contingent repayment by the general partner in the event of future losses to the extent that the cumulative carried interest distributed from inception to date exceeds the amount computed as due to the general partner at the final distribution. These general partner obligations, if applicable, are disclosed by fund in the table below and are included in due to affiliates on the consolidated statements of financial condition. As of December 31, 2013, there were no such general partner obligations related to our funds. Carried interest receivables are reported on a separate line item within the consolidated statements of financial condition.

Table of Contents

The following table summarizes our carried interest income since inception for our combined segments through December 31, 2013:

	Carried Interest Income Since Inception				
	Undistributed by Fund and Recognized	Distributed by Fund and Recognized (1)	Total Undistributed and Distributed by Fund and Recognized(2)	General Partner Obligation as of December 31, 2013(2)	Maximum Carried Interest Income Subject to Potential Reversal(3)
	(in millions)				
Private Equity Funds:					
Fund VII	$890.8	$1,959.7	$2,850.5	$—	$2,197.2
Fund VI	697.6	1,178.7	1,876.3	—	1,495.8
Fund V	43.0	1,410.2	1,453.2	—	81.2
Fund IV	7.7	597.2	604.9	—	7.6
AAA/Other	228.7	67.4	296.1	—	228.9
Total Private Equity Funds	1,867.8	5,213.2	7,081.0	—	4,010.7
Credit Funds:					
U.S. Performing Credit	179.9	618.3	798.2	—	445.5
Opportunistic Credit(4)	50.9	158.1	209.0	—	60.9
Structured Credit	54.3	44.4	98.7	—	63.4
European Credit	35.6	52.5	88.1	—	73.8
Non-Performing Loans	154.2	34.9	189.1	—	189.1
Total Credit Funds	474.9	908.2	1,383.1	—	832.7
Real Estate Funds:					
CPI Funds	4.8	5.2	10.0	—	4.8
AGRE U.S. Real Estate Fund	5.6	—	5.6	—	5.6
Other	4.8	—	4.8	—	4.8
Total Real Estate Funds	15.2	5.2	20.4	—	15.2
Total	$2,357.9	$6,126.6	$8,484.5	$—	$4,858.6

(1) Amounts in “Distributed by Fund and Recognized” for the CPI, Gulf Stream and Stone Tower funds and SIAs are presented for activity subsequent to the respective acquisition dates.

(2) Amounts were computed based on the fair value of fund investments on December 31, 2013. Carried interest income has been allocated to and recognized by the general partner. Based on the amount of carried interest income allocated, a portion is subject to potential reversal or, to the extent applicable, has been reduced by the general partner obligation to return previously distributed carried interest income or fees at December 31, 2013. The actual determination and any required payment of any such general partner obligation would not take place until the final disposition of the fund’s investments based on contractual termination of the fund.

(3) Represents the amount of carried interest income that would be reversed if remaining fund investments became worthless on December 31, 2013. Amounts subject to potential reversal of carried interest income include amounts undistributed by a fund (i.e., the carried interest receivable), as well as a portion of the amounts that have been distributed by a fund, net of taxes not subject to a general partner obligation to return previously distributed carried interest income, except for those funds that are gross of taxes as defined in the respective funds' management agreement.

(4) Amounts exclude AINV, as carried interest income from this fund is not subject to contingent repayment by the general partner.

Expenses

Compensation and Benefits. Our most significant expense is compensation and benefits expense. This consists of fixed salary, discretionary and non-discretionary bonuses, profit sharing expense associated with the carried interest income earned from private equity, credit and real estate funds and compensation expense associated with the vesting of non-cash equity-based awards.

Our compensation arrangements with certain partners and employees contain a significant performance-based incentive component. Therefore, as our net revenues increase, our compensation costs also rise or can be lower when net revenues decrease. In addition, our compensation costs reflect the increased investment in people as we expand geographically and create new funds. All payments for services rendered by our Managing Partners prior to the 2007 Reorganization have been accounted for as partnership distributions rather than compensation and benefits expense. See note 1 to our consolidated financial statements for further discussion of the 2007 Reorganization. Subsequent to the 2007 Reorganization, our Managing Partners are considered employees of Apollo. As such, payments for services made to these individuals, including the expense associated with the AOG Units described below, have been recorded as compensation expense. The AOG Units were granted to the Managing Partners and Contributing Partners at the time of the 2007 Reorganization, as discussed in note 1 to our consolidated financial statements.

In addition, certain professionals and selected other individuals have a profit sharing interest in the carried interest income earned in relation to our private equity, certain credit and real estate funds in order to better align their interests with our own and with those of the investors in these funds. Profit sharing expense is part of our compensation and benefits expense and is generally based upon a fixed percentage of private equity, credit and real estate carried interest income on a pre-tax and a pre-consolidated basis. Profit sharing expense can reverse during periods when there is a decline in carried interest income that was previously recognized. Profit sharing amounts are normally distributed to employees after the corresponding investment gains have been realized and generally before preferred returns are achieved for the investors. Therefore, changes in our unrealized gains (losses) for investments have the same effect on our profit sharing expense. Profit sharing expense increases when unrealized gains increase. Realizations only impact profit sharing expense to the extent that the effects on investments have not been recognized previously. If losses on other investments within a fund are subsequently realized, the profit sharing amounts previously distributed are normally subject to a general partner obligation to return carried interest income previously distributed back to the funds. This general partner obligation due to the funds would be realized only when the fund is liquidated, which generally occurs at the end of the fund’s term. However, indemnification obligations also exist for pre-reorganization realized gains, which, although our Managing Partners and Contributing Partners would remain personally liable, may indemnify our Managing Partners and Contributing Partners for 17.5% to 100% of the previously distributed profits regardless of the fund’s future performance. See note 17 to our consolidated financial statements for further discussion of indemnification.

Each Managing Partner receives $100,000 per year in base salary for services rendered to us. Additionally, our Managing Partners can receive other forms of compensation. In connection with the 2007 Reorganization, the Managing Partners and Contributing Partners received AOG Units with a vesting period of five to six years (all of which have fully vested) and certain employees were granted RSUs with a vesting period of typically six years (all of which have also fully vested). Managing Partners, Contributing Partners and certain employees have also been granted AAA RDUs, or incentive units that provide the right to receive AAA RDUs, which both represent common units of AAA and generally vest over three years for employees and are fully-vested for Managing Partners and Contributing Partners on the grant date. In addition, ARI RSUs, ARI restricted stock and AMTG RSUs have been granted to the Company and certain employees in the real estate and credit segments, which generally vest over three years. In addition, the Company grants equity awards to certain employees, including RSUs and options, that generally vest and become exercisable in quarterly installments or annual installments depending on the contract terms over a period of three to six years. See note 16 to our consolidated financial statements for further discussion of AOG Units and other equity-based compensation.

Other Expenses. The balance of our other expenses includes interest, professional fees, placement fees, occupancy, depreciation and amortization and other general operating expenses. Interest expense consists primarily of interest related to the 2007 AMH Credit Agreement and 2013 AMH Credit Facilities as discussed in note 14 to our consolidated financial statements. Placement fees are incurred in connection with our capital raising activities. Occupancy expense represents charges related to office leases and associated expenses, such as utilities and maintenance fees. Depreciation and amortization of fixed assets is normally calculated using the straight-line method over their estimated useful lives, ranging from two to sixteen years, taking into consideration any residual value. Leasehold improvements are amortized over the shorter of the useful life of the asset or the expected term of the lease. Intangible assets are amortized based on the future cash flows over the expected useful lives of the assets. Other general operating expenses normally include costs related to travel, information technology and administration.

Other Income (Loss)

Net Gains (Losses) from Investment Activities. The performance of the consolidated Apollo funds has impacted our net gains (losses) from investment activities. Net gains (losses) from investment activities include both realized gains and losses and the change in unrealized gains and losses in our investment portfolio between the opening reporting date and the closing reporting date. Net unrealized gains (losses) are a result of changes in the fair value of unrealized investments and reversal of unrealized gains (losses) due to dispositions of investments during the reporting period. For the Company's investments held by AAA, a portion of the net gains (losses) from investment activities are attributable to Non-Controlling Interests in the consolidated statements of operations. Significant judgment and estimation goes into the assumptions that drive these models and the actual values realized with respect to investments could be materially different from values obtained based on the use of those models. The valuation methodologies applied impact the reported value of investment company holdings and their underlying portfolios in our consolidated financial statements.

Net Gains (Losses) from Investment Activities of Consolidated Variable Interest Entities. Changes in the fair value of the consolidated VIEs’ assets and liabilities and related interest, dividend and other income and expenses subsequent to

Table of Contents

consolidation are presented within net gains (losses) from investment activities of consolidated variable interest entities and are attributable to Non-Controlling Interests in the consolidated statements of operations.

Interest Income. The Company recognizes security transactions on the trade date. Interest income is recognized as earned on an accrual basis. Discounts and premiums on securities purchased are accreted or amortized over the life of the respective securities using the effective interest method. Interest income also includes payment-in-kind interest (or "PIK" interest) on a convertible note and from one of our credit funds.

Other Income (Loss), Net. Other income (loss), net includes the recognition of bargain purchase gains as a result of Apollo acquisitions, gains (losses) arising from the remeasurement of foreign currency denominated assets and liabilities of foreign subsidiaries, reversal of a portion of the tax receivable agreement liability (see note 17 to our consolidated financial statements), gains (losses) arising from the remeasurement of derivative instruments associated with fees from certain of the Company’s affiliates and other miscellaneous non-operating income and expenses.

Income Taxes. The Apollo Operating Group and its subsidiaries generally operate as partnerships for U.S. Federal income tax purposes. As a result, except as described below, the Apollo Operating Group has not been subject to U.S. income taxes. However, these entities in some cases are subject to NYC UBT, and non-U.S. entities, in some cases, are subject to non-U.S. corporate income taxes. In addition, APO Corp., a wholly-owned subsidiary of the Company, is subject to U.S. Federal, state and local corporate income tax, and the Company’s provision for income taxes is accounted for in accordance with U.S. GAAP.

As significant judgment is required in determining tax expense and in evaluating tax positions, including evaluating uncertainties, we recognize the tax benefits of uncertain tax positions only where the position is “more likely than not” to be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit is measured as the largest amount of benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. If a tax position is not considered more likely than not to be sustained, then no benefits of the position are recognized. The Company’s tax positions are reviewed and evaluated quarterly to determine whether or not we have uncertain tax positions that require financial statement recognition.

Deferred tax assets and liabilities are recognized for the expected future tax consequences of differences between the carrying amount of assets and liabilities and their respective tax basis using currently enacted tax rates. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period when the change is enacted. Deferred tax assets are reduced by a valuation allowance when it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Non-Controlling Interests

For entities that are consolidated, but not 100% owned, a portion of the income or loss and corresponding equity is allocated to owners other than Apollo. The aggregate of the income or loss and corresponding equity that is not owned by the Company is included in Non-Controlling Interests in the consolidated financial statements. The Non-Controlling Interests relating to Apollo Global Management, LLC primarily include the 61.0%, 64.9% and 65.9% ownership interest in the Apollo Operating Group held by the Managing Partners and Contributing Partners through their limited partner interests in Holdings as of December 31, 2013, 2012 and 2011, respectively, and other ownership interests in consolidated entities, which primarily consist of the approximate 97.4%, 97.3% and 97.6% ownership interests held by limited partners in AAA as of December 31, 2013, 2012 and 2011, respectively. Non-Controlling Interests also include limited partner interests of Apollo managed funds in certain consolidated VIEs.

The authoritative guidance for Non-Controlling Interests in the consolidated financial statements requires reporting entities to present Non-Controlling Interest as equity and provides guidance on the accounting for transactions between an entity and Non-Controlling Interests. According to the guidance, (1) Non-Controlling Interests are presented as a separate component of shareholders’ equity on the Company’s consolidated statements of financial condition, (2) net income (loss) includes the net income (loss) attributable to the Non-Controlling Interest holders on the Company’s consolidated statements of operations, (3) the primary components of Non-Controlling Interest are separately presented in the Company’s consolidated statements of changes in shareholders’ equity to clearly distinguish the interests in the Apollo Operating Group and other ownership interests in the consolidated entities and (4) profits and losses are allocated to Non-Controlling Interests in proportion to their ownership interests regardless of their basis.

On January 1, 2010, the Company adopted amended consolidation guidance issued by the FASB on issues related to VIEs. The amended guidance significantly affects the overall consolidation analysis, changing the approach taken by companies in identifying which entities are VIEs and in determining which party is the primary beneficiary. The amended guidance requires continuous assessment of the reporting entity's involvement with such VIEs. The amended guidance also enhances the disclosure requirements for a reporting entity's involvement with VIEs, including presentation on the consolidated statements of financial

Table of Contents

condition of assets and liabilities of consolidated VIEs that meet the separate presentation criteria and disclosure of assets and liabilities recognized in the consolidated statements of financial condition and the maximum exposure to loss for those VIEs in which a reporting entity is determined to not be the primary beneficiary but in which it has a variable interest. The guidance provides a limited scope deferral for a reporting entity's interest in an entity that meets all of the following conditions: (a) the entity has all the attributes of an investment company as defined under the American Institute of Certified Public Accountants ("AICPA") Audit and Accounting Guide, Investment Companies, or does not have all the attributes of an investment company but is an entity for which it is acceptable based on industry practice to apply measurement principles that are consistent with the AICPA Audit and Accounting Guide, Investment Companies, (b) the reporting entity does not have explicit or implicit obligations to fund any losses of the entity that could potentially be significant to the entity and (c) the entity is not a securitization entity, asset-backed financing entity or an entity that was formerly considered a qualifying special-purpose entity. The reporting entity is required to perform a consolidation analysis for entities that qualify for the deferral in accordance with previously issued guidance on variable interest entities. Apollo's involvement with the funds it manages is such that all three of the above conditions are met with the exception of certain vehicles which fail condition (c) above. As previously discussed, the incremental impact of adopting the amended consolidation guidance has resulted in the consolidation of certain VIEs managed by the Company. Additional disclosures related to Apollo's involvement with VIEs are presented in note 5 to our consolidated financial statements.

Results of Operations

Below is a discussion of our consolidated results of operations for the years ended December 31, 2013, 2012 and 2011, respectively. For additional analysis of the factors that affected our results at the segment level, see "—Segment Analysis" below:

	Year Ended December 31,		Amount Change	Percentage Change	Year Ended December 31,		Amount Change	Percentage Change
	2013	2012			2012	2011		
	(in thousands)				(in thousands)			
Revenues:								
Advisory and transaction fees from affiliates, net	$196,562	$149,544	$47,018	31.4 %	$149,544	$81,953	$67,591	82.5 %
Management fees from affiliates	674,634	580,603	94,031	16.2	580,603	487,559	93,044	19.1
Carried interest income (loss) from affiliates	2,862,375	2,129,818	732,557	34.4	2,129,818	(397,880)	2,527,698	NM
Total Revenues	3,733,571	2,859,965	873,606	30.5	2,859,965	171,632	2,688,333	NM
Expenses:								
Compensation and benefits:								
Equity-based compensation	126,227	598,654	(472,427)	(78.9)	598,654	1,149,753	(551,099)	(47.9)
Salary, bonus and benefits	294,753	274,574	20,179	7.3	274,574	251,095	23,479	9.4
Profit sharing expense	1,173,255	872,133	301,122	34.5	872,133	(60,070)	932,203	NM
Total Compensation and Benefits	1,594,235	1,745,361	(151,126)	(8.7)	1,745,361	1,340,778	404,583	30.2
Interest expense	29,260	37,116	(7,856)	(21.2)	37,116	40,850	(3,734)	(9.1)
Professional fees	83,407	64,682	18,725	28.9	64,682	59,277	5,405	9.1
General, administrative and other	98,202	87,961	10,241	11.6	87,961	75,558	12,403	16.4
Placement fees	42,424	22,271	20,153	90.5	22,271	3,911	18,360	469.4

Occupancy	39,946	37,218	2,728	7.3	37,218	35,816	1,402	3.9
Depreciation and amortization	54,241	53,236	1,005	1.9	53,236	26,260	26,976	102.7
Total Expenses	1,941,715	2,047,845	(106,130)	(5.2)	2,047,845	1,582,450	465,395	29.4
Other Income:								
Net gains (losses) from investment activities	330,235	288,244	41,991	14.6	288,244	(129,827)	418,071	NM
Net gains (losses) from investment activities of consolidated variable interest entities	199,742	(71,704)	271,446	NM	(71,704)	24,201	(95,905)	NM
Income from equity method investments	107,350	110,173	(2,823)	(2.6)	110,173	13,923	96,250	NM
Interest income	12,266	9,693	2,573	26.5	9,693	4,731	4,962	104.9
Other income, net	40,114	1,964,679	(1,924,565)	(98.0)	1,964,679	205,520	1,759,159	NM
Total Other Income	689,707	2,301,085	(1,611,378)	(70.0)	2,301,085	118,548	2,182,537	NM
Income (loss) before income tax provision	2,481,563	3,113,205	(631,642)	(20.3)	3,113,205	(1,292,270)	4,405,475	NM
Income tax provision	(107,569)	(65,410)	(42,159)	64.5	(65,410)	(11,929)	(53,481)	448.3
Net Income (Loss)	2,373,994	3,047,795	(673,801)	(22.1)	3,047,795	(1,304,199)	4,351,994	NM
Net (income) loss attributable to Non-controlling Interests	(1,714,603)	(2,736,838)	1,022,235	(37.4)	(2,736,838)	835,373	(3,572,211)	NM
Net Income (Loss) Attributable to Apollo Global Management, LLC	$659,391	$310,957	$348,434	112.1 %	$310,957	$(468,826)	$779,783	NM

Note: “NM” denotes not meaningful. Changes from negative to positive amounts and positive to negative amounts are not considered meaningful. Increases or decreases from zero and changes greater than 500% are also not considered meaningful.

Table of Contents

Revenues

Our revenues and other income include fixed components that result from measures of capital and asset valuations and variable components that result from realized and unrealized investment performance, as well as the value of successfully completed transactions.

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Advisory and transaction fees from affiliates, net, increased by $47.0 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. This was attributable to an increase in advisory and transaction fees, net in the credit segment of $87.1 million, offset by a decrease in advisory and transaction fees, net in the private equity segment of $43.4 million. During the year ended December 31, 2013, gross and net advisory fees, including directors' fees, were $213.3 million and $140.0 million, respectively, and gross and net transaction fees were $133.5 million and $56.6 million, respectively. During the year ended December 31, 2012, gross and net advisory fees, including directors' fees, were $152.1 million and $66.3 million, respectively, and gross and net transaction fees were $176.7 million and $88.5 million, respectively. The net transaction and advisory fees were further offset by $5.2 million and $5.3 million in broken deal costs during the years ended December 31, 2013 and 2012, respectively, primarily relating to Fund VII. Advisory and transaction fees are reported net of Management Fee Offsets as calculated under the terms of the applicable limited partnership agreements. See "—Overview of Results of Operations—Revenues—Advisory and Transaction Fees from Affiliates, Net" for a summary that addresses how the Management Fee Offsets are calculated.

Management fees from affiliates increased by $94.0 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. This change was primarily attributable to an increase in management fees earned by our credit, private equity and real estate segments of $92.8 million, $7.8 million and $7.1 million, respectively, as a result of corresponding increases in the net assets managed and fee-generating invested capital with respect to these segments during the period. Part of the increase in management fees earned from the credit funds was attributable to an increase of $13.6 million of fees earned from consolidated VIEs which are included in the credit segment results but were eliminated in consolidation.

Carried interest income from affiliates increased by $732.6 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. This change was primarily attributable to increased carried interest income driven by increases in the fair value of portfolio investments held by certain funds and certain co-invest vehicles, primarily Fund VI, Fund VII, AAA Co-Invest VI, an indirect subsidiary of Athene Holding Ltd., SOMA and EPF I which had increased carried interest income of $548.1 million, $242.4 million, $115.7 million, $40.0 million and $34.5 million, respectively. This was offset by COF I, COF II, CLOs and Fund V, which had decreased carried interest income of $100.1 million, $48.3 million, $44.5 million and $34.8 million, respectively, during the year ended December 31, 2013 as compared to the same period in 2012. The remaining change was attributable to an overall increase in the fair value of portfolio investments of the other funds, which generated increased carried interest income of $17.5 million during the period. Part of the change in carried interest income from affiliates was attributable to a decrease in carried interest income of $37.9 million earned from consolidated VIEs which are included in the credit segment results but were eliminated in consolidation during the year ended December 31, 2013 as compared to the same period in 2012.

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Advisory and transaction fees from affiliates, net, increased by $67.6 million for the year ended December 31, 2012 as compared to the year ended December 31, 2011. This increase was primarily attributable to an increase in advisory and transaction fees in the private equity segment of $63.6 million during the period. During the year ended December 31, 2012, gross and net advisory fees, including directors' fees, were $152.1 million and $66.3 million, respectively, and gross and net transaction fees were $176.7 million and $88.5 million, respectively. During the year ended December 31, 2011, gross and net advisory fees, including directors' fees, were $143.1 million and $56.1 million, respectively, and gross and net transaction fees were $62.9 million and $30.7 million, respectively. The net transaction and advisory fees were further offset by $5.3 million and $4.8 million in broken deal costs during the years ended December 31, 2012 and 2011, respectively, primarily relating to Fund VII. Advisory and transaction fees are reported net of Management Fee Offsets as calculated under the terms of the respective limited partnership agreements. See

"—Overview of Results of Operations—Revenues—Advisory and Transaction Fees from Affiliates" for a summary that addresses how the Management Fee Offsets are calculated for each fund.

Management fees from affiliates increased by $93.0 million for the year ended December 31, 2012 as compared to the year ended December 31, 2011. This change was primarily attributable to an increase in management fees earned by our credit, private equity and real estate segments of $113.0 million, $13.8 million and $6.0 million, respectively, as a result of corresponding increases in the net assets managed and fee-generating invested capital with respect to these segments during the period. The remaining change was attributable to an increase of $39.8 million of fees earned from VIEs eliminated in consolidation in our credit segment during the year ended December 31, 2012 as compared to the year ended December 31, 2011.

Carried interest income from affiliates increased by $2,527.7 million for the year ended December 31, 2012 as compared to the year ended December 31, 2011. This change was primarily attributable to increased carried interest income driven by increases in the fair value of portfolio investments held by certain funds and CLOs, primarily Fund VI, Fund VII, COF I, ACLF, CLOs, Fund V, COF II, AAA and ACF, which had increased carried interest income of $1,282.5 million, $783.3 million, $134.9 million, $77.4 million, $72.2 million, $69.4 million, $69.1 million, $47.6 million and $25.7 million, respectively, during the year ended December 31, 2012 as compared to the same period in 2011. The remaining change was attributable to an overall increase in the fair value of portfolio investments of the remainder of funds, which generated increased carried interest income of $36.8 million during the period. Included in the above for the year ended December 31, 2012 was a reversal of $75.3 million of the general partner obligation to return previously distributed carried interest income with respect to Fund VI and reversal of previously recognized carried interest income due to the general partner obligation to return previously distributed carried interest income of $1.2 million and $0.3 million for SOMA and APC, respectively. Part of the increase in carried interest income from affiliates was attributable to an increase in carried interest income of $71.2 million earned from consolidated VIEs which are included in the credit segment results but were eliminated in consolidation during year ended December 31, 2012 as compared to the same period in 2011.

Expenses

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Compensation and benefits decreased by $151.1 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. This change was primarily attributable to a reduction of equity-based compensation by $472.4 million, specifically the amortization of AOG Units which decreased by $450.9 million due to the expiration of the vesting period for the Managing Partners in June 2013. This was partially offset by an increase in profit sharing expense of $301.1 million as a result of the favorable performance of certain of our private equity and credit funds during the period. Included in profit sharing expense was $62.4 million and $62.1 million of expenses related to the Incentive Pool (as defined below) for the year ended December 31, 2013 and 2012, respectively. In addition, salary, bonus and benefits increased by $20.2 million as a result of an increase in headcount during the period as compared to the same period in 2012.

The Company intends to, over time, seek to more directly tie compensation of its professionals to realized performance of the Company’s business, which will likely result in greater variability in compensation. In June 2011, the Company adopted a performance based incentive arrangement (the “Incentive Pool”) whereby certain partners and employees earned discretionary compensation based on carried interest realizations earned by the Company during the year, which amounts are reflected as profit sharing expense in the Company’s consolidated financial statements. The Company adopted the Incentive Pool to attract and retain, and provide incentive to, partners and employees of the Company and to more closely align the overall compensation of partners and employees with the overall realized performance of the Company. Allocations to the Incentive Pool and to its participants contain both a fixed and a discretionary component and may vary year-to-year depending on the overall realized performance of the Company and the contributions and performance of each participant. There is no assurance that the Company will continue to compensate individuals through performance-based incentive arrangements in the future and there may be periods when the Executive Committee of the Company’s manager determines that allocations of realized carried interest income are not sufficient to compensate individuals, which may result in an increase in salary, bonus and benefits.

Interest expense decreased by $7.9 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. This change was primarily attributable to decreased interest expense related to expiring of interest rate swaps and a lower margin rate on the 2007 AMH Credit Agreement during the year ended December 31, 2013 as compared to the same period in 2012.

Professional fees increased by $18.7 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. This change was attributable to higher legal and consulting fees incurred during the year ended December 31, 2013, as compared to the same period in 2012 due to the continued expansion of our global investment platform.

General, administrative and other expenses increased by $10.2 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. This change was primarily attributable to an increase in costs associated with the launch of new funds, increased travel, information technology, recruiting and other expenses incurred during the year ended December 31, 2013 as compared to the same period in 2012.

Placement fees increased by $20.2 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. Placement fees are incurred in connection with the raising of capital for new and existing funds. The fees are

Table of Contents

normally payable to placement agents, who are third parties that assist in identifying potential investors, securing commitments to invest from such potential investors, preparing or revising offering 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. This change was primarily attributable to $15.4 million related to the launch of Fund VIII during the year ended December 31, 2013.

Occupancy expense increased by $2.7 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. This change was primarily attributable to additional expenses incurred from the extension of existing leases along with additional office space leased as a result of the increase in our headcount to support the expansion of our global investment platform during the year ended December 31, 2013 as compared to the same period in 2012.

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Compensation and benefits increased by $404.6 million for the year ended December 31, 2012 as compared to the year ended December 31, 2011. This change was primarily attributable to an increase in profit sharing expense of $932.2 million driven by an increase in unrealized and realized carried interest income earned from our private equity and credit funds during the period. This increase was partially offset by a decrease in equity-based compensation of $551.1 million, specifically the amortization of AOG Units decreased by $551.8 million due to the expiration of the vesting period for certain Managing Partners, along with an increase in equity-based compensation relating to RSUs and share options of $0.1 million due to additional grants during the year ended December 31, 2012. Included in profit sharing expense is $25.8 million related to change in fair value of our contingent consideration obligations. Also included in profit sharing expense is $62.1 million and $35.2 million of expense related to the Incentive Pool for the years ended December 31, 2012 and 2011, respectively.

Interest expense decreased by $3.7 million for the year ended December 31, 2012 as compared to the year ended December 31, 2011. This change was primarily attributable to decreased interest expense of $4.9 million mainly due to a lower margin rate on the 2007 AMH Credit Agreement during the year ended December 31, 2012 as compared to the same period in 2011.

Professional fees increased by $5.4 million for the year ended December 31, 2012 as compared to the year ended December 31, 2011. This change was attributable to higher external accounting, tax, audit, legal and consulting fees incurred during the year ended December 31, 2012, as compared to the same period during 2011.

General, administrative and other expenses increased by $12.4 million for the year ended December 31, 2012 as compared to the year ended December 31, 2011. This change was primarily attributable to increased travel, information technology, recruiting and other expenses incurred associated with the launch of our new funds and continued expansion of our global investment platform during the year ended December 31, 2012 as compared to the same period during 2011.

Placement fees increased by $18.4 million for the year ended December 31, 2012 as compared to the year ended December 31, 2011. Placement fees are incurred in connection with the raising of capital for new and existing funds. The fees are normally payable to placement agents, who are third parties that assist in identifying potential investors, securing commitments to invest from such potential investors, preparing or revising offering 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. This change was primarily attributable to increased fundraising efforts during the period in connection with our credit funds, primarily EPF II, which incurred $12.9 million of placement fees during the year ended December 31, 2012.

Occupancy expense increased by $1.4 million for the year ended December 31, 2012 as compared to the year ended December 31, 2011. This change was primarily attributable to additional expenses incurred from additional office space leased as a result of the increase in our headcount to support the expansion of our global investment platform during the year ended December 31, 2012 as compared to the same period during 2011.

Depreciation and amortization expense increased by $27.0 million for the year ended December 31, 2012 as compared to the year ended December 31, 2011. This change was primarily attributable to increased amortization expense due to amortization of intangible assets acquired subsequent to December 31, 2011.

Other Income (Loss)

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Net gains from investment activities increased by $42.0 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. This change was primarily attributable to a $54.3 million increase in net unrealized gains related to changes in the fair value of AAA Investments' portfolio investments, partially offset by an $11.5 million decrease in

Table of Contents

unrealized gains related to the change in the fair value of the investment in HFA during the year ended December 31, 2013 as compared to the same period in 2012.

Net gains (losses) from investment activities of consolidated VIEs increased by $271.4 million during the year ended December 31, 2013 as compared to the year ended December 31, 2012. This change was primarily attributable to a decrease in net realized and unrealized losses relating to the debt held by the consolidated VIEs of $402.3 million and higher interest and other income of $92.7 million during the period. This was offset by a decrease in the fair values of investments held by the consolidated VIEs of $191.9 million and an increase in other expenses of $31.7 million during the year ended December 31, 2013 as compared to the same period in 2012.

Income from equity method investments decreased by $2.8 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. This change was primarily driven by changes in the fair values of certain Apollo funds in which the Company has a direct interest. Fund VII, COF I and EPF I had the most significant impact and together generated $81.9 million of income from equity method investments during the year ended December 31, 2013 as compared to a $84.2 million of income from equity method investments during the year ended December 31, 2012, resulting in a net decrease of $2.3 million. See note 4 to our consolidated financial statements for a complete summary of income from equity method investments by fund for the year ended December 31, 2013 and 2012.

Other income, net decreased by $1,924.6 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. This change was primarily attributable to a gain on acquisition of $1,951.1 million recorded on the Stone Tower acquisition during April 2012. See note 3 to our consolidated financial statements for further discussion of the Stone Tower acquisition. The remaining offset was primarily attributable to income related to the reduction of the tax receivable agreement liability due to a change in estimated tax rates, and an unrealized gain on Athene related derivative contracts (see note 17 to our consolidated financial statements) during the year ended December 31, 2012 as compared to the same period in 2011. See note 12 to our consolidated financial statements for a complete summary of other income, net, for the years ended December 31, 2013 and 2012.

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Net (losses) gains from investment activities increased by $418.1 million for the year ended December 31, 2012 as compared to the year ended December 31, 2011. This change was attributable to a $412.1 million increase in net unrealized gains related to changes in the fair value of AAA Investments' portfolio during the period. In addition, there was a $4.7 million increase in unrealized gain related to the change in the fair value of the investment in HFA Holdings Limited ("HFA") and a $1.2 million increase in net unrealized and realized gains related to changes in the fair value of portfolio investments of Apollo Credit Senior Loan Fund, L.P. ("Apollo Senior Loan Fund") during the year ended December 31, 2012.

Net losses from investment activities of consolidated VIEs increased by $95.9 million during the year ended December 31, 2012 as compared to the year ended December 31, 2011. This was primarily attributable to a change in net realized and unrealized losses of $519.6 million relating to the debt held by the consolidated VIEs, along with higher expenses which resulted in an increased loss of $329.4 million during the period, primarily due to the acquisition of Stone Tower in April 2012. These changes were partially offset by higher net unrealized and realized gains relating to the increase in the fair value of investments held by the consolidated VIEs of $246.5 million and higher interest income of $506.6 million during the year ended December 31, 2012 as compared to the same period during 2011.

Income from equity method investments increased by $96.3 million for the year ended December 31, 2012 as compared to the year ended December 31, 2011. This change was primarily driven by changes in the fair values of certain Apollo funds in which Apollo has a direct interest. Fund VII, COF I, COF II and ACLF had the most significant impact and together generated $89.5 million of income from equity method investments during the year ended December 31, 2012 as compared to $11.5 million of income from equity method investments during the year ended December 31, 2011 resulting in a net increase of income from equity method investments totaling $77.6 million. See note 4 to our consolidated financial statements for a complete summary of income (loss) from equity method investments by fund for the years ended December 31, 2012 and 2011.

Other income, net increased by $1,759.2 million for the year ended December 31, 2012 as compared to the year ended December 31, 2011. This change was primarily attributable to an increase in gains on acquisitions of $1,755.7 million driven by the $1,951.1 million bargain purchase gain recorded on the Stone Tower acquisition during April 2012, compared to a bargain purchase gain on the Gulf Stream acquisition of $195.5 million during October 2011. See note 3 to our consolidated financial statements for further discussion of the Stone Tower and Gulf Stream acquisitions. The remaining change was primarily attributable to losses resulting from fluctuations in exchange rates of foreign denominated assets and liabilities of subsidiaries during the year ended December 31, 2012 as compared to the same period in 2011. See note 12 to our consolidated financial statements for a complete summary of other income, net, for the years ended December 31, 2012 and 2011.

Table of Contents

Income Tax Provision

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

The income tax provision increased by $42.2 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. As discussed in note 13 to our consolidated financial statements, the Company's income tax provision primarily relates to the earnings generated by APO Corp., a wholly-owned subsidiary of Apollo Global Management, LLC that is subject to U.S. federal, state and local taxes. APO Corp. had taxable income of $209.5 million and $130.8 million for the year ended December 31, 2013 and 2012, respectively, after adjusting for permanent tax differences. The $78.7 million change in income before taxes resulted in increased federal, state and local taxes of $42.6 million during the period utilizing a marginal corporate tax rate and adjusting the estimated rate of tax Apollo expects to pay in the future. This was partially offset by a decrease in the income tax provision of $0.5 million which primarily resulted from a decrease in the NYC UBT, as well as taxes on foreign subsidiaries.

Table of Contents

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

The income tax provision increased by $53.5 million for the year ended December 31, 2012 as compared to the year ended December 31, 2011. As discussed in note 13 to our consolidated financial statements, the Company's income tax provision primarily relates to the earnings generated by APO Corp., which is subject to U.S. Federal, state and local taxes. APO Corp. had income before taxes of $130.8 million and $1.7 million for the years ended December 31, 2012 and 2011, respectively, after adjusting for permanent tax differences. The $129.1 million change in income before taxes resulted in increased federal, state and local taxes of $51.3 million during the period utilizing a marginal corporate tax rate, and an increase in the NYC UBT and the taxes on foreign subsidiaries of $2.2 million.

Non-Controlling Interests

The table below presents equity interests in Apollo's consolidated, but not wholly-owned, subsidiaries and funds. Net income attributable to Non-Controlling Interests consisted of the following:

	For the Year Ended December 31,		
	2013	2012	2011
AAA[1]	$(331,504)	$(278,454)	$123,400
Interest in management companies and a co-investment vehicle[2]	(18,872)	(7,307)	(12,146)
Other consolidated entities	43,357	50,956	(13,958)
Net (income) loss attributable to Non-Controlling Interests in consolidated entities	(307,019)	(234,805)	97,296
Net income attributable to Appropriated Partners' Capital[3]	(149,934)	(1,816,676)	(202,235)
Net (income) loss attributable to Non-Controlling Interests in the Apollo Operating Group	(1,257,650)	(685,357)	940,312
Net (Income) Loss attributable to Non-Controlling Interests	$(1,714,603)	$(2,736,838)	$835,373
Net income attributable to Appropriated Partners' Capital[4]	149,934	1,816,676	202,235
Other Comprehensive Income attributable to Non-Controlling Interests	(41)	(2,010)	(5,106)
Comprehensive (Income) Loss Attributable to Non-Controlling Interests	$(1,564,710)	$(922,172)	$1,032,502

(1) Reflects the Non-Controlling Interests in the net (income) loss of AAA and is calculated based on the Non-Controlling Interests ownership percentage in AAA, which was approximately 97.4% during the year ended December 31, 2013, approximately 97.3% during the year ended December 31, 2012, and approximately 97.6% during the year ended December 31, 2011. As of December 31, 2013, 2012 and 2011, Apollo owned approximately 2.6%, 2.7% and 2.4% of AAA, respectively.

(2) Reflects the remaining interest held by certain individuals who receive an allocation of income from certain of our credit management companies.

(3) Reflects net income of the consolidated CLOs classified as VIEs. Includes the bargain purchase gain from the Stone Tower acquisition of $1,951.1 million for the year ended December 31, 2012 and the bargain purchase gain from the Gulf Stream acquisition of $0.8 million and $195.4 million for the years ended December 31, 2012 and 2011, respectively.

(4) Appropriated Partners' Capital is included in total Apollo Global Management, LLC shareholders' equity and is therefore not a component of comprehensive income attributable to Non-Controlling Interests on the consolidated statements of comprehensive income.

Initial Public Offering and Secondary Offering—On April 4, 2011, the Company completed the initial public offering ("IPO") of its Class A shares, representing limited liability company interests of the Company. Apollo Global Management, LLC received net proceeds from the IPO of approximately $382.5 million, which were used to acquire additional AOG Units. As a result, Holdings' ownership interest in the Apollo Operating Group decreased from 70.7%

to 66.5% and Apollo Global Management, LLC’s ownership interest in the Apollo Operating Group increased from 29.3% to 33.5% upon consummation of the IPO. Additionally, on May 15, 2013, the Company completed its resale of approximately 24.3 million Class A shares owned by Selling Shareholders (the "Secondary Offering"). In conjunction with the Secondary Offering there was an exchange of approximately 8.8 million AOG Units into Class A shares. As a result of the exchange, the Company's economic interests in the Apollo Operating Group increased from 35.6% to 38.0% and Holdings' economic interests in the Apollo Operating Group decreased from 64.4%

Table of Contents

to 62.0%. Additionally, in November 2013, approximately 2.3 million AOG Units were exchanged for Class A shares and sold, which also impacted the economic interests of the Apollo Operating Group held by the Company and Holdings. See note 15 to our consolidated financial statements for additional information regarding impacts to the Company's and Holding's ownership interests in the Apollo Operating Group.

Net income attributable to Non-Controlling Interests in the Apollo Operating Group consisted of the following:

	Year Ended December 31, 2013	2012	2011
	(in thousands)		
Net income	$2,373,994	$3,047,795	$(1,304,199)
Net income attributable to Non-Controlling Interests in consolidated entities	(456,953)	(2,051,481)	(104,939)
Net income after Non-Controlling Interests in consolidated entities	1,917,041	996,314	(1,409,138)
Adjustments:			
Income tax provision[1]	107,569	65,410	11,929
NYC UBT and foreign tax provision[2]	(10,334)	(10,889)	(8,647)
Capital increase related to equity-based compensation	—	—	(22,797)
Net (loss) income in non-Apollo Operating Group entities	(11,774)	948	1,345
Total adjustments	85,461	55,469	(18,170)
Net income (loss) after adjustments	2,002,502	1,051,783	(1,427,308)
Approximate ownership percentage of Apollo Operating Group	61.0%	64.9%	65.9%
Net income (loss) attributable to Non-Controlling Interests in Apollo Operating Group[3]	$1,257,650	$685,357	$(940,312)

(1) Reflects all taxes recorded in our consolidated statements of operations. Of this amount, U.S. federal, state, and local corporate income taxes attributable to APO Corp. are added back to income (loss) of the Apollo Operating Group before calculating Non-Controlling Interests as the income (loss) allocable to the Apollo Operating Group is not subject to such taxes.

(2) Reflects NYC UBT and foreign taxes that are attributable to the Apollo Operating Group and its subsidiaries related to its operations in the U.S. as partnerships and in non-U.S. jurisdictions as corporations. As such, these amounts are considered in the income (loss) attributable to the Apollo Operating Group.

(3) This amount is calculated by applying the weighted average ownership percentage range of approximately 62.7%, 65.2% and 67.4% during the years ended December 31, 2013, 2012 and 2011, respectively, to the consolidated net income of the Apollo Operating Group before a corporate income tax provision and after allocations to the Non-Controlling Interests in consolidated entities.

Segment Analysis

Discussed below are our results of operations for each of our reportable segments. They represent the segment information available and utilized by our executive management, which consists of our Managing Partners, who operate collectively as our chief operating decision maker, to assess performance and to allocate resources. Management divides its operations into three reportable segments: private equity, credit and real estate. These segments were established based on the nature of investment activities in each underlying fund, including the specific type of investment made, the frequency of trading, and the level of control over the investment. Segment results do not consider consolidation of funds, equity-based compensation expense comprised of AOG Units, income taxes, amortization of intangibles associated with the 2007 Reorganization and acquisitions and Non-Controlling Interests with the exception of allocations of income to certain individuals.

In addition to providing the financial results of our three reportable business segments, we further evaluate our individual reportable segments based on what we refer to as our management and incentive businesses. Our management business is generally characterized by the predictability of its financial metrics, including revenues and expenses. The management business includes management fee revenues, advisory and transaction revenues, carried interest income from one of our opportunistic credit funds and expenses, each of which we believe are more stable in nature. The financial performance of our incentive business is partially dependent upon quarterly mark-to-market unrealized valuations in accordance with U.S. GAAP guidance applicable to fair value measurements. The incentive business includes carried interest income, income from equity method investments and profit sharing expense that are associated with our general partner interests in the Apollo funds, which are generally less predictable and more volatile in nature.

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

Private Equity

The following tables set forth our segment statement of operations information and our supplemental performance measure, ENI, for our private equity segment for the years ended December 31, 2013, 2012, and 2011 respectively. ENI represents segment income, excluding the impact of non-cash charges related to RSUs granted in connection with the 2007 private placement, equity-based compensation expense comprising of amortization of AOG Units, income taxes, amortization of intangibles associated with the 2007 Reorganization and acquisitions and Non-Controlling Interests with the exception of allocations of income to certain individuals. In addition, segment data excludes the assets, liabilities and operating results of the Apollo funds and consolidated VIEs that are included in the consolidated financial statements. ENI is not a U.S. GAAP measure.

	For the Year Ended December 31, 2013			For the Year Ended December 31, 2012			For the Year Ended December 31, 2011		
	Management	Incentive	Total	Management	Incentive	Total	Management	Incentive	Total
	(in thousands)								
Private Equity[1]:									
Revenues:									
Advisory and transaction fees from affiliates, net	$78,371	$—	$78,371	$121,744	$—	$121,744	$58,145	$—	$58,145
Management fees from affiliates	284,833	—	284,833	277,048	—	277,048	263,212	—	263,212
Carried interest income (loss) from affiliates:									—
Unrealized gains (losses)[2]	—	454,722	454,722	—	854,919	854,919	—	(1,019,748)	(1,019,748)
Realized gains	—	2,062,525	2,062,525	—	812,616	812,616	—	570,540	570,540
Total Revenues	363,204	2,517,247	2,880,451	398,792	1,667,535	2,066,327	321,357	(449,208)	(127,851)
Expenses:									
Compensation and Benefits:									
Equity compensation	31,967	—	31,967	31,213	—	31,213	31,778	—	31,778
Salary, bonus and benefits	109,761	—	109,761	104,068	—	104,068	121,711	—	121,711
Profit sharing expense	—	1,030,404	1,030,404	—	726,874	726,874	—	(96,833)	(96,833)
Total compensation and benefits	141,728	1,030,404	1,172,132	135,281	726,874	862,155	153,489	(96,833)	56,656

Other expenses	112,525	—	112,525	83,311	—	83,311	99,338	—	99,338
Total Expenses	254,253	1,030,404	1,284,657	218,592	726,874	945,466	252,827	(96,833)	155,994
Other Income:									
Income from equity method investments	—	78,811	78,811	—	74,038	74,038	—	7,960	7,960
Other income, net	13,006	1,695	14,701	4,653	—	4,653	7,081	—	7,081
Total Other Income	13,006	80,506	93,512	4,653	74,038	78,691	7,081	7,960	15,041
Economic Net Income (Loss)	$121,957	$1,567,349	$1,689,306	$184,853	$1,014,699	$1,199,552	$75,611	$(344,415)	$(268,804)

(1) Reclassified to conform to current presentation. See note 20 to our consolidated financial statements for more detail on the reclassifications within our three segments.

(2) Included in unrealized carried interest income (loss) from affiliates for the year ended December 31, 2012 was a $75.3 million reversal of the entire general partner obligation to return previously distributed carried interest income with respect to Fund VI. Included in unrealized carried interest income (loss) from affiliates for the year ended December 31, 2011 was a reversal of previously realized carried interest income due to the general partner obligation to return previously distributed carried interest income of $75.3 million for Fund VI. The general partner obligation is recognized based upon a hypothetical liquidation of the funds' 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.

	For the Year Ended December 31,				For the Year Ended December 31,			
	2013	2012	Amount Change	Percentage Change	2012	2011	Amount Change	Percentage Change
	(in thousands)				(in thousands)			
Private Equity[1]:								
Revenues:								
Advisory and transaction fees from affiliates, net	$78,371	$121,744	$(43,373)	(35.6)%	$121,744	$58,145	$63,599	109.4 %
Management fees from affiliates	284,833	277,048	7,785	2.8	277,048	263,212	13,836	5.3
Carried interest income (loss) from affiliates:								
Unrealized gains (losses)[2]	454,722	854,919	(400,197)	(46.8)	854,919	(1,019,748)	1,874,667	NM
Realized gains	2,062,525	812,616	1,249,909	153.8	812,616	570,540	242,076	42.4
Total carried interest income (loss) from affiliates	2,517,247	1,667,535	849,712	51.0	1,667,535	(449,208)	2,116,743	NM
Total Revenues	2,880,451	2,066,327	814,124	39.4	2,066,327	(127,851)	2,194,178	NM
Expenses:								
Compensation and benefits:								
Equity-based compensation	31,967	31,213	754	2.4	31,213	31,778	(565)	(1.8)
Salary, bonus and benefits	109,761	104,068	5,693	5.5	104,068	121,711	(17,643)	(14.5)
Profit sharing expense	1,030,404	726,874	303,530	41.8	726,874	(96,833)	823,707	NM
Total compensation and benefits expense	1,172,132	862,155	309,977	36.0	862,155	56,656	805,499	NM
Other expenses	112,525	83,311	29,214	35.1	83,311	99,338	(16,027)	(16.1)
Total Expenses	1,284,657	945,466	339,191	35.9	945,466	155,994	789,472	NM
Other Income:								
Income from equity method investments	78,811	74,038	4,773	6.4	74,038	7,960	66,078	NM
Other income, net	14,701	4,653	10,048	215.9	4,653	7,081	(2,428)	(34.3)
Total Other Income	93,512	78,691	14,821	18.8	78,691	15,041	63,650	423.2
Economic Net Income (Loss)	$1,689,306	$1,199,552	$489,754	40.8 %	$1,199,552	$(268,804)	$1,468,356	NM

(1) Reclassified to conform to current presentation. See note 20 to our consolidated financial statements for more detail on the reclassifications within our three segments.

(2) Included in unrealized carried interest income (loss) from affiliates for the year ended December 31, 2012 was a $75.3 million reversal of the entire general partner obligation to return previously distributed carried interest

income with respect to Fund VI. Included in unrealized carried interest income (loss) from affiliates for the year ended December 31, 2011 was a reversal of previously realized carried interest income due to the general partner obligation to return previously distributed carried interest income of $75.3 million for Fund VI. The general partner obligation is recognized based upon a hypothetical liquidation of the funds' 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.

Revenues

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Advisory and transaction fees from affiliates, net, decreased by $43.4 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. This change was primarily attributable to a decrease of $35.4 million in net transaction and termination fees driven by the portfolio company investments of Fund VI, AAA Investments and Fund VII. The net transaction and termination fees related to Fund VI and AAA Investments decreased by $17.9 million and $8.8 million, respectively, due to termination fees earned in 2012 from Realogy, Rexnord and Smart & Final, compared to zero termination fees earned during the year ended December 31, 2013. For the years ended December 31, 2013 and 2012, the net transaction and termination fees related to Fund VII were $42.2 million and $50.9 million, respectively, a decrease of $8.7 million. For 2012, the fees related to Fund VII were driven by net transaction fees earned from EP Energy LLC and Great Wolf Resorts of $42.4 million, whereas during 2013 the fees were driven by net transaction fees earned from McGraw-Hill Education of $14.8 million and net termination fees earned from Taminco and Constellium (formerly Alcan) of $20.6 million. Net advisory fees also decreased by $8.0 million mainly due to decreased monitoring fees earned from portfolio company investments of Fund VI and AAA Investments, which include Berry Plastics, CEVA Logistics, Momentive Performance Materials and Caesars Entertainment. Included in advisory and transaction fees from affiliates is $19.1 million and $0.5 million recognized as a reversal of the Management Fee Offset for Fund V and Fund IV, respectively, and $18.5 million of additional Management Fee Offsets related to director fees, net of director fee income.

Management fees from affiliates increased by $7.8 million for year ended December 31, 2013 as compared to the year ended December 31, 2012. This increase was primarily attributable to Fund VIII, which launched in August 2013 and generated $65.0 million in management fees during the year ended December 31, 2013. The increase was also attributed to the Contributed Partnerships, which began earning fees in Q4 2012 as a result of the AAA Transaction and generated $10.3 million of management fees during the year ended December 31, 2013. See notes 4 and 17 to our consolidated financial statements for a complete summary of the AAA Transaction and fee arrangements related to management fees earned from the Contributed Partnerships. This increase was partially offset by decreased management fees earned from Fund VII of $42.4 million as a result of a change in the management fee rate and basis from capital commitments to invested capital due to the end of its investment period. Management fees earned from Fund VI also decreased by $8.3 million due to lower invested capital during the year ended December 31, 2013 as compared to the year ended December 31, 2012.

Carried interest income from affiliates increased by $849.7 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. This change was primarily attributable to increases in carried interest income earned from Fund VI of $548.1 million, Fund VII of $242.4 million and AAA Co-Invest VI of $115.7 million, partially offset by a decrease of $34.8 million from Fund V. Included in carried interest income from affiliates was an increase of $1,249.9 million in realized gains mainly driven by increased dispositions of underlying portfolio investments held during the year by Fund VII, Fund VI, Fund V and AAA Co-Invest VI of $691.3 million, $466.3 million, $65.7 million and $37.9 million, respectively. The remaining change was attributable to a decrease in net unrealized carried interest income of $400.2 million mainly driven by Fund VII and Fund V of $449.0 million and $100.5 million, respectively, resulting from the reversal of unrealized carried interest income to realized carried interest income due to the realization of underlying portfolio investments held during the year. Partly offsetting the decrease in net unrealized carried interest income were increases by Fund VI and AAA Co-Invest VI of $81.7 million and $77.7 million, respectively, due to increases in the fair values of the underlying portfolio investments held during the year.

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Advisory and transaction fees from affiliates, net, increased by $63.6 million for the year ended December 31, 2012 as compared to the year ended December 31, 2011. This change was primarily attributable to an increase in advisory and transaction fees, net, rendered during the year, primarily relating to Fund VII of $46.1 million and Fund VI of $11.2 million, as well as $9.9 million relating to AGS and ANRP . Gross advisory and transaction fees, including directors' fees and termination fees, were $275.7 million and $155.7 million for the years ended December 31, 2012 and 2011, respectively, an increase of $120.0 million. The transaction and termination fees earned during the year ended December 31, 2012 primarily related to seven portfolio investment transactions, specifically EP Energy LLC, Realogy, Rexnord, Great Wolf Resorts, Taminco, Smart & Final and Athlon, which together generated $153.8 million and $78.4 million of the gross and net transaction fees, respectively, as compared to transaction and termination fees earned during the year ended December 31, 2011 primarily in connection with five portfolio investment transactions, specifically Athene Life Re Ltd., Constellium (formerly Alcan), Ascometal, Brit Insurance and CORE Media Group (formerly CKx), which together generated $35.5 million and $18.4 million of the gross and net transaction fees, respectively. The advisory fees earned during the year ended December 31, 2012 were principally generated by advisory arrangements with seven portfolio investments including debt investment vehicles invested in by Fund VI and Fund VII, EP Energy LLC, Caesars Entertainment, Berry Plastics, Momentive Performance Materials, CEVA Logistics and Realogy, which generated gross and net fees of $70.7 million and $29.8 million, respectively. The advisory fees earned during the year ended December 31, 2011 were primarily generated by advisory and monitoring arrangements with five portfolio investments including Berry Plastics, Caesars Entertainment, CEVA Logistics, debt investment vehicles invested in by Fund VI and Fund VII and Realogy, which generated gross and net fees of $69.3 million and $26.2 million, respectively. Advisory and transaction fees, including directors' fees and termination fees, are reported net of Management Fee Offsets totaling $154.0 million and $97.6 million for the years ended

December 31, 2012 and 2011, respectively, an increase of $56.4 million.

Management fees from affiliates increased by $13.8 million for the year ended December 31, 2012 as compared to the year ended December 31, 2011. This change was primarily attributable to increased management fees of $17.3 million earned from ANRP, which began paying fees during the third quarter of 2011 based on committed capital. The increase was also attributed to the Contributed Partnerships, which began earning fees in Q4 2012 as a result of the AAA Transaction and generated $1.4 million of management during the year ended December 31, 2012. See notes 4 and 17 to our consolidated financial statements for a complete summary of the AAA Transaction and fee arrangements related to management fees earned from the Contributed Partnerships. This increase was partially offset by a decrease in the management fees earned from AAA Investments of $4.0 million due to lower adjusted gross assets for the year ended December 31, 2012 as compared to the year ended December 31,

2011. Also offsetting this increase was a decrease in management fees of $0.9 million as a result of lower management fees earned from Fund V, Fund VI and other funds.

Carried interest income (loss) from affiliates increased by $2,116.7 million for the year ended December 31, 2012 as compared to the year ended December 31, 2011. This change was primarily attributable to increases in carried interest earned from Fund VI of $1,282.5 million, Fund VII of $783.3 million and Fund V of $69.4 million, partially offset by carried interest loss of $90.7 million from Fund IV. Included in carried interest income (loss) from affiliates for the year ended December 31, 2012, was an increase in net unrealized carried interest income (losses) of $1,874.7 million as a result of improvements in the fair values of the underlying portfolio investments held during the year, including an increase of $571.5 million from Fund VII, $60.9 million from Fund V and $62.0 million from AAA Investments and other funds. In addition, net unrealized carried interest income increased by $1,069.2 as a result of unrealized carried interest income recorded in connection with Fund VI. For the year ended December 31, 2011, Fund VI had significant unrealized carried interest losses which resulted in the recognition of a general partner obligation to return previously distributed carried interest income. For the year ended December 31, 2012, the unrealized carried interest losses were recouped and unrealized carried interest income was recognized which resulted in the reversal of the general partner obligation of $75.3 million. Also contributing to the increase was a $111.1 million decrease to Fund IV's net unrealized carried interest loss during the year ended December 31, 2012. The remaining increase in the carried interest income (loss) from affiliates relates to an increase in realized carried interest income of $242.1 million resulting from increased dispositions of portfolio investments held by Fund VII, Fund VI, Fund V and AAA Investments of $211.8 million, $213.4 million, $8.5 million and $10.2 million, respectively, offset by a decrease in realized carried interest income in Fund IV of $201.8 million.

Expenses

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Compensation and benefits expense increased by $310.0 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. This change was primarily a result of an increase of $303.5 million in profit sharing expense driven by an increase in carried interest income earned by certain of our private equity funds during the year. Also, salary, bonus and benefits and equity-based compensation increased by $5.7 million and $0.8 million, respectively, due to an increase in headcount during the year ended December 31, 2013 as compared to the year ended December 31, 2012. Included in profit sharing expense is $46.0 million and $50.3 million related to the Incentive Pool for the years ended December 31, 2013 and 2012, respectively.

Other expenses increased by $29.2 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. This change was primarily attributable to increased placement fees and organizational expenses incurred in connection with the capital raising activities for Fund VIII. Professional fees also increased due to higher external accounting, tax, audit, legal and consulting fees incurred during the year ended December 31, 2013 as compared to the year ended December 31, 2012.

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Compensation and benefits expense increased by $805.5 million for the year ended December 31, 2012 as compared to the year ended December 31, 2011. This change was primarily attributable to a $823.7 million increase in profit sharing expense mostly driven by the increase in carried interest income earned from our private equity funds during the year. Included in profit sharing expense is $50.3 million and $19.7 million of expenses related to the Incentive Pool for the years ended December 31, 2012 and December 31, 2011, respectively.

Other expenses decreased by $16.0 million for the year ended December 31, 2012 as compared to the year ended December 31, 2011. This change was primarily attributable to decreased interest expense of $6.5 million mainly due to a lower margin rate on the 2007 AMH Credit Agreement. Also contributing to this decrease were lower professional fees of $1.9 million attributable to lower external accounting, tax, audit, legal and consulting fees incurred and lower occupancy expenses of $2.8 million due to the allocation of occupancy cost based on segment size due to acquisitions in the credit segment during the year ended December 31, 2012 as compared to the same period during 2011. General, administrative and other expenses also decreased by $3.4 million mainly due to a decrease in travel and related expenses and other non-compensation related expenses.

- 104-

Other Income

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Income from equity method investments increased by $4.8 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. This change was driven by increases in the fair values of our private equity investments held, primarily from Apollo's ownership interest in Fund VII, Vantium A/B, C and D and AAA Investments which in total contributed to increased income from equity method investments of $5.6 million during the year. The increase in income from equity method investments was partially offset by a decrease of $1.2 million from the equity investment held in AION for the year ended December 31, 2013 as compared to the year ended December 31, 2012.

Other income, net increased by $10.0 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. This change was primarily attributable to gains resulting from fluctuations in exchange rates of foreign denominated assets and liabilities of subsidiaries and reduction of the tax receivable agreement liability due to a change in estimated tax rates. See note 17 to our consolidated financial statements for more information on the tax receivable agreement.

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Income from equity method investments increased by $66.1 million for the year ended December 31, 2012 as compared to the year ended December 31, 2011. This change was driven by increases in the fair values of our private equity investments held, primarily relating to Apollo’s ownership interest in Fund VII and AAA, which resulted in increased income from equity method investments of $51.7 million and $11.0 million, respectively, during the year ended December 31, 2012 as compared to the year ended December 31, 2011.

Other income net, decreased by $2.4 million for the year ended December 31, 2012 as compared to the year ended December 31, 2011. This change was primarily attributable to losses resulting from fluctuations in exchange rates of foreign denominated assets and liabilities of subsidiaries and other adjustments during the year ended December 31, 2012 as compared to the year ended December 31, 2011.

Credit

The following tables set forth segment statement of operations information and ENI for our credit segment for the years ended December 31, 2013, 2012, and 2011, respectively. ENI represents segment income (loss), excluding the impact of non-cash charges related to RSUs granted in connection with the 2007 private placement and equity-based compensation expense comprising amortization of AOG Units, income taxes, amortization of intangibles associated with the 2007 Reorganization and acquisitions and Non-Controlling Interests with the exception of allocations of income to certain individuals. In addition, segment data excludes the assets, liabilities and operating results of the Apollo funds and consolidated VIEs that are included in the consolidated financial statements. ENI is not a U.S. GAAP measure.

	For the Year Ended December 31, 2013			For the Year Ended December 31, 2012			For the Year Ended December 31, 2011		
	Management	Incentive	Total	Management	Incentive	Total	Management	Incentive	Total
	(in thousands)								
Credit[1]:									
Revenues:									
Advisory and transaction fees from affiliates, net	$114,643	$—	$114,643	$27,551	$—	$27,551	$23,467	$—	$23,467
Management fees from affiliates	392,433	—	392,433	299,667	—	299,667	186,700	—	186,700
Carried interest income from affiliates:						—			—
Unrealized (losses) gains [2]	—	(56,568)	(56,568)	—	301,077	301,077	—	(66,852)	(66,852)
Realized gains	36,922	393,338	430,260	37,842	179,933	217,775	44,540	74,113	118,653
Total Revenues	543,998	336,770	880,768	365,060	481,010	846,070	254,707	7,261	261,968
Expenses:									
Compensation and Benefits:									
Equity-based compensation	24,167	—	24,167	26,988	—	26,988	23,283	—	23,283
Salary, bonus and benefits	153,056	—	153,056	139,895	—	139,895	94,980	—	94,980
Profit sharing expense	—	142,728	142,728	—	138,444	138,444	—	36,762	36,762
Total compensation and benefits	177,223	142,728	319,951	166,883	138,444	305,327	118,263	36,762	155,025
Other expenses	162,064	—	162,064	149,051	—	149,051	94,995	—	94,995
Total Expenses	339,287	142,728	482,015	315,934	138,444	454,378	213,258	36,762	250,020
Other Income (Loss):									
Net (losses) from investment activities	—	(12,593)	(12,593)	—	(1,142)	(1,142)	—	(5,881)	(5,881)

Income from equity method investments	—	30,678	30,678	—	46,100	46,100	—	2,143	2,143
Other income (loss), net	28,540	8,508	37,048	15,008	—	15,008	(1,978)	—	(1,978)
Total Other Income (Loss)	28,540	26,593	55,133	15,008	44,958	59,966	(1,978)	(3,738)	(5,716)
Non-Controlling Interests	(13,985)	—	(13,985)	(8,730)	—	(8,730)	(12,146)	—	(12,146)
Economic Net Income (Loss)	$219,266	$220,635	$439,901	$55,404	$387,524	$442,928	$27,325	$(33,239)	$(5,914)

(1) Reclassified to conform to current presentation. See note 20 to our consolidated financial statements for more detail on the reclassifications within our three segments.

(2) Included in unrealized carried interest income (loss) from affiliates for the year ended December 31, 2013 was a reversal of $19.3 million and $0.3 million of the entire general partner obligation to return previously distributed carried interest income to SOMA and APC, respectively. Included in unrealized carried interest income (loss) from affiliates for the year ended December 31, 2012 was a reversal of previously realized carried interest income due to the general partner obligation to return previously distributed carried interest income for SOMA and APC of $1.2 million and $0.3 million, respectively. Included in unrealized carried interest income (loss) from affiliates for the year ended December 31, 2011 was a reversal of previously realized carried interest income due to the general partner obligation to return previously distributed carried interest income for SOMA of $18.1 million. The general partner obligation is recognized based upon a hypothetical liquidation of the funds' 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.

	For the Year Ended December 31,				For the Year Ended December 31,			
	2013	2012	Amount Change	Percentage Change	2012	2011	Amount Change	Percentage Change
	(in thousands)				(in thousands)			
Credit[1]:								
Revenues:								
Advisory and transaction fees from affiliates, net	$114,643	$27,551	$87,092	316.1 %	$27,551	$23,467	$4,084	17.4 %
Management fees from affiliates	392,433	299,667	92,766	31.0	299,667	186,700	112,967	60.5
Carried interest income from affiliates:								
Unrealized (losses) gain[2]	(56,568)	301,077	(357,645)	NM	301,077	(66,852)	367,929	NM
Realized gains	430,260	217,775	212,485	97.6	217,775	118,653	99,122	83.5
Total carried interest income from affiliates	373,692	518,852	(145,160)	(28.0)	518,852	51,801	467,051	NM
Total Revenues	880,768	846,070	34,698	4.1	846,070	261,968	584,102	223.0
Expenses:								
Compensation and benefits								
Equity-based compensation	24,167	26,988	(2,821)	(10.5)	26,988	23,283	3,705	15.9
Salary, bonus and benefits	153,056	139,895	13,161	9.4	139,895	94,980	44,915	47.3
Profit sharing expense	142,728	138,444	4,284	3.1	138,444	36,762	101,682	276.6
Total compensation and benefits	319,951	305,327	14,624	4.8	305,327	155,025	150,302	97.0
Other expenses	162,064	149,051	13,013	8.7	149,051	94,995	54,056	56.9
Total Expenses	482,015	454,378	27,637	6.1	454,378	250,020	204,358	81.7
Other Income:								
Net losses from investment activities	(12,593)	(1,142)	(11,451)	NM	(1,142)	(5,881)	4,739	(80.6)
Income from equity method investments	30,678	46,100	(15,422)	(33.5)	46,100	2,143	43,957	NM
Other income, net	37,048	15,008	22,040	146.9	15,008	(1,978)	16,986	NM
Total Other Income	55,133	59,966	(4,833)	(8.1)	59,966	(5,716)	65,682	NM
Non-Controlling Interests	(13,985)	(8,730)	(5,255)	60.2	(8,730)	(12,146)	3,416	(28.1)
Economic Net Income (Loss)	$439,901	$442,928	$(3,027)	(0.7)%	$442,928	$(5,914)	$448,842	NM

(1) Reclassified to conform to current presentation. See note 20 to our consolidated financial statements for more detail on the reclassifications within our three segments.

(2) Included in unrealized carried interest income (loss) from affiliates for the year ended December 31, 2013 was a reversal of $19.3 million and $0.3 million of the entire general partner obligation to return previously distributed carried interest income to SOMA and APC, respectively. Included in unrealized carried interest income (loss) from affiliates for the year ended December 31, 2012 was a reversal of previously realized carried interest income due to the general partner obligation to return previously distributed carried interest income for SOMA and APC of $1.2 million and $0.3 million, respectively. Included in unrealized carried interest income (loss) from affiliates for the year ended December 31, 2011 was a reversal of previously realized carried interest income due to the general partner obligation to return previously distributed carried interest income for SOMA of $18.1 million. The general partner obligation is recognized based upon a hypothetical liquidation of the funds' 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.

Revenues

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Advisory and transaction fees from affiliates, net, increased by $87.1 million, during the year ended December 31, 2013 as compared to the year ended December 31, 2012. Net advisory fees earned were $108.5 million and $21.5 million during the years ended December 31, 2013 and 2012, respectively, which was mainly driven by an increase in monitoring fees based on Athene capital and surplus fees of $91.1 million. Net transaction fees earned were $6.1 million and $6.0 million during the years ended December 31, 2013 and 2012, respectively. Advisory and transaction fees, including directors’ fees, are reported net of Management Fee Offsets which totaled $28.0 million and $26.6 million for the years ended December 31, 2013 and 2012, respectively, a decrease of $1.4 million or 5.2%.

Management fees from affiliates increased by $92.8 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. This change was primarily attributable to increases in management fees earned from Athene, EPF II, CLOs, and ACF of $72.5 million, $14.0 million, $10.4 million, and $8.7 million, respectively during the year ended December 31, 2013 compared to the same period in 2012. The increase in management fees was partially offset by a $7.8 million decrease in fees generated from COF II and a $7.7 million decrease in fees generated from SVF, compared to the same period in 2012. The remaining change was attributable to other credit funds, collectively, which contributed to an increase of $2.7 million in management fees during the year ended December 31, 2013 compared to the same period in 2012.

Carried interest income from affiliates decreased by $145.2 million during the year ended December 31, 2013 as compared to the year ended December 31, 2012. This change was primarily attributable to lower carried interest income related to COF I of $100.1 million, COF II of $48.3 million, CLOs of $44.5 million, offset by higher carried interest income related to SOMA of $40.0 million and EPF I of $34.5 million for the year ended December 31, 2013 compared to 2012. Included in carried interest income from affiliates was realized carried interest income which increased by $212.5 million, primarily resulting from increased dividends, interest income, and dispositions of portfolio investments held by COF I of $79.0 million, EPF I of $33.0 million, CLOs of $29.4 million, SOMA of $17.4 million, and CLF of $17.1 million as compared to 2012. The remaining change was attributable to other credit funds, which in aggregate contributed to an increase of $36.6 million in realized carried interest income. The increase in realized carried interest income was offset by a $357.6 million decrease in net unrealized carried interest loss. This offset primarily resulted from reversals of unrealized carried interest income to realized carried interest income due to the realization of underlying portfolio investments held during the period by COF I, CLOs, CLF, and COF II.

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Advisory and transaction fees from affiliates, net, increased by $4.1 million for the year ended December 31, 2012 as compared to the year ended December 31, 2011. Gross advisory and transaction fees, including directors’ fees, were $54.1 million and $49.9 million for the years ended December 31, 2012 and 2011, respectively, an increase of $4.2 million or 8.4%. The transaction fees earned during 2012 primarily related to portfolio investments of EPF I and EPF II which together generated gross and net fees of $9.1 million and $2.4 million, respectively, whereas the transaction fees earned during 2011 primarily related to two portfolio investment transactions of FCI and EPF I which together generated gross and net fees of $9.6 million and $5.7 million, respectively. Net advisory fees earned were $21.5 million and $17.5 million during the year ended December 31, 2012 and 2011, respectively, which was mainly driven by an increase in monitoring fees based on Athene's capital and surplus of $8.0 million. Advisory and transaction fees, including directors’ fees, are reported net of Management Fee Offsets totaling $26.6 million and $26.5 million for the years ended December 31, 2012 and 2011, respectively, an increase of $0.1 million or 0.4%.

Management fees from affiliates increased by $113.0 million for the year ended December 31, 2012 as compared to the year ended December 31, 2011. This change was primarily attributable to EPF II which began earning management fees during the second quarter of 2012 totaling $43.1 million. In addition, management fees increased due to the acquisitions of Gulf Stream and Stone Tower in October 2011 and April 2012, respectively, resulting in an increase in fees generated from CLOs of $29.3 million and Apollo Credit Fund of $11.6 million during the period. Also, assets managed by Athene Asset Management, AMTG and AEC, together generated increased fees of $31.5 million during the year ended December 31, 2012 as compared to the same period in 2011. These increases were partially offset by decreased management fees earned from EPF I of $13.3 million during the period due to a change in management fee basis from committed to invested capital as a result of the launch of EPF II in April 2012. In addition, management fees earned from AINV decreased by $6.4 million as a result of a decrease in gross adjusted assets managed by the Company during the period as compared to the same period in 2011. The remaining change was attributable to an overall increase in assets managed by the other credit funds which collectively contributed to an increase of $17.2 million in management fees during the year ended December 31, 2012 as compared to the same period in 2011.

Carried interest income from affiliates increased by $467.1 million for the year ended December 31, 2012 as compared to the year ended December 31, 2011. This change was primarily attributable to higher carried interest income related to COF I of $134.9 million, CLF of $77.4 million, CLOs of $72.2 million, and COF II of $69.1 million for the year ended December 31, 2012 compared to 2011. Included in carried interest income from affiliates was realized carried interest income which increased by $99.1 million, primarily resulting from increased dividends, interest income, and dispositions of portfolio investments held by COF I of $60.5 million, ACF of $16.7 million, and CLF of $11.5 million as compared to 2011. The remaining change was attributable to other credit funds, which in aggregate contributed to an increase of $10.4 million in realized carried interest income. The remaining increase relates to an increase in net unrealized carried interest income of $368.0 million driven by increases in the fair values of the underlying portfolio investments held during the year primarily by COF I of $74.4 million, CLOs of $71.8 million, COF II of $65.9 million, ACLF of $65.9 million, and AIE II of $27.0 million for the year ended December 31, 2012 as compared to 2011.

Expenses

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Compensation and benefits expense increased by $14.6 million for the year ended December 31, 2013, as compared to the year ended December 31, 2012. The change was primarily due to an increase in salary, bonus, and benefits of $13.2 million during the period, due to increased headcount, and an increase in profit-sharing expense of $4.3 million during the year ended December 31, 2013 as compared to the same period in 2012. Included in the profit sharing expense is the Incentive Pool, with expenses of $16.3 million and $11.8 million for the years ended December 31, 2013 and 2012, respectively.

Other expenses increased by $13.0 million during the year ended December 31, 2013, as compared to the year ended December 31, 2012. The change was driven by a $7.1 million increase in placement fees mainly due to AIF, and a $5.0 million increase in professional fees attributable to higher legal and IT consulting fees during the year ended December 31, 2013 as compared to the same period in 2012.

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Compensation and benefits expense increased by $150.3 million for the year ended December 31, 2012 as compared to the year ended December 31, 2011. This change was primarily a result of an increase in profit sharing expense of $101.7 million due to the favorable performance of certain of our credit funds. In addition, salary, bonus and benefits expense increased by $44.9 million and equity based compensation increased by $3.7 million due to an increase in headcount during the period, including new hires related to the Stone Tower acquisition in April 2012. Included in the profit sharing expense is the Incentive Pool, with expenses of $11.8 million and $15.5 million for the years ended December 31, 2012 and 2011, respectively.

Other expenses increased by $54.1 million for the year ended December 31, 2012 as compared to the year ended December 31, 2011. This change was primarily a result of increased general, administrative and other expenses of $18.5 million due to higher travel, information technology, recruiting and other expenses incurred during the year ended December 31, 2012 as compared to the same period in 2011. Placement fees also increased by $19.0 million due to increased fund-raising activities during the year ended December 31, 2012 as compared to the same period in 2011, primarily relating to EPF II and costs associated with the acquisition of Stone Tower for which the Company incurred fees of $12.9 million and $4.9 million, respectively.

Other Income

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Net losses from investment activities increased by $11.5 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. This change was related to an increase in unrealized loss resulting from the change in the fair value of the investment in HFA as of December 31, 2013 as compared to the same period in 2012.

Income from equity method investments decreased by $15.4 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. This change was driven by decreases in the fair values of investments held by certain of our credit funds, primarily COF I and COF II, which resulted in decreases in income from equity method investments of $13.3 million, and $4.0 million, respectively, during the year ended December 31, 2013 as compared to the same period in 2012.

Other income increased by $22.0 million during the year ended December 31, 2013, as compared to December 31, 2012, primarily due to a reduction of the tax receivable agreement liability due to a change in estimated tax rates and a $8.5 million unrealized gain on Athene-related derivative contracts (see note 17 to our consolidated financial statements).

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Net losses from investment activities decreased by $4.7 million for the year ended December 31, 2012 as compared to the year ended December 31, 2011. This change was primarily attributable to an unrealized loss related to the change in the fair value of the investment in HFA, which resulted in a decrease in losses from investment activities of $4.7 million during the period.

Income from equity method investments increased by $44.0 million for the year ended December 31, 2012 as compared to the year ended December 31, 2011. This change was driven by increases in the fair values of investments held by certain of our credit funds, primarily COF I, COF II, and ACLF, which resulted in an increase in income from equity method investments of $17.3 million, $5.7 million and $4.5 million, respectively, during the year ended December 31, 2012 as compared to the same period during 2011.

Other income (loss), net increased by $17.0 million for the year ended December 31, 2012 as compared to the year ended December 31, 2011. During the year ended December 31, 2011, approximately $8.0 million of offering costs were incurred related to the launch of AMTG. The remaining change was primarily attributable to higher interest income and rental income.

Real Estate

The following tables set forth our segment statement of operations information and our supplemental performance measure, ENI, for our real estate segment for the years ended December 31, 2013, 2012, and 2011. ENI represents segment income (loss), excluding the impact of non-cash charges related to RSUs granted in connection with the 2007 private placement, equity-based compensation expense comprising amortization of AOG Units, income taxes and Non-Controlling Interests. In addition, segment data excludes the assets, liabilities and operating results of the Apollo funds and consolidated VIEs that are included in the consolidated financial statements. ENI is not a U.S. GAAP measure.

	For the Year Ended December 31, 2013			For the Year Ended December 31, 2012			For the Year Ended December 31, 2011		
	Management	Incentive	Total	Management	Incentive	Total	Management	Incentive	Total
	(in thousands)								
Real Estate:[1]									
Revenues:									
Advisory and transaction fees from affiliates, net	$3,548	$—	$3,548	$749	$—	$749	$698	$—	$698
Management fees from affiliates	53,436	—	53,436	46,326		46,326	40,279		40,279
Carried interest income from affiliates:									
Unrealized gains	—	4,681	4,681	—	10,401	10,401	—	—	—
Realized gains	—	541	541	—	4,673	4,673	—	—	—
Total Revenues	56,984	5,222	62,206	47,075	15,074	62,149	40,977	—	40,977
Expenses:									
Compensation and Benefits:									
Equity-based compensation	10,207	—	10,207	10,741	—	10,741	13,111	—	13,111
Salary, bonus and benefits	31,936	—	31,936	30,611	—	30,611	34,405	—	34,405
Profit sharing expense	—	123	123	—	6,815	6,815	—	—	—
	42,143	123	42,266	41,352	6,815	48,167	47,516	—	47,516

Total compensation and benefits									
Other expenses	27,620	—	27,620	24,270	—	24,270	29,663	—	29,663
Total Expenses	69,763	123	69,886	65,622	6,815	72,437	77,179	—	77,179
Other Income:									
Income from equity method investments	—	3,722	3,722	—	982	982	—	726	726
Other income, net	2,402	—	2,402	1,271		1,271	9,694	—	9,694
Total Other Income	2,402	3,722	6,124	1,271	982	2,253	9,694	726	10,420
Economic Net (Loss) Income	$(10,377)	$ 8,821	$(1,556)	$(17,276)	$ 9,241	$(8,035)	$(26,508)	$ 726	$(25,782)

(1) Reclassified to conform to current presentation. See note 20 to our consolidated financial statements for more detail on the reclassifications within our three segments.

	For the Year Ended December 31,				For the Year Ended December 31,			
	2013	2012	Amount Change	Percentage Change	2012	2011	Amount Change	Percentage Change
	(in thousands)				(in thousands)			
Real Estate:[1]								
Revenues:								
Advisory and transaction fees from affiliates, net	$3,548	$749	$2,799	373.7%	$749	$698	$51	7.3 %
Management fees from affiliates	53,436	46,326	7,110	15.3	46,326	40,279	6,047	15.0
Carried interest income from affiliates:					—			
Unrealized gains	4,681	10,401	(5,720)	(55.0)	10,401	—	10,401	NM
Realized gains	541	4,673	(4,132)	(88.4)	4,673	—	4,673	NM
Total carried interest income from affiliates	5,222	15,074	(9,852)	(65.4)	15,074	—	15,074	NM
Total Revenues	62,206	62,149	57	0.1	62,149	40,977	21,172	51.7
Expenses:								
Compensation and Benefits:								
Equity-based compensation	10,207	10,741	(534)	(5.0)	10,741	13,111	(2,370)	(18.1)
Salary, bonus and benefits	31,936	30,611	1,325	4.3	30,611	34,405	(3,794)	(11.0)
Profit sharing expense	123	6,815	(6,692)	(98.2)	6,815	—	6,815	NM
Total compensation and benefits	42,266	48,167	(5,901)	(12.3)	48,167	47,516	651	1.4
Other expenses	27,620	24,270	3,350	13.8	24,270	29,663	(5,393)	(18.2)
Total Expenses	69,886	72,437	(2,551)	(3.5)	72,437	77,179	(4,742)	(6.1)
Other Income:								
Income from equity method investments	3,722	982	2,740	279.0	982	726	256	35.3
Other income, net	2,402	1,271	1,131	89.0	1,271	9,694	(8,423)	(86.9)
Total Other Income	6,124	2,253	3,871	171.8	2,253	10,420	(8,167)	(78.4)
Economic Net (Loss)	$(1,556)	$(8,035)	$6,479	(80.6)%	$(8,035)	$(25,782)	$17,747	(68.8)%

(1) Reclassified to conform to current presentation. See note 20 to our consolidated financial statements for more detail on the reclassifications within our three segments.

Revenues

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Advisory and transaction fees from affiliates, net, increased by $2.8 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. This change was attributable to additional capital raised and invested and the realization of underlying investments for which transaction fees and termination fees, respectively, were earned during the year.

Management fees increased by $7.1 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. Of this increase, $2.4 million was due to management fees earned from certain sub-advisory agreements and $1.2 million due to fees earned from 2012 CMBS-I Fund, L.P. and 2012 CMBS-II Fund, L.P., which began generating fees in the third quarter of 2012. Additionally, during 2013, ARI invested additional capital and AGRE Debt Fund I, L.P. raised additional fee generating capital which resulted in higher management fees earned during the year of $5.6 million. The increase in management fees was partially offset by a decrease in management fees earned from the CPI Funds of $2.4 million as a result of the realization of underlying investments during the year ended December 31, 2013. Further offsetting the increase was a decrease of $0.5 million in management fees from AGRE U.S. Real Estate Fund, L.P. which generated higher management fees in 2012 due to new commitments to the fund for which the management fees were calculated retrospectively back to the initial closing date of the fund.

Carried interest income from affiliates decreased by $9.9 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. This change was primarily attributable to a $5.7 million decrease in net unrealized carried interest income driven by a decrease in the fair values of the underlying portfolio investments for certain of the CPI Funds, partially offset by increases in the fair values of the underlying investments of AGRE U.S. Real Estate Fund, L.P. Also driving the change was a decrease in realized carried interest of $4.1 million from the CPI Funds during the year ended December 31, 2013 as compared to the year ended December 31, 2012.

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011
Management fees increased by $6.0 million for the year ended December 31, 2012 as compared to the year ended December 31, 2011. This change was primarily attributable to increased management fees earned of $4.1 million as a result of additional capital raised for certain sub-advisory agreements and the launching of 2012 CMBS-I Fund, L.P. and 2012 CMBS-II Fund L.P. during the year ended December 31, 2012. In addition, increased management fees were earned from AGRE U.S. Real Estate Fund, L.P. of $2.5 million due to additional capital commitments raised during the year. Also contributing to the increase was a $0.9 million increase in management fees as a result of additional capital raised for ARI during the year and a $1.1 million increase to management fees from other funds. These increases were offset by decreased management fees earned from the CPI Funds of $3.6 million as a result of the realization of underlying investments.
Carried interest income from affiliates increased by $15.1 million for the year ended December 31, 2012 as compared to the year ended December 31, 2011. This change was primarily attributable to an increase in net unrealized gains of $10.4 million, driven by an increase in the fair values of the underlying portfolio investments held during the year. The remaining change in the carried interest income from affiliates relates to an increase in realized gains of $4.7 million resulting from increased dispositions of portfolio investments during the year.
Expenses
Year Ended December 31, 2013 Compared to Year Ended December 31, 2012
Compensation and benefits decreased by $5.9 million during the year ended December 31, 2013 as compared to the year ended December 31, 2012. This change was primarily attributable to a decrease in profit sharing expense of $6.7 million driven by the decreased carried interest income earned from our real estate funds during the year ended December 31, 2013 as compared to the year ended December 31, 2012. This decrease was partially offset by an increase of $1.3 million in salary, bonus and benefits mainly driven by an increase in headcount during the year ended December 31, 2013 as compared to the year ended December 31, 2012.

Other expenses increased by $3.4 million during the year ended December 31, 2013 as compared to the year ended December 31, 2012. This change was primarily attributable to increased professional fees of $3.4 million due to higher external accounting, tax, audit, legal and consulting fees incurred during the year ended December 31, 2013 as compared to the year ended December 31, 2012. Also, general and administrative expenses increased by $1.8 million due to higher fund-related organizational expenses incurred during the year ended December 31, 2013 as compared to the year ended December 31, 2012. This increase was partially offset by a decrease in interest expense of $1.5 million due to the expiring of interest rate swaps and due to a lower margin rate on the 2007 AMH Credit Agreement during the year ended December 31, 2013 as compared to the year ended December 31, 2012.
Year Ended December 31, 2012 Compared to Year Ended December 31, 2011
Compensation and benefits increased in total by $0.7 million during the year ended December 31, 2012 as compared to the year ended December 31, 2011. The increase was primarily attributable to an increase of $6.8 million in profit sharing expense driven by the increase carried interest income earned from our real estate funds. Offsetting this increase were decreases of $3.8 million and $2.4 million in salary, bonus and benefits and equity-based compensation, respectively, due to a decrease in headcount.
Other expenses decreased by $5.4 million during the year ended December 31, 2012 as compared to the year ended December 31, 2011. This change was primarily attributable to decreased occupancy expense of $2.7 million due to headcount reductions and changes to the allocation of occupancy cost based on segment size due to acquisitions in the credit segment. Also contributing to the decrease was decreased general, administrative and other expenses of $2.5 million mainly due to a decrease in travel and related expenses during the year ended December 31, 2012 as compared to the year ended December 31, 2011.

Other Income
Year Ended December 31, 2013 Compared to Year Ended December 31, 2012
Income from equity method investments increased by $2.7 million during ended December 31, 2012 as compared to the year ended December 31, 2012. This change was primarily driven by an increase of $2.2 million in income from equity method investments in AGRE U.S. Real Estate Fund, L.P.
Other income, net increased by $1.1 million during ended December 31, 2013 as compared to the year ended December 31, 2012. This change was primarily attributable to gains resulting from fluctuations in exchange rates of foreign denominated assets and liabilities of subsidiaries and reduction of the tax receivable agreement liability due to a change in estimated tax rates. See note 17 in the consolidated financial statements for additional information on the tax receivable agreement.
Year Ended December 31, 2012 Compared to Year Ended December 31, 2011
Income from equity method investments increased by $0.3 million for the year ended December 31, 2012 as compared to the year ended December 31, 2011. This change was driven by increases in the fair values of our real estate investments held, primarily relating to Apollo's ownership interest in ARI, which resulted in increased income from equity method investments of $0.5 million during the year ended December 31, 2012 as compared to the year ended December 31, 2011. This increase was offset by decreased income from equity method investments of $0.2 million from Apollo's ownership interest in the CPI Funds and AGRE U.S. Real Estate Fund, L.P.
Other income, net decreased by $8.4 million for the year ended December 31, 2012 as compared to the year ended December 31, 2011. This change was primarily attributable to a decrease in reimbursed offering costs for the year ended December 31, 2012 as compared to the year ended December 31, 2011. During the year ended December 31, 2011, approximately $8.0 million of reimbursed offering costs was recognized as a result of a one time transaction related to the 2009 launch of ARI. The remaining change was mostly due to losses resulting from fluctuations in exchange rates of foreign denominated assets and liabilities of subsidiaries during the year ended December 31, 2012 as compared to the year ended December 31, 2011.

Table of Contents

Summary Combined Segment Results for Management Business and Incentive Business

The following tables combine our reportable segments' statements of operations information and supplemental performance measure, ENI, for our management and incentive businesses for the years ended December 31, 2013, 2012 and 2011, respectively. ENI represents segment income (loss), excluding the impact of non-cash charges related to RSUs granted in connection with the 2007 private placement and equity-based compensation expense comprising amortization of AOG Units, income taxes, amortization of intangibles associated with the 2007 Reorganization and acquisitions and Non-Controlling Interests with the exception of allocations of income to certain individuals. In addition, segment data excludes the assets, liabilities and operating results of the Apollo funds and consolidated VIEs that are included in the consolidated financial statements. ENI is not a U.S. GAAP measure.

In addition to providing the financial results of our three reportable business segments, we evaluate our reportable segments based on what we refer to as our management and incentive businesses. Our management business is generally characterized by the predictability of its financial metrics, including revenues and expenses. This business includes management fee revenues, advisory and transaction fee revenues, carried interest income from one of our opportunistic credit funds and expenses, each of which we believe are more stable in nature.

	Year Ended December 31,		
	2013	2012	2011
	(in thousands)		
Management Business			
Revenues:			
Advisory and transaction fees from affiliates, net	$196,562	$150,044	$82,310
Management fees from affiliates	730,702	623,041	490,191
Carried interest income from affiliates	36,922	37,842	44,540
Total Revenues	964,186	810,927	617,041
Expenses:			
Equity-based compensation	66,341	68,942	68,172
Salary, bonus and benefits	294,753	274,574	251,095
Interest expense	29,260	37,116	40,850
Professional fees(1)	82,448	63,250	58,315
General, administrative and other(2)	97,085	86,550	73,972
Placement fees	42,424	22,271	3,911
Occupancy	39,946	37,218	35,816
Depreciation and amortization	11,046	10,227	11,132
Total Expenses	663,303	600,148	543,263
Other Income:			
Interest income	10,763	8,149	4,731
Other income, net	33,185	12,783	10,066
Total Other Income	43,948	20,932	14,797
Non-Controlling Interests	(13,985)	(8,730)	(12,146)
Economic Net Income	$330,846	$222,981	$76,429

(1) Excludes professional fees related to the consolidated funds.
(2) Excludes general and administrative expenses and interest income related to the consolidated funds.

Table of Contents

The financial performance of our incentive business, which is dependent upon quarterly mark-to-market unrealized valuations in accordance with U.S. GAAP guidance applicable to fair value measurements, includes carried interest income, income from equity method investments and profit sharing expenses that are associated with our general partner interests in the Apollo funds, which are generally less predictable and more volatile in nature.

	Year Ended December 31,		
	2013	2012	2011
	(in thousands)		
Incentive Business			
Revenues:			
Carried interest income from affiliates:			
Unrealized gains (losses)[1]	$402,835	$1,166,397	$(1,086,600)
Realized gains	2,456,404	997,222	644,653
Total Revenues	2,859,239	2,163,619	(441,947)
Expenses:			
Profit sharing expense:			
Unrealized profit sharing expense[2]	195,298	426,098	(370,485)
Realized profit sharing expense	977,957	446,035	310,415
Total Profit Sharing Expense	1,173,255	872,133	(60,070)
Other Income:			
Other income, net	10,203	—	—
Net losses from investment activities[3]	(12,593)	(1,142)	(5,881)
Income from equity method investments	113,211	121,120	10,829
Total Other Income	110,821	119,978	4,948
Economic Net Income (Loss)	$1,796,805	$1,411,464	$(376,929)

(1) Included in unrealized carried interest (loss) income from affiliates for the year ended December 31, 2013 was a reversal of $19.3 million and $0.3 million of the entire general partner obligation to return previously distributed carried interest income with respect to SOMA and APC, respectively. Included in unrealized carried interest (loss) income from affiliates for the year ended December 31, 2012 was a reversal of $75.3 million of the entire general partner obligation to return previously distributed carried interest income with respect to Fund VI and reversal of previously realized carried interest income due to the general partner obligation to return previously distributed carried interest income of $1.2 million and $0.3 million with respect to SOMA and APC, respectively. Included in unrealized carried interest (loss) income from affiliates for the year ended December 31, 2011 was a reversal of previously realized carried interest income due to the general partner obligation to return previously distributed carried interest income of $75.3 million and $18.1 million with respect to Fund VI and SOMA, respectively. The general partner obligation is recognized based upon a hypothetical liquidation of the funds' 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.

(2) Included in unrealized profit sharing expense for the year ended December 31, 2012 was a reversal of the entire receivable from Contributing Partners and certain employees of $22.1 million due to the reversal of the general partner obligation to return previously distributed carried interest income with respect to Fund VI. Included in unrealized profit sharing expense for the year ended December 31, 2011 was a reversal of previously realized profit sharing expense for the amounts receivable from Contributing Partners and certain employees due to the general partner obligation to return previously distributed carried interest income of $22.1 million with respect to Fund VI.

(3) Excludes investment income and net gains from investment activities related to consolidated funds and the consolidated VIEs.

Table of Contents

Summary

Below is the summary of our total reportable segments, including management and incentive businesses, and a reconciliation of ENI to Net Income Attributable to Apollo Global Management, LLC reported in our consolidated statements of operations:

	Year Ended December 31, 2013	2012	2011
	(in thousands)		
Revenues	$3,823,425	$2,974,546	$175,094
Expenses	1,836,558	1,472,281	483,193
Other income	154,769	140,910	19,745
Non-Controlling Interests	(13,985)	(8,730)	(12,146)
Economic Net Income	2,127,651	1,634,445	(300,500)
Non-cash charges related to equity-based compensation	(59,847)	(529,712)	(1,081,581)
Income tax provision	(107,569)	(65,410)	(11,929)
Net income attributable to Non-Controlling Interests in Apollo Operating Group	(1,257,650)	(685,357)	940,312
Amortization of intangible assets	(43,194)	(43,009)	(15,128)
Net Income (Loss) Attributable to Apollo Global Management, LLC	$659,391	$310,957	$(468,826)

Liquidity and Capital Resources

Historical

Although we have managed our historical liquidity needs by looking at deconsolidated cash flows, our historical consolidated statements of cash flows reflects the cash flows of Apollo, as well as those of the consolidated Apollo funds.

The primary cash flow activities of Apollo are:

- Generating cash flow from operations;
- Making investments in Apollo funds;
- Meeting financing needs through credit agreements; and
- Distributing cash flow to equity holders and Non-Controlling Interests.

Primary cash flow activities of the consolidated Apollo funds are:

- Raising capital from their investors, which have been reflected historically as Non-Controlling Interests of the consolidated subsidiaries in our financial statements;
- Using capital to make investments;
- Generating cash flow from operations through distributions, interest and the realization of investments; and
- Distributing cash flow to investors.

Table of Contents

While primarily met by cash flows generated through fee income and carried interest income received, working capital needs have also been met (to a limited extent) through borrowings as follows:

	As of December 31, 2013		As of December 31, 2012	
	Outstanding Balance	Annualized Weighted Average Interest Rate	Outstanding Balance	Annualized Weighted Average Interest Rate
2007 AMH Credit Agreement	N/A	N/A	$728,273	4.95 %[1]
2013 AMH Credit Facilities - Term Facility	750,000	1.37 %	N/A	N/A
CIT secured loan agreements	N/A	N/A	9,545	3.47
Total Debt	$750,000	1.37 %	$737,818	4.93 %

(1) Includes the effect of interest rate swaps.

Additionally the 2013 AMH Credit Facilities provide for a $500 million revolving credit facility, which was undrawn as of December 31, 2013. See note 14 of our consolidated financial statements for information regarding the Company's debt arrangements.

We determine whether to make capital commitments to our funds in excess of our minimum required amounts based on a variety of factors, including estimates regarding our liquidity resources over the estimated time period during which commitments will have to be funded, estimates regarding the amounts of capital that may be appropriate for other funds that we are in the process of raising or are considering raising, and our general working capital requirements.

Cash Flows

Significant amounts from our consolidated statements of cash flows for the years ended December 31, 2013, 2012 and 2011 are summarized and discussed within the table and corresponding commentary below:

	Year Ended December 31,		
	2013	2012	2011
	(in thousands)		
Operating Activities	$1,025,382	$265,551	$743,821
Investing Activities	111,727	(84,791)	(129,536)
Financing Activities	(1,005,023)	21,960	(251,823)
Net Increase in Cash and Cash Equivalents	$132,086	$202,720	$362,462

Operating Activities

Net cash provided by operating activities was $1,025.4 million during the year ended December 31, 2013. During this period, there was $2,374.0 million in net income, to which $126.2 million of equity-based compensation and a $60.8 million change in fair value of contingent obligations were added to reconcile net loss to net cash provided by operating activities. Additional adjustments to reconcile cash provided by operating activities during the year ended December 31, 2013 included $8,422.2 million in proceeds from sales of investments held by the consolidated VIEs, a $27.3 million change in deferred revenue, $66.8 million of distributions from investment activities, a $232.5 million increase in net unrealized losses on debt, a $587.5 million change in cash held at consolidated VIEs and a $141.2 million increase in profit sharing payable. These favorable cash adjustments were offset by $309.1 million in net unrealized gains from investments held by the consolidated funds and VIEs, $107.4 million of income from equity method investments, a $44.2 million decrease in due to affiliates, a $130.5 million decrease in due from affiliates, $137.1 million of net realized gains on debt, a $64.1 million change in other liabilities of Apollo funds, a $408.8 million increase in carried interest receivable and $9,841.8 million of purchases of investments held by the consolidated VIEs.

Net cash provided by operating activities was $265.6 million during the year ended December 31, 2012. During this period, there was $3,047.8 million in net income, to which $598.7 million of equity-based compensation and a $1,951.9 million gain on business acquisitions and non-cash expenses were added to reconcile net loss to net cash provided by operating activities. Additional adjustments to reconcile cash provided by operating activities during the year ended December 31, 2012 included $7,182.4 million in proceeds from sales of investments held by the consolidated VIEs, a $497.7 million increase in net unrealized losses on debt and a $361.6 million increase in profit sharing payable. These favorable cash adjustments were offset by $458.0 million in net unrealized gains from investments held by the consolidated funds and VIEs, a $103.8 million decrease in due to affiliates, a $348.1 million change in cash held at consolidated VIEs, a $973.6 million increase in carried interest receivable and $7,525.5 million of purchases of investments held by the consolidated VIEs.

Net cash provided by operating activities was $743.8 million during the year ended December 31, 2011. During this period, there was $1,304.2 million in net losses, to which $1,149.8 million of equity-based compensation and a $196.2 million gain on business acquisitions and non-cash expenses were added to reconcile net loss to net cash provided by operating activities. Additional adjustments to reconcile cash provided by operating activities during the year ended December 31, 2011 included $1,530.2 million in proceeds from sales of investments held by the consolidated VIEs, $113.1 million in net unrealized losses from investments held by the consolidated funds and VIEs, a $43.8 million increase in due to affiliates and a $998.5 million decrease in carried interest receivable. The decrease in our carried interest receivable balance during the year ended December 31, 2011 was driven primarily by $304.5 million of carried interest losses from the change in fair value of funds for which we act as general partner, along with fund cash distributions of $692.6 million. These favorable cash adjustments were offset by $1,294.5 million of purchases of investments held by the consolidated VIEs, a $325.2 million decrease in profit sharing payable and $41.8 million of realized gains on debt of the consolidated VIEs.

The operating cash flow amounts from the Apollo funds and consolidated VIEs represent the significant variances between net income (loss) and cash flow from operations and were classified as operating activities pursuant to the American Institute of Certified Public Accountants, or “AICPA,” Audit and Accounting Guide, Investment Companies. The increasing capital needs reflect the growth of our business while the fund-related requirements vary based upon the specific investment activities being conducted at a point in time. These movements do not adversely affect our liquidity or earnings trends because we currently have sufficient cash reserves compared to planned expenditures.

Investing Activities

Net cash provided by investing activities was $111.7 million for the year ended December 31, 2013, which was primarily comprised of $216.3 million relating to cash distributions received from equity method investments offset by $98.4 million of cash contributions to equity method investments. Cash contributions to equity method investments were primarily related to Fund VII, Fund VIII, COF III, EPF I, EPF II, AESI, ACSP, AION, AGRE U.S. Real Estate Fund, L.P. and Apollo SPN Investments I, L.P. Cash distributions from equity method investments were primarily related to Fund VI, Fund VII, COF I, COF II, Vantium C, ACLF, AIE II, ACSP and EPF II.

Net cash used in investing activities was $84.8 million for the year ended December 31, 2012, which was primarily comprised of $11.3 million in purchases of fixed assets, $99.2 million relating to the acquisition of Stone Tower (see note 3 to our consolidated financial statements), $126.9 million of cash contributions to equity method investments, partially offset by $152.6 million of cash distributions from equity method investments. Cash contributions to equity method investments were primarily related to EPF I, EPF II, ASCP, Fund VII, AINV and AGRE U.S. Real Estate Fund. Cash distributions from equity method investments were primarily related to Fund VII, ACLF, AGRE U.S. Real Estate Fund, COF I, COF II, Artus, EPF I and EPF II.

Net cash used in investing activities was $129.5 million for the year ended December 31, 2011, which was primarily comprised of $21.3 million in purchases of fixed assets, $64.2 million of cash contributions to equity method investments, a $52.1 million investment in HFA, the $29.6 million for the acquisition of Gulf Stream and $26.0 million for the acquisition of investments in the Apollo Senior Loan Fund, partially offset by $64.8 million of cash distributions from equity method investments. Cash contributions to equity method investments were primarily related to EPF I, Fund VII and AGRE U.S. Real Estate Fund. Cash distributions from equity method investments were primarily related to Fund VII, ACLF, COF I, COF II, Artus, EPF I and Vantium C.

Financing Activities

Net cash used in financing activities was $1,005.0 million for the year ended December 31, 2013, which was primarily comprised of $2,747.0 million related to issuance of debt by consolidated VIEs, $750.0 million related to debt refinancing and $688.9 million in contributions from Non-Controlling Interests in consolidated variable interest entities. This amount was offset by $2,218.1 million in repayment of term loans by consolidated VIEs, $334.2 million in distributions to consolidated VIEs, $147.4 million of distributions paid to Non-Controlling Interests in consolidated

VIEs, $975.5 million of distributions paid to Non-Controlling Interests in the Apollo Operating Group, $584.5 million in distributions, $85.9 million related to employee tax withholding payments in connection with deliveries of Class A shares in settlement of RSUs, $12.2 million in distributions to Non-Controlling Interests in consolidated entities, $737.8 million in principal repayments of debt and repurchases of debt, $30.4 million in satisfaction of tax receivable agreements, $67.5 million in satisfaction of contingent obligations and $62.3 million in purchases of AAA units.

Net cash provided by financing activities was $22.0 million for the year ended December 31, 2012, which was primarily comprised of $1,413.3 million related to issuance of debt by consolidated VIEs and $4.1 million in contributions from Non-Controlling Interests in consolidated entities. This amount was offset by $515.9 million in repayment of term loans by consolidated VIEs, $486.7 million in distributions by consolidated VIEs, $335.0 million of distributions paid to Non-Controlling Interests in the Apollo Operating Group, $202.4 million in distributions, $26.0 million related to employee tax withholding payments in connection with deliveries of Class A shares in settlement of RSUs, $8.8 million in distributions to Non-Controlling Interests in consolidated entities and $102.1 million in purchases of AAA units.

Net cash used in financing activities was $251.8 million for the year ended December 31, 2011, which was primarily comprised of $415.9 million in repayment of term loans by consolidated VIEs, $308.8 million in distributions by consolidated VIEs, $199.2 million of distributions paid to Non-Controlling Interests in the Apollo Operating Group, $27.3 million of distributions paid to Non-Controlling Interests in consolidated funds, $102.6 million in distributions, $17.1 million related to employee tax withholding payments in connection with deliveries of Class A shares in settlement of RSUs. These cash outflows were offset by $384.0 million in proceeds from the issuance of Class A shares and $454.4 million of debt issued by consolidated VIEs.

Distributions

In addition to other distributions such as payments pursuant to the tax receivable agreement, the table below presents information regarding the quarterly distributions which were made at the sole discretion of the Company's manager during 2011, 2012 and 2013 (in millions, except per share amounts):

Distribution Declaration Date	Distribution per Class A Share Amount	Distribution Payment Date	Distribution to Class A Shareholders	Distribution to Non-Controlling Interest Holders in the Apollo Operating Group		Total Distributions from Apollo Operating Group	Distribution Equivalents on Participating Securities
January 4, 2011	$ 0.17	January 14, 2011	$16.6	$ 40.8		$ 57.4	$ 3.3
May 12, 2011	0.22	June 1, 2011	26.8	52.8		79.6	4.7
August 9, 2011	0.24	August 29, 2011	29.5	57.6		87.1	5.1
November 3, 2011	0.20	December 2, 2011	24.8	48.0		72.8	4.3
For the year ended December 31, 2011	$ 0.83		$97.7	$ 199.2		$ 296.9	$ 17.4
February 10, 2012	$ 0.46	February 29, 2012	$58.1	$ 110.4		$ 168.5	$ 10.3
April 13, 2012	$ —	April 13, 2012	$—	$ 11.0	(1)	$ 11.0	$ —
May 8, 2012	0.25	May 30, 2012	31.6	60.0		91.6	6.2
August 2, 2012	0.24	August 31, 2012	31.2	57.6		88.8	5.3
November 9, 2012	0.40	November 30, 2012	52.0	96.0		148.0	9.4
For the year ended December 31, 2012	$ 1.35		$172.9	$ 335.0		$ 507.9	$ 31.2
February 8, 2013	$ 1.05	February 28, 2013	$138.7	$ 252.0		$ 390.7	$ 25.0
April 12, 2013	—	April 12, 2013	—	55.2	(1)	55.2	—
May 6, 2013	0.57	May 30, 2013	80.8	131.8		212.6	14.3
August 8, 2013	1.32	August 30, 2013	189.7	305.2		494.9	30.8
	1.01	November 29, 2013	147.7	231.2		$ 378.9	$ 24.1

November 7, 2013					
For the year ended December 31, 2013	$ 3.95	$556.9	$ 975.4	$ 1,532.3	$ 94.2

(1) On April 13, 2012 and April 12, 2013, the Company made a $0.05 and a $0.23 distribution to the non-controlling interest holders in the Apollo Operating Group, respectively.

Future Cash Flows

Our ability to execute our business strategy, particularly our ability to increase our AUM, depends on our ability to establish new funds and to raise additional investor capital within such funds. Our liquidity will depend on a number of factors, such as our ability to project our financial performance, which is highly dependent on our funds and our ability to manage our projected costs, fund performance, having access to credit facilities, being in compliance with existing credit agreements, as well

Table of Contents

as industry and market trends. Also during economic downturns the funds we manage might experience cash flow issues or liquidate entirely. In these situations we might be asked to reduce or eliminate the management fee and incentive fees we charge, which could adversely impact our cash flow in the future.

For example, the investment performance of AIE I was adversely impacted due to market conditions in 2008 and early 2009, and on July 10, 2009, its shareholders subsequently approved a monetization plan. The primary objective of the monetization plan was to maximize shareholder recovery value by (i) opportunistically selling AIE I's assets over a three-year period from July 2009 to July 2012 and (ii) reducing the overall costs of the fund. The Company waived management fees of $12.6 million for the year ended December 31, 2008 and an additional $2.0 million for the year ended December 31, 2009 to limit the adverse impact that deteriorating market conditions were having on AIE I's performance. AIE I management fees were terminated on August 23, 2012 as the fund received a majority vote from shareholders to approve the wind down resolution to terminate the management agreement. AIE I was fully liquidated as of December 31, 2013.

An increase in the fair value of our funds' investments, by contrast, could favorably impact our liquidity through higher management fees where the management fees are calculated based on the net asset value, gross assets and adjusted assets. Additionally, higher carried interest income not yet realized would generally result when investments appreciate over their cost basis which would not have an impact on the Company's cash flow.

On April 20, 2010, the Company announced that it entered into a strategic relationship agreement with CalPERS. The strategic relationship agreement provides that Apollo will reduce fees charged to CalPERS on funds it manages, or in the future will manage, solely for CalPERS by $125 million over a five-year period or as close a period as required to provide CalPERS with that benefit. The agreement further provides that Apollo will not use a placement agent in connection with securing any future capital commitments from CalPERS. As of December 31, 2013, the Company had reduced fees charged to CalPERS on the funds it manages by approximately $87.3 million.

The Company granted approximately 2.1 million, 5.4 million and 8.1 million RSUs during the years ended December 31, 2013, 2012, and 2011 respectively. The average estimated fair value per share on the grant date was $26.95, $13.68 and $14.45 per RSU with a total fair value of the grants of $56.6 million, $73.5 million and $116.6 million at December 31, 2013, 2012, and 2011, respectively. This will impact the Company's compensation expense as these grants are amortized over their vesting term of three to six years. The Company expects to incur annual compensation expenses on all grants, net of forfeitures, of approximately $51.9 million, $36.6 million, $24.3 million, $5.0 million, $3.2 million and $0.5 million during the years ended December 31, 2014, 2015, 2016, 2017, 2018, 2019 and thereafter, respectively.

Although we expect to pay distributions according to our distribution policy, we may not pay distributions according to our policy, or at all, if, among other things, we do not have the cash necessary to pay the intended distributions. To the extent we do not have cash on hand sufficient to pay distributions, we may have to borrow funds to pay distributions, or we may determine not to pay distributions. The declaration, payment and determination of the amount of our quarterly distributions are at the sole discretion of our manager.

Carried interest income from our funds can be distributed to us on a current basis, but is subject to repayment by the subsidiaries of the Apollo Operating Group that act as general partner of such funds in the event that certain specified return thresholds are not ultimately achieved. The Managing Partners, Contributing Partners and certain other investment professionals have personally guaranteed, to the extent of their ownership interest, subject to certain limitations, the obligations of these subsidiaries in respect of this general partner obligation. Such guarantees are several and not joint and are limited to a particular Managing Partner's or Contributing Partner's distributions. Pursuant to the shareholders agreement dated July 13, 2007 (the "Shareholders Agreement"), we agreed to indemnify each of our Managing Partners and certain Contributing Partners against all amounts that they pay pursuant to any of these personal guarantees in favor of Fund IV, Fund V and Fund VI (including costs and expenses related to investigating the basis for or objecting to any claims made in respect of the guarantees) for all interests that our Managing Partners and Contributing Partners have contributed or sold to the Apollo Operating Group.

Accordingly, in the event that our Managing Partners, Contributing Partners and certain investment professionals are required to pay amounts in connection with a general partner obligation to return previously distributed carried interest income with respect to Fund IV, Fund V and Fund VI, we will be obligated to reimburse our Managing

Partners and certain Contributing Partners for the indemnifiable percentage of amounts that they are required to pay even though we did not receive the distribution to which that general partner obligation related.

On February 7, 2014, the Company declared a cash distribution of $1.08 per Class A share, which was paid on February 26, 2014 to shareholders of record on February 19, 2014.

On January 15, 2014, the Company issued 138,241 Class A shares in settlement of vested RSUs. This issuance did not cause a material change to the Company's ownership interest in the Apollo Operating Group.

Table of Contents

On February 11, 2014, the Company issued 2,531,098 Class A shares in settlement of vested RSUs and vested options that were exercised. This issuance caused the Company's ownership interest in the Apollo Operation Group to increase from 39.0% to 39.4%.
On February 26, 2014, the Company issued 2,530 Class A shares in settlement of the exercise of vested options. This issuance did not cause a material change to the Company's ownership interest in the Apollo Operating Group.
Athene
Athene Holding Ltd. is the ultimate parent of various insurance company operating subsidiaries. Through its subsidiaries, Athene Holding Ltd. provides insurance products focused primarily on the retirement market and its business centers primarily on issuing or reinsuring fixed and equity-indexed annuities.
On October 2, 2013, Athene Holding Ltd. closed its acquisition of Aviva USA (the "Aviva USA Transaction"). Apollo had previously agreed to provide up to $100 million of capital support to Athene to the extent such support was necessary in connection with the closing of the Aviva USA transaction. The Company's commitment was not called in connection with the closing of the Aviva USA Transaction and as a result, the Company's commitment terminated upon the closing of the Aviva USA Transaction.
AAA, through its investment in AAA Investments, owns the majority of the economic equity of Athene Holding Ltd. See the discussion of the AAA Transaction in note 4 to our consolidated financial statements.
Apollo, through its consolidated subsidiary, Athene Asset Management, L.P. ("Athene Asset Management"), provides asset management services to Athene, including asset allocation and portfolio management strategies, and receives fees from Athene for providing such services. As of December 31, 2013, all of Athene's assets were managed by Athene Asset Management. Athene Asset Management had $59.5 billion of total AUM as of December 31, 2013 in accounts owned by or related to Athene (the "Athene Accounts"), of which approximately $9.2 billion, or approximately 15.5%, was either sub-advised by Apollo or invested in Apollo funds and investment vehicles. The vast majority of such assets are in sub-advisory managed accounts that manage high grade credit asset classes, such as CLO debt, commercial mortgage backed securities and insurance-linked securities. We expect this percentage to increase over time provided that it continues to perform successfully in providing asset management services to Athene.
Athene Asset Management receives a gross management fee equal to 0.40% per annum on all assets under management in the Athene Accounts, with certain limited exceptions. In addition, the Company receives sub-advisory management fees and carried interest income with respect to a portion of the assets in the Athene Accounts. Athene Asset Management and other Apollo subsidiaries incur all expenses associated with their provision of services to Athene, including but not limited to, asset allocation services, direct asset management services, risk management, asset and liability matching management, mergers and acquisitions asset diligence, hedging and other services.
In connection with the AAA Transaction, a subsidiary of AAA Investments contributed three investment partnerships to Athene. The Contributed Partnerships pay a quarterly management fee and carried interest to Apollo with respect to the assets contributed in the AAA Transaction. The quarterly management fee is calculated and paid by the Contributed Partnerships in arrears in an aggregate amount equal to one-fourth of (i) all Adjusted Assets up to and including $3 billion multiplied by 1.25% plus (ii) all Adjusted Assets in excess of $3 billion multiplied by 1.0%. "Adjusted Assets" means an amount equal to (i) the value of the gross assets of such Contributed Partnership minus (ii) the sum of (a) the amount of any undistributed carried interest payable by such Contributed Partnerships, (b) an amount equal to the value of the Temporary Investments (as defined in the relevant services agreement) held by such Contributed Partnerships, (c) an amount equal to the Capital Invested in Apollo Funds (as defined in the relevant services agreement) by such Contributed Partnerships and (d) an amount equal to the liquidity discount applied by the Company in respect of its investments in such Contributed Partnerships (provided such liquidity discount may not exceed 22.5% of the value of the assets contributed by AAA). With respect to capital invested in an Apollo fund, Apollo receives management fees directly from the relevant funds under the investment management agreements with such funds and not pursuant to the services agreement with the Contributed Partnerships. In addition, carried interest is payable by the Contributed Partnerships with respect to each investment or group of investments (as specified in the particular partnership agreement), at a rate of 20% of the profit of such investment or group of investments, subject to applicable hurdle rates. Each investment or group of investments is treated separately for the purposes of calculating carried interest. The contributed assets also included certain investments in funds managed by Apollo, carried interest

on which is assessed at the fund level.
Under an amended services contract with Athene, effective February 5, 2013, Apollo earns a quarterly monitoring fee of 0.50% of Athene's capital and surplus as of the end of the applicable quarter multiplied by 2.5, excluding the shares of Athene Holding Ltd. that were newly acquired (and not in satisfaction of prior commitments to buy such shares) by AAA Investments in the AAA Transaction (the "Excluded Athene Shares"), at the end of each quarter through December 31, 2014, the termination

date. This quarterly monitoring fee is not applicable to the amount of invested capital attributable to the Excluded Athene Shares. All such monitoring fees are paid pursuant to a derivative contract between Athene and Apollo. Each quarter, monitoring fees earned are translated into an accrued notional number of shares of Athene Holding Ltd., and the accrued notional shares of Athene Holding Ltd. are fair valued. At Athene's option, all notional shares accrued pursuant to the terms of the derivative contract are payable either in shares of Athene Holding Ltd. or cash equal to the fair value of such shares of Athene Holding Ltd. at the time of settlement. Settlement occurs on the earlier of a change in control of Athene or October 31, 2017. For the years ended December 31, 2013 and 2012, Apollo earned $107.9 million and $16.8 million, respectively, related to this monitoring fee, which is recorded in advisory and transaction fees from affiliates, net, in the consolidated statements of operations. As of December 31, 2013, Apollo had a $116.4 million receivable, which is accounted for as a derivative, recorded in due from affiliates on the consolidated statements of financial condition.

In accordance with the services agreement among AAA, AAA Investments and the other service recipients party thereto and Apollo, Apollo receives a management fee for managing the assets of AAA Investments. In connection with the consummation of the AAA Transaction, on October 31, 2012, the services agreement was amended (the "Amended AAA Services Agreement"). Pursuant to the Amended AAA Services Agreement, the parties agreed that there will be no management fees payable by AAA Investments with respect to the Excluded Athene Shares. AAA Investments will continue to pay Apollo the same management fee on its investment in Athene (other than with respect to the Excluded Athene Shares), except that Apollo agreed that the obligation to pay the existing management fee shall terminate on December 31, 2014 (although services will continue through December 31, 2020). In the event that AAA makes a tender offer for all or substantially all of its units where the consideration is to be paid in shares of Athene Holding Ltd. (or an alternative transaction that is no less favorable in all material respects to the AAA unitholders as a whole), the management fee will be unwound and a lump sum payment will be made to Apollo equal to the remaining management fee that would have been due until the expiration date (December 31, 2020), using an 8% discount rate and assuming a 14% growth rate to then existing management fees, compounded annually, until the expiration date, subject to a cap of $30.0 million had the tender offer or similar transaction commenced in 2013, $25.0 million if the tender offer or similar transaction commences in 2014, $20.0 million if the tender offer or similar transaction commences in 2015 and zero if the tender offer or similar transaction commences in 2016 or thereafter. All such management fees are paid pursuant to a derivative contract between AAA Investments and Apollo. Each quarter, management fees earned are translated into an accrued notional number of shares of Athene Holding Ltd., and the accrued notional shares of Athene Holding Ltd. are fair valued. At the option of AAA Investments, all notional shares accrued pursuant to the terms of the derivative contract are payable either in shares of Athene Holding Ltd. or cash equal to the fair value of such shares of Athene Holding Ltd. at the time of settlement. Settlement occurs on the earlier of a change of control of Athene or October 31, 2017. As of December 31, 2013 and 2012, Apollo had a receivable of $14.3 million and $2.1 million, respectively, related to the Amended AAA Services Agreement, which is recorded in due from affiliates on the consolidated statements of financial condition. The total management fees earned by Apollo related to the Amended AAA Services Agreement and the Contributed Partnerships for the years ended December 31, 2013 and 2012 were $12.5 million (of which $2.2 million related to the derivative component, as described above) and $15.1 million (of which $0.6 million related to the derivative component, as described above), respectively, which is recorded in management fees from affiliates in the consolidated statements of operations.

In addition, Apollo, as general partner of AAA Investments, is generally entitled to a carried interest that allocates to it 20% of the realized returns (net of related expenses, including borrowing costs) on the investments of AAA Investments, except that Apollo will not be entitled to receive any carried interest in respect of the Excluded Athene Shares. Carried interest receivable from AAA Investments will be paid in shares of Athene Holding Ltd. (valued at the then fair market value) if there is a distribution in kind of shares of Athene Holding Ltd., or paid in cash if AAA sells the shares of Athene Holding Ltd. For the years ended December 31, 2013 and 2012, the Company recorded carried interest income less the related profit sharing expense of $27.6 million and $35.3 million, respectively, from AAA Investments, which is recorded in the consolidated statements of operations. As of December 31, 2013 and 2012, the Company had a $100.9 million and a $69.0 million carried interest receivable, respectively, related to AAA Investments. As of December 31, 2013 and 2012, the Company had a related profit sharing payable of $28.8 million and $25.5 million, respectively, recorded in profit sharing payable in the consolidated statements of financial condition.

For the years ended December 31, 2013 and 2012, Apollo earned revenues in the aggregate totaling $435.1 million and $164.7 million consisting of management fees, sub-advisory and monitoring fees and carried interest income, respectively, from Athene after considering the related profit sharing expense and changes in the market value of the Athene-related derivatives discussed above, which is recorded in the consolidated statement of operations.

The amended services contract with Athene and Athene Life Re Ltd and the Amended AAA Services Agreement together with related derivative contracts issued pursuant to these amended contracts, meet the definition of a derivative under U.S. GAAP. The Company has classified these derivatives as Level III assets in the fair value hierarchy, as the pricing inputs into the determination of fair value require significant judgment and estimation. The value of these derivatives is determined by multiplying the Athene share equivalents by the estimated price per share of Athene. See note 6 to our consolidated financial statements for further discussion regarding fair value.

Table of Contents

The change in unrealized market value of these derivatives is reflected in other income, net in the consolidated statements of operations. For the year ended December 31, 2013, there were $10.2 million of changes in market value recognized related to these derivatives.

Distributions to Managing Partners and Contributing Partners

The three Managing Partners who became employees of Apollo on July 13, 2007 are each entitled to a $100,000 base salary. Additionally, our Managing Partners can receive other forms of compensation. Any additional consideration will be paid to them in their proportional ownership interest in Holdings. Additionally, 85% of any tax savings APO Corp. recognizes as a result of the tax receivable agreement will be paid to the Managing Partners.

Subsequent to the 2007 Reorganization, the Contributing Partners retained ownership interests in subsidiaries of the Apollo Operating Group. Therefore, any distributions that flow up to management or general partner entities in which the Contributing Partners retained ownership interests are shared pro rata with the Contributing Partners who have a direct interest in such entities prior to flowing up to the Apollo Operating Group. These distributions are considered compensation expense after the 2007 Reorganization.

The Contributing Partners are entitled to receive the following:

- Profit Sharing related to private equity carried interest income, from direct ownership of advisory entities. Any changes in fair value of the underlying fund investments would result in changes to Apollo Global Management, LLC’s profit sharing payable;
- Additional consideration based on their proportional ownership interest in Holdings; and
- Additionally, 85% of any tax savings APO Corp. recognizes as a result of the tax receivable agreement will be paid to the Contributing Partners.

Potential Future Costs

We may make grants of RSUs or other equity-based awards to employees and independent directors that we appoint in the future.

Critical Accounting Policies

This Management’s Discussion and Analysis of Financial Condition and Results of Operations is based upon the consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of financial statements in accordance with U.S. GAAP requires the use of estimates and assumptions that could affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. Actual results could differ from these estimates. A summary of our significant accounting policies is presented in note 2 to our consolidated financial statements. The following is a summary of our accounting policies that are affected most by judgments, estimates and assumptions.

Consolidation

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

Pursuant to our consolidation policy, we first consider the appropriate consolidation guidance to apply including consideration of whether the entity qualifies for certain scope exceptions and whether the entity should be evaluated under either the previous rules on consolidation of variable interest entities (“VIEs”) or the amended consolidation rules depending on whether or not the entity qualifies for the deferral as further described below. We then perform an assessment to determine whether that entity qualifies as a VIE. An entity in which Apollo holds a variable interest is a VIE if any one of the following conditions exist: (a) the total equity investment at risk is not sufficient to permit the legal entity to finance its activities without additional subordinated financial support, (b) the holders of equity investment at risk (as a group) lack either the direct or indirect ability through voting rights or similar rights to make decisions about a legal entity’s activities that have a significant effect on the success of the legal entity or the obligation to absorb the expected losses or right to receive the expected residual returns, or (c) the voting rights of some investors are disproportionate to their obligation to absorb the expected losses of the legal entity, their rights to receive the expected residual returns of the legal entity, or both and substantially all of the legal entity’s activities either involve or are conducted

on behalf of an investor with disproportionately few voting rights. Entities that do not qualify as VIEs are generally assessed for consolidation as voting interest entities ("VOEs") under the voting interest model.

Under the voting interest model, Apollo consolidates those entities it controls through a majority voting interest or through other means, including those VOEs in which the general partner is presumed to have control. Apollo does not consolidate those VOEs in which the presumption of control by the general partner has been overcome through either the granting of substantive rights to the unaffiliated investors to either dissolve the fund or remove the general partner ("kick-out rights") or the granting of substantive participating rights.

As previously indicated, the consolidation assessment, including the determination as to whether an entity qualifies as a VIE depends on the facts and circumstances surrounding each entity and therefore certain of our funds may qualify as VIEs whereas others may qualify as VOEs. The granting of substantive kick-out rights is a key consideration in determining whether an entity is a VIE and whether or not that entity should be consolidated. For example, when the unaffiliated holders of equity investment at risk of a fund with sufficient equity to permit the fund to finance its activities without additional subordinated financial support are not granted substantive kick-out rights and the Company is not part of the group of holders of equity investment at risk, the fund is generally determined to be a VIE, as the holders of equity investment at risk as a group lack the direct or indirect ability through voting rights or similar rights to make decisions that have a significant effect on the success of the legal entity. Alternatively, when the unaffiliated holders of equity investment at risk are granted substantive kick-out rights, the fund is generally determined to be a VOE. However, in certain cases where the Company holds a substantive equity investment at risk in the fund, the fund may be determined to be a VOE even though substantive kick-out rights were not granted to the unaffiliated holders of equity investment at risk. In these cases, the Company is part of the group of holders of equity investment at risk and therefore the holders of equity investment at risk as a group do not lack the direct or indirect ability through voting rights or similar rights to make decisions that have a significant effect on the success of the legal entity.

If the entity is determined to be a VIE under the conditions above, we then assess whether the entity should be consolidated by applying either the previous consolidation rules or the amended consolidation rules depending on whether the entity qualifies for the deferral of the amended consolidation rules as further described below.

VIEs that qualify for the deferral of the amended consolidation rules because certain conditions are met, including if the entities have all the attributes of an investment company and are not securitization or asset-backed financing entities, will continue to apply the previous consolidation rules. VIEs that are securitization or asset-backed financing entities will apply the amended consolidation rules. Under both sets of rules, VIEs for which Apollo is determined to be the primary beneficiary are consolidated.

With respect to VIEs such as our funds that qualify for the deferral of the amended consolidation rules and therefore apply the previous consolidation rules, Apollo is determined to be the primary beneficiary if its involvement, through holding interests directly or indirectly in the VIE or contractually through other variable interests (e.g., carried interest and management fees), would be expected to absorb a majority of the VIE's expected losses, receive a majority of the VIE's expected residual returns, or both. In cases where two or more Apollo related parties hold a variable interest in a VIE, and the aggregate variable interest held by those parties would, if held by a single party, identify that party as the primary beneficiary, then the Company is determined to be the primary beneficiary to the extent it is the party within the related party group that is most closely associated with the VIE.

For VIEs such as our CLOs that apply the amended consolidation rules, Apollo is determined to be the primary beneficiary if it holds a controlling financial interest defined as possessing both (a) the power to direct the activities of a VIE that most significantly impact the VIE's economic performance and (b) the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. CLOs are generally determined to be VIEs if they are formed solely to issue collateralized notes in the legal form of debt and therefore do not have sufficient total equity investment at risk to permit the entity to finance its activities without additional subordinated financial support. With respect to such CLOs, we generally possess a controlling financial interest in, and therefore consolidate, such CLOs in accordance with the amended consolidation rules when our role as collateral manager provides us with the power to direct the activities that most significantly impact the CLO's economic performance and we have the right to receive certain benefits from the CLO (e.g. incentive fees) that could potentially be significant to the CLO.

Under the previous and the amended consolidation rules, 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, affiliates of Apollo or third parties) or amendments to the governing documents of the respective entity may affect an entity’s status as a VIE or the determination of the primary beneficiary.

The assessment of whether an entity is a VIE and the determination of whether Apollo should consolidate such VIE requires judgments. Under both sets of rules, those judgments include, but are not limited to: (i) determining whether the total equity investment at risk is sufficient to permit the entity to finance its activities without additional subordinated financial support, (ii) evaluating whether the holders of equity investment at risk, as a group, can make decisions that have a significant effect on the success of the entity, (iii) determining whether two or more parties' equity interests should be aggregated, (iv) determining whether the equity investors have proportionate voting rights to their obligations to absorb losses or rights to receive returns from an entity, (v) and evaluating the nature of the relationship and activities of the parties involved in determining which party within a related-party group is most closely associated with the VIE. Where the VIEs have qualified for the deferral, judgments are also made in estimating cash flows to evaluate which member within the equity group absorbs a majority of the expected profits or losses of the VIE. Where the VIEs have not qualified for the deferral, judgments are also made in determining whether a member in the equity group has a controlling financial interest including power to direct activities that most significantly impact the VIE's economic performance and rights to receive benefits or obligations to absorb losses that are potentially significant to the VIE.

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

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

Revenue Recognition

Carried Interest Income from Affiliates. We earn carried interest income from our funds as a result of such funds achieving specified performance criteria. Such carried interest income generally is earned based upon a fixed percentage of realized and unrealized gains of various funds after meeting any applicable hurdle rate or threshold minimum. Carried interest income from certain of the funds that we manage is subject to contingent repayment and is generally paid to us as particular investments made by the funds are realized. If, however, upon liquidation of a fund, the aggregate amount paid to us as carried interest exceeds the amount actually due to us based upon the aggregate performance of the fund, the excess (in certain cases net of taxes) is required to be returned by us to that fund. For a majority of our credit funds, once the annual carried interest income has been determined, there generally is no look-back to prior periods for a potential contingent repayment, however, carried interest income on certain other credit funds can be subject to contingent repayment at the end of the life of the fund. We have elected to adopt Method 2 from U.S. GAAP guidance applicable to accounting for management fees based on a formula, and under this method, we accrue carried interest income quarterly based on fair value of the underlying investments and separately assess if contingent repayment is necessary. The determination of carried interest income and contingent repayment considers both the terms of the respective partnership agreements and the current fair value of the underlying investments within the funds. Estimates and assumptions are made when determining the fair value of the underlying investments within the funds and could vary depending on the valuation methodology that is used. See "Investments, at Fair Value" below for further discussion related to significant estimates and assumptions used for determining fair value of the underlying investments in our private equity, credit and real estate funds.

Management Fees from Affiliates. The management fees related to our private equity funds are generally based on a fixed percentage of the committed capital or invested capital. The corresponding fee calculations that consider committed capital or invested capital are both objective in nature and therefore do not require the use of significant estimates or assumptions. Management fees related to our credit funds, by contrast, can be based on net asset value, gross assets, adjusted cost of all unrealized portfolio investments, capital commitments, adjusted assets, capital contributions, or stockholders' equity all as defined in the respective partnership agreements. The credit management fee calculations that consider net asset value, gross assets, adjusted cost of all unrealized portfolio investments and adjusted assets, are normally based on the terms of the respective partnership agreements and the current fair value of the underlying investments within the funds. Estimates and assumptions are made when determining the fair value of the underlying investments within the funds and could vary depending on the valuation methodology that is used. The management fees related to our real estate funds are generally based on a specific percentage of the funds' stockholders' equity or committed or net invested capital or the capital accounts of the limited partners. See "Investments, at Fair Value" below for further discussion related to significant estimates and assumptions used for determining fair value of the underlying investments in our private equity, credit and real estate funds.

Investments, at Fair Value

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

Table of Contents

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

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

Level II—Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Investments that are generally included in this category include corporate bonds and loans, less liquid and restricted equity securities and certain over-the-counter derivatives where the fair value is based on observable inputs. These investments exhibit higher levels of liquid market observability as compared to Level III investments. The Company subjects broker quotes to various criteria in making the determination as to whether a particular investment would qualify for treatment as a Level II investment. These criteria include, but are not limited to, the number and quality of broker quotes, the standard deviation of obtained broker quotes, and the percentage deviation from independent pricing services.

Level III—Pricing inputs are unobservable for the investment and includes situations where there is little observable market activity for the investment. The inputs into the determination of fair value may require significant management judgment or estimation. Investments that are included in this category generally include general and limited partner interests in corporate private equity and real estate funds, opportunistic credit funds, distressed debt and non-investment grade residual interests in securitizations and CDOs and CLOs where the fair value is based on observable inputs as well as unobservable inputs. When a security is valued based on broker quotes, the Company subjects those quotes to various criteria in making the determination as to whether a particular investment would qualify for treatment as a Level II or Level III investment. Some of the factors we consider include the number of broker quotes we obtain, the quality of the broker quotes, the standard deviations of the observed broker quotes and the corroboration of the broker quotes to independent pricing services.

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

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

Equity Method Investments. For investments in entities over which the Company exercises significant influence but which do not meet the requirements for consolidation, the Company uses the equity method of accounting, whereby the Company records its share of the underlying income or loss of such entities. Income (loss) from equity method investments is recognized as part of other income (loss) in the consolidated statements of operations and income (loss) on available-for-sale securities (from equity method investments) is recognized as part of other comprehensive income (loss), net of tax in the consolidated statements of comprehensive income (loss). The carrying amounts of equity method investments are reflected in investments in the consolidated statements of financial condition. As the underlying entities that the Company manages and invests in are, for U.S. GAAP purposes, primarily investment companies which reflect their investments at estimated fair value, the carrying value of the Company's equity method investments in such entities are at fair value.

Private Equity Investments. The majority of the illiquid investments within our private equity funds are valued using the market approach, which provides an indication of fair value based on a comparison of the subject company to comparable publicly traded companies and transactions in the industry.

Market Approach. The market approach is driven by current market conditions, including actual trading levels of similar companies and, to the extent available, actual transaction data of similar companies. Judgment is required by management when assessing which companies are similar to the subject company being valued. Consideration may also be given to any of the following factors: (1) the subject company's historical and projected financial data; (2) valuations given to comparable companies; (3) the size and scope of the subject company's operations; (4) the subject company's individual strengths and weaknesses; (5) expectations relating to the market's receptivity to an offering of the subject company's securities; (6) applicable restrictions on transfer; (7) industry and market information; (8) general economic and market conditions; and (9) other factors deemed relevant. Market approach valuation models typically employ a multiple that is based on one or more of the factors described above. Sources for gaining additional knowledge related to comparable companies include public filings, annual reports, analyst research reports, and press releases. Once a comparable company set is determined, we review certain aspects of the subject company's performance and determine how its performance compares to the group and to certain individuals in the group. We compare certain measurements such as EBITDA margins, revenue growth over certain time periods, leverage ratios, and growth opportunities. In addition, we compare our entry multiple and its relation to the comparable set at the time of acquisition to understand its relation to the comparable set on each measurement date.

Income Approach. For investments where the market approach does not provide adequate fair value information, we rely on the income approach. The income approach is also used to value investments or validate the market approach within our private equity funds. 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 for the income approach is a discounted cash flow method. Inherent in the discounted cash flow method are significant assumptions related to the subject company's expected results and a calculated discount rate, which is normally based on the subject company's weighted average cost of capital, or "WACC." The WACC represents the required rate of return on total capitalization, which is comprised of a required rate of return on equity, plus the current tax-effected rate of return on debt, weighted by the relative percentages of equity and debt that are typical in the industry. The most critical step in determining the appropriate WACC for each subject company is to select companies that are comparable in nature to the subject company. Sources for gaining additional knowledge about the comparable companies include public filings, annual reports, analyst research reports, and press releases. The general formula then used for calculating the WACC considers the after-tax rate of return on debt capital and the rate of return on common equity capital, which further considers the risk-free rate of return, market beta, market risk premium and small stock premium, if applicable. The variables used in the WACC formula are inferred from the comparable market data obtained. The Company evaluates the comparable companies selected and concludes on WACC inputs based on the most comparable company or analyzes the range of data for the investment.

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

On a quarterly basis, Apollo utilizes a valuation committee consisting of members from senior management, to review and approve the valuation results related to our funds' private equity investments. Management also retains independent valuation firms to provide third-party valuation consulting services to Apollo, which consist of certain limited procedures that management identifies and requests them to perform. The limited procedures provided by the independent valuation firms assist management with validating their valuation results or determining fair value. The Company performs various back-testing procedures to validate their valuation approaches, including comparisons between expected and observed outcomes, forecast evaluations and variance analysis. However, because of the inherent uncertainty of valuation, those estimated values may differ significantly from the values that would have been used had a ready market for the investments existed, and the differences could be material.

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

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

On a quarterly basis, Apollo also utilizes a valuation committee, consisting of members from senior management, to review and approve the valuation results related to our credit investments. For certain publicly traded vehicles, a review is performed by an independent board of directors. The Company also retains independent valuation firms to provide third-party valuation consulting services to Apollo, which consist of certain limited procedures that management identifies and requests them to perform. The limited procedures provided by the independent valuation firms assist management with validating their valuation results or determining fair value. The Company performs various back-testing procedures to validate their valuation approaches, including comparisons between expected and observed outcomes, forecast evaluations and variance analysis.

Real Estate Investments. For the CMBS portfolio of Apollo's funds, the estimated fair value of the CMBS portfolio 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. The Company evaluates its loans for possible impairment on a quarterly basis. For Apollo's opportunistic and value added real estate funds, valuations of non-marketable underlying investments are determined using methods that include, but are not limited to (i) discounted cash flow estimates or comparable analysis prepared internally, (ii) third party appraisals or valuations by qualified real estate appraisers, and (iii) contractual sales value of investments/properties subject to bona fide purchase contracts. Methods (i) and (ii) also incorporate consideration of the use of the income, cost, or sales comparison approaches of estimating property values.

On a quarterly basis, Apollo also utilizes a valuation committee, consisting of members from senior management, to review and approve the valuation results related to our real estate investments. For certain publicly traded vehicles, a review is performed by an independent board of directors. The Company also retains independent valuation firms to provide third-party valuation consulting services to Apollo, which consist of certain limited procedures that management identifies and requests them to perform. The limited procedures provided by the independent valuation firms assist management with validating their valuation results or determining fair value. The Company performs various back-testing procedures to validate their valuation approaches, including comparisons between expected and observed outcomes, forecast evaluations and variance analysis.

The fair values of the investments in our private equity, credit and real estate funds can be impacted by changes to the assumptions used in the underlying valuation models. For further discussion on the impact of changes to valuation assumptions see "Item 7A. Quantitative and Qualitative Disclosures About Market Risk—Sensitivity." There have been no material changes to the underlying valuation models during the periods that our financial results are presented.

Fair Value of Financial Instruments

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

Except for the Company's debt obligation related to the 2013 AMH Credit Facilities (as defined in note 14 to our consolidated financial statements), Apollo's financial instruments are recorded at fair value or at amounts whose carrying value approximates fair value. See "—Investments, at Fair Value" above. While Apollo's valuations of portfolio investments are based on assumptions that Apollo believes are reasonable under the circumstances, the actual realized gains or losses will depend on, among other factors, future operating results, the value of the assets and market conditions at the time of disposition, any related transaction costs and the timing and manner of sale, all of which may ultimately differ significantly from the assumptions on which the valuations were based. Other financial instruments' carrying values generally approximate fair value because of the short-term nature of those instruments or variable interest rates related to the borrowings. As disclosed in note 14 to our consolidated financial statements, the Company's long term debt obligation related to the 2013 AMH Credit Facilities is believed to have an estimated fair value of approximately $750.0 million based on a yield analysis using available market data of comparable securities with similar terms and remaining maturities as of December 31, 2013. However, the carrying value that is recorded on the consolidated statements of financial condition is the amount for which we expect to settle the long term debt obligation. The Company has determined that the long term debt obligation related to the 2013 AMH Credit Facilities would be categorized as a Level III liability in the fair-value hierarchy.

Table of Contents

Valuation of Financial Instruments Held by Consolidated VIEs

The consolidated VIEs hold investments that are traded over-the-counter. Investments in securities that are traded on a securities exchange or comparable over-the-counter quotation systems are valued based on the last reported sale price at that date. If no sales of such investments are reported on such date, and in the case of over-the-counter securities or other investments for which the last sale date is not available, valuations are based on independent market quotations obtained from market participants, recognized pricing services or other sources deemed relevant, and the prices are based on the average of the "bid" and "ask" prices, or at ascertainable prices at the close of business on such day. Market quotations are generally based on valuation pricing models or market transactions for similar securities adjusted for security-specific factors such as relative capital structure priority and interest and yield risks, among other factors. When market quotations are not available, a model based approach is used to determine fair value.

The consolidated VIEs also have debt obligations that are recorded at fair value. The primary valuation methodology used to determine fair value for debt obligation is market quotation. Prices are based on the average of the "bid" and "ask" prices. In the event that market quotations are not available, a model based approach is used. The valuation approach used to estimate the fair values of debt obligations for which market quotations are not available is the discounted cash flow method, which includes consideration of the cash flows of the debt obligation based on projected quarterly interest payments and quarterly amortization. Debt obligations are discounted based on the appropriate yield curve given the loan's respective maturity and credit rating. Management uses its discretion and judgment in considering and appraising relevant factors for determining the valuations of its debt obligations.

Fair Value Option. Apollo elected the fair value option for the assets and liabilities of the consolidated VIEs. Such election is irrevocable and is applied to financial instruments on an individual basis at initial recognition. Apollo applied the fair value option for certain corporate loans, other investments and debt obligations held by these entities that otherwise would not have been carried at fair value. For the convertible note issued by HFA, Apollo elected to separately present interest income from other changes in the fair value of the convertible note within the consolidated statement of operations. See notes 4 and 5 to our consolidated financial statements for further disclosure on the investment in HFA and financial instruments of the consolidated VIEs for which the fair value option has been elected.

Goodwill and Intangible Assets—Goodwill and indefinite-life intangible assets must be reviewed annually for impairment or more frequently if circumstances indicate impairment may have occurred. Identifiable finite-life intangible assets, by contrast, are amortized over their estimated useful lives, which are periodically re-evaluated for impairment or when circumstances indicate an impairment may have occurred. Apollo amortizes its identifiable finite-life intangible assets using a method of amortization reflecting the pattern in which the economic benefits of the finite-life intangible asset are consumed or otherwise used up. If that pattern cannot be reliably determined, Apollo uses the straight-line method of amortization. At June 30, 2013, the Company performed its annual impairment testing and determined there was no impairment of goodwill or indefinite life intangible assets at such time.

Compensation and Benefits

Compensation and benefits include salaries, bonuses and benefits, profit sharing expense and equity-based compensation.

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

Also included within salaries, bonus and benefits is the expense related to profits interests issued to certain employees whereby they are entitled to a share in earnings of and any appreciation of the value in a subsidiary of the Company during their term of employment. The expense related to these profits interests is recognized ratably over the requisite service period and thereafter will be recognized at the time the distributions are determined.

The Company sponsors a 401(k) Savings Plan whereby U.S.-based employees are entitled to participate in the plan based upon satisfying certain eligibility requirements. The Company may provide discretionary contributions from time to time. No contributions relating to this plan were made by the Company for the years ended December 31, 2013, 2012 and 2011.

Profit Sharing Expense. Profit sharing expense is primarily a result of agreements with our Contributing Partners and employees to compensate them based on the ownership interest they have in the general partners of the Apollo funds.

Therefore, changes in the fair value of the underlying investments in the funds we manage and advise affect profit sharing expense. As of December 31, 2013, our total private equity investments were approximately $23.4 billion. The Contributing Partners and employees are allocated approximately 30% to 50% of the total carried interest income which is driven primarily by changes in

Table of Contents

fair value of the underlying fund's investments and is treated as compensation expense. Additionally, profit sharing expenses paid may be subject to clawback from employees, former employees and Contributing Partners to the extent not indemnified.

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

In June 2011, the Company adopted 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, which we refer to herein as the Incentive Pool, 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 consolidated financial statements. The Company adopted the Incentive Pool to attract and retain, and provide incentive to, partners and employees of the Company and to more closely align the overall compensation of partners and employees with the overall realized performance of the Company. Allocations to the Incentive Pool and to its participants contain both a fixed and a discretionary component and may vary year-to-year depending on the overall realized performance of the Company and the contributions and performance of each participant. There is no assurance that the Company will continue to compensate individuals through performance-based incentive arrangements in the future and there may be periods when the Executive Committee of the Company's manager determines that allocations of realized carried interest income are not sufficient to compensate individuals, which may result in an increase in salary, bonus and benefits.

Equity-Based Compensation. Equity-based compensation is accounted for in accordance with U.S. GAAP, which requires that the cost of employee services received in exchange for an award is generally measured based on the grant date fair value of the award. Equity-based awards that do not require future service (i.e., vested awards) are expensed immediately. Equity-based employee awards that require future service are recognized over the relevant service period. Further, as required under U.S. GAAP, the Company estimates forfeitures using industry comparables or historical trends for equity-based awards that are not expected to vest. Apollo's equity-based awards consist of, or provide rights with respect to AOG Units, RSUs, share options, AAA RDUs, ARI restricted stock awards, ARI RSUs and AMTG RSUs. For more information regarding Apollo's equity-based compensation awards, see note 16 to our consolidated financial statements. The Company's assumptions made to determine the fair value on grant date and the estimated forfeiture rate are embodied in the calculations of compensation expense.

Additionally, the value of the AOG Units have been reduced to reflect the transfer restrictions imposed on units issued to the Managing Partners and Contributing Partners as well as the lack of rights to participate in future Apollo Global Management, LLC equity offerings. These awards have the following characteristics:

- Awards granted to the Managing Partners (i) are not permitted to be sold to any parties outside of the Apollo Global Management, LLC control group and transfer restrictions lapse pro rata during the forfeiture period over 60 or 72 months, and (ii) allow the Managing Partners to initiate a change in control; and
- Awards granted to the Contributing Partners (i) are not permitted to be sold or transferred to any parties except to the Apollo Global Management, LLC control group and (ii) the transfer restriction period lapses over six years (which is longer than the forfeiture period which lapses ratably over 60 months).

As noted above, the AOG Units issued to the Managing Partners and Contributing Partners have different restrictions which affect the liquidity of and the discounts applied to each grant.

We utilized the Finnerty Model to calculate a discount on the AOG Units granted to the Contributing Partners. The Finnerty Model provides for a valuation discount reflecting the holding period restriction embedded in a restricted security preventing its sale over a certain period of time. Along with the Finnerty Model we applied adjustments to account for the existence of liquidity clauses specific to the AOG Units granted to the Contributing Partners and a minority interest consideration as compared to the units sold in the Strategic Investors Transaction in 2007. The combination of these adjustments yielded a fair value estimate of the AOG Units granted to the Contributing Partners. The Finnerty Model proposes to estimate a discount for lack of marketability such as transfer restrictions by using an option pricing theory. This model has gained recognition through its ability to address the magnitude of the discount by considering the volatility of a company's stock price and the length of restriction. The concept underpinning the Finnerty Model is that a restricted security cannot be sold over a certain period of time. Further simplified, a restricted share of equity in a company can be viewed as having forfeited a put on the average price of the marketable equity over the restriction period (also known as an “Asian Put Option”). If we price an Asian Put Option and compare this value to that of the assumed fully marketable underlying security, we can effectively estimate the marketability discount.

Table of Contents

The assumptions utilized in the model were (i) length of holding period, (ii) volatility, (iii) dividend yield and (iv) risk free rate. Our assumptions were as follows:

(i) We assumed a maximum two year holding period.

(ii) We concluded based on industry peers, that our volatility annualized would be approximately 40%.

(iii) We assumed no distributions.

(iv) We assumed a 4.88% risk free rate based on U.S. Treasuries with a two year maturity.

For the Contributing Partners' grants, the Finnerty Model calculation, as detailed above, yielded a marketability discount of 25%. This marketability discount, along with adjustments to account for the existence of liquidity clauses and consideration of non-controlling interests as compared to units sold in the Strategic Investors Transaction in 2007, resulted in an overall discount for these grants of 29%.

We determined a 14% discount for the grants to the Managing Partners based on the equity value per share of $24. We determined that the value of the grants to the Managing Partners was supported by the 2007 sale of an identical security to Credit Suisse Management, LLC at $24 per share. Based on an equity value per share of $24, the implied discount for the grants to the Managing Partners was 14%. The Contributing Partners yielded a larger overall discount of 29%, as they are unable to cause a change in control of Apollo. This results in a lower fair value estimate, as their units have fewer beneficial features than those of the Managing Partners.

Another significant part of our compensation expense is derived from amortization of RSUs. The fair value of all RSU grants after March 29, 2011 is based on the grant date fair value, which considers the public share price of the Company. RSUs are comprised of Plan Grants, which do not pay distributions until vested and, for grants made after 2011, the underlying shares are generally issued by March 15th after the year in which they vest, and Bonus Grants, which pay distributions on both vested and unvested grants and are generally issued after vesting on an approximate two-month lag. For Plan Grants, the grant date fair value is based on the public share price of the Company, and is discounted for transfer restrictions and lack of distributions until vested. For Bonus Grants, the grant date fair value is based on the public share price of the Company, and is discounted for transfer restrictions.

We utilized the present value of a growing annuity formula to calculate a discount for the lack of pre-vesting distributions on Plan Grant RSUs. The weighted average for the inputs utilized for the shares granted during the years ended December 31, 2013, 2012 and 2011 are presented in the table below for Plan Grants:

	For the Year Ended December 31,		
	2013	2012	2011
Distribution Yield(1)	9.5%	8.4%	2.2%
Distribution Growth Rate(2)	3.0%	3.2%	6.0%
Cost of Equity Capital Rate(3)	17.6%	17.6%	18.2%

(1) Based on the distribution then in effect.

(2) Quarterly growth rate based on the then current distribution.

(3) We assumed discount rate was equivalent to a cost of equity capital rate as of the valuation date, based on the Capital Asset Pricing Model ("CAPM"). CAPM is a commonly used mathematical model for developing expected returns.

For the Plan Grants, the discount for the lack of distributions until vested based on the present value of a growing annuity calculation had a weighted average of 30.5%, 23.3% and 7.1% for the years ending December 31, 2013, 2012 and 2011, respectively.

We utilized the Finnerty Model, as previously described above, to calculate a marketability discount on the Plan Grant and Bonus Grant RSUs to account for the lag between vesting and issuance. The Finnerty Model provides for a valuation discount reflecting the holding period restriction embedded in a restricted security preventing its sale over a certain period of time.

Table of Contents

The inputs utilized in the Finnerty Model were (i) length of holding period, (ii) volatility, (iii) risk-free rate and (iv) dividend yield. The weighted average for the inputs utilized for the shares granted during the years ended December 31, 2013, 2012 and 2011 are presented in the table below for Plan Grants and Bonus Grants:

	For the Year Ended December 31,		
	2013	2012	2011
Plan Grants			
Holding Period Restriction (in years)	0.6	0.6	1.1
Volatility(1)	30.4%	34.0%	35.9%
Risk-free Rate(2)	—%	0.1%	0.6%
Distribution Yield(3)	8.2%	8.0%	2.2%
Bonus Grants			
Holding Period Restriction (in years)	0.2	0.2	0.6
Volatility(1)	30.0%	30.5%	33.8%
Risk-free Rate(2)	—%	—%	0.2%
Distribution Yield(3)	12.2%	7.8%	2.2%

(1) Annualized based on industry peers.
(2) Based on U.S. Treasuries for a comparable term on a continuously compounded basis.
(3) Based on the distribution then in effect.

For the Plan Grants, the marketability discount for transfer restrictions based on the Finnerty Model calculation, after considering the discount for lack of pre-vesting distributions, had a weighted average of 6.0%, 5.0%, and 8.6% for the years ending December 31, 2013, 2012 and 2011, respectively. For the Bonus Grants, the marketability discount for transfer restrictions based on the Finnerty Model calculation had a weighted average of 3.2%, 4.9%, and 6.5% for the years ending December 31, 2013, 2012 and 2011, respectively.

After the grant date fair value is determined we apply an estimated forfeiture rate. The estimated fair value was determined and recognized over the vesting period on a straight-line basis. We have estimated a 6% forfeiture rate for RSUs, based on the Company's historical attrition rate as well as industry comparable rates. If employees are no longer associated with Apollo or if there is no turnover, we will revise our estimated compensation expense to the actual amount of expense based on the units vested at the reporting date in accordance with U.S. GAAP.

Income Taxes

The Apollo Operating Group and its subsidiaries generally operate as partnerships for U.S. Federal income tax purposes. As a result, except as described below, the Apollo Operating Group has not been subject to U.S. income taxes. However, these entities in some cases are subject to NYC UBT and non-U.S. entities, in some cases, are subject to non-U.S. corporate income taxes. In addition, APO Corp., a wholly-owned subsidiary of the Company, is subject to U.S. Federal, state and local corporate income tax, and the Company's provision for income taxes is accounted for in accordance with U.S. GAAP.

As significant judgment is required in determining tax expense and in evaluating tax positions, including evaluating uncertainties, we recognize the tax benefits of uncertain tax positions only where the position is "more likely than not" to be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit is measured as the largest amount of benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. If a tax position is not considered more likely than not to be sustained, then no benefits of the position are recognized. The Company's tax positions are reviewed and evaluated quarterly to determine whether or not we have uncertain tax positions that require financial statement recognition.

Deferred tax assets and liabilities are recognized for the expected future tax consequences of differences between the carrying amount of assets and liabilities and their respective tax basis using currently enacted tax rates. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period when the change is enacted. Deferred tax assets are reduced by a valuation allowance when it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Table of Contents

Fair Value Measurements

The following tables summarize the valuation of the Company's financial assets and liabilities by the fair value hierarchy as of December 31, 2013 and 2012, respectively:

	As of December 31, 2013			
	Level I[5]	Level II[5]	Level III	Total
Assets				
Investment in AAA Investments[1]	$—	$—	$1,942,051	$1,942,051
Investments held by Apollo Senior Loan Fund[1]	—	28,711	892	29,603
Investments in HFA and Other[1]	—	—	40,373	40,373
Athene and AAA Management Fee Derivatives[2]	—	—	130,709	130,709
Investments of VIEs, at fair value[4]	3,455	12,203,370	1,919,537	14,126,362
Total Assets	$3,455	$12,232,081	$4,033,562	$16,269,098
Liabilities				
Debt of VIEs, at fair value[4]	$—	$2,429,815	$9,994,147	$12,423,962
Contingent Consideration Obligations[3]	—	—	135,511	135,511
Total Liabilities	$—	$2,429,815	$10,129,658	$12,559,473

	As of December 31, 2012			
	Level I[5]	Level II[5]	Level III	Total
Assets				
Investment in AAA Investments[1]	$—	$—	$1,666,448	$1,666,448
Investments held by Apollo Senior Loan Fund[1]	—	27,063	590	27,653
Investments in HFA and Other[1]	—	—	50,311	50,311
Athene and AAA Management Fee Derivatives[2]	—	—	2,126	2,126
Investments of VIEs, at fair value[4]	168	11,045,902	1,643,465	12,689,535
Total Assets	$168	$11,072,965	$3,362,940	$14,436,073
Liabilities				
Liabilities of VIEs, at fair value[4]	$—	$—	$11,834,955	$11,834,955
Contingent Consideration Obligations[3]	—	—	142,219	142,219
Total Liabilities	$—	$—	$11,977,174	$11,977,174

(1) See note 4 to our consolidated financial statements for further disclosure regarding the investment in AAA Investments, investments held by Apollo Senior Loan Fund, and investments in HFA and Other.

(2) See note 17 to our consolidated financial statements for further disclosure regarding the Athene and AAA Management Fee Derivatives.

(3) See note 18 to our consolidated financial statements for further disclosure regarding Contingent Consideration Obligations.

(4) See note 5 to our consolidated financial statements for further disclosure regarding VIEs.

(5) All level I and II investments and liabilities were valued using third party pricing.

Table of Contents

The following table summarizes the fair value transfers of financial assets between Level I and Level II and Level II and Level III for positions that existed as of December 31, 2013, 2012 and 2011, respectively:

	For the Year Ended December 31,		
	2013	2012	2011
Transfers from Level II into Level I[(1)]	$—	$164	$—
Transfers from Level III into Level II[(2)]	1,253,090	712,975	802,533
Transfers from Level II into Level III[(2)]	978,194	833,791	160,390

(1) Transfers into Level I represent those financial instruments for which an unadjusted quoted price in an active market became available for the identical asset. The transfer during the year ended December 31, 2012 related to investments of the consolidated VIEs.

(2) Transfers between Level II and III were a result of subjecting the broker quotes on these investments to various criteria which include the number and quality of broker quotes, the standard deviation of obtained broker quotes and the percentage deviation from independent pricing services.

For the year ended December 31, 2013, transfers of financial liabilities from Level III to Level II relating to liabilities held by the consolidated VIEs totaled $2.5 billion. There was a transfer of debt held by the consolidated VIEs that are valued using broker quotes from Level III into Level II as a result of subjecting broker quotes on these liabilities to various criteria which include the number and quality of broker quotes, the standard deviation of obtained broker quotes, and the percentage deviation from independent pricing services. For the years ended December 31, 2012 and 2011, there were no transfers of financial liabilities between Level I, Level II and Level III.

The following tables summarize the changes in fair value in financial assets, which are measured at fair value and characterized as Level III investments, for the years ended December 31, 2013, 2012, and 2011:

	For the Year Ended December 31, 2013					
	Investment in AAA Investments	Investments held by Apollo Senior Loan Fund	Investments in HFA and Other	Athene and AAA Management Fee Derivatives	Investments of Consolidated VIEs	Total
Balance, Beginning of Period	$1,666,448	$590	$50,311	$2,126	$1,643,465	$3,362,940
Elimination of investments attributable to consolidation of VIEs	—	—	—	—	(35,410)	(35,410)
Fees	—	—	—	118,380	—	118,380
Purchases	—	520	4,901	—	1,326,095	1,331,516
Sale of investments/Distributions	(66,796)	(6)	(2,541)	—	(724,666)	(794,009)
Net realized losses	—	—	—	—	(28,717)	(28,717)
Changes in net unrealized gains (losses)	342,399	15	(12,298)	10,203	13,439	353,758
Transfer into Level III	—	831	—	—	977,363	978,194
Transfer out of Level III	—	(1,058)	—	—	(1,252,032)	(1,253,090)
Balance, End of Period	$1,942,051	$892	$40,373	$130,709	$1,919,537	$4,033,562
Change in net unrealized gains (losses) included in Net Gains (Losses) from Investment Activities related to investments still held at reporting date	$342,399	$15	$(12,298)	$—	$—	$330,116
Change in net unrealized (losses) included in Net Gains (Losses) from Investment Activities of Consolidated VIEs related to	$—	$—	$—	$—	$9,083	$9,083

investments still held at reporting date						
Change in net unrealized gains included in Other Income, net related to assets still held at reporting date	$—	$—	$—	$ 10,203	$ —	$ 10,203

Table of Contents

	For the Year Ended December 31, 2012					
	Investment in AAA Investments	Investments held by Apollo Senior Loan Fund	Investments in HFA and Other	Athene and AAA Management Fee Derivatives	Investments of Consolidated VIEs	Total
Balance, Beginning of Period	$1,480,152	$456	$47,757	$—	$246,609	$1,774,974
Transfer in due to consolidation and acquisition	—	—	46,148 (1)	—	1,706,145	1,752,293
Transfer out due to deconsolidation	—	—	(48,037) (1)	—	—	(48,037)
Elimination of investments attributable to consolidation of VIEs	—	—	—	—	(69,437)	(69,437)
Fees	—	—	—	2,126	—	2,126
Purchases	—	496	5,759	—	1,236,232	1,242,487
Sale of investments/Distributions	(101,844)	(1,291)	—	—	(1,561,589)	(1,664,724)
Net realized gains	—	20	—	—	21,603	21,623
Changes in net unrealized gains (losses)	288,140	8	(1,316)	—	(56,013)	230,819
Transfer into Level III	—	1,836	—	—	831,955	833,791
Transfer out of Level III	—	(935)	—	—	(712,040)	(712,975)
Balance, End of Period	$1,666,448	$590	$50,311	$2,126	$1,643,465	$3,362,940
Change in net unrealized gains (losses) included in Net Gains (Losses) from Investment Activities related to investments still held at reporting date	$288,140	$8	$(1,316)	$—	$—	$286,832
Change in net unrealized gains included in Net Gains(Losses) from Investment Activities of Consolidated VIEs related to investments still held at reporting date	$—	$—	$—	$—	$7,464	$7,464

(1) During the third quarter of 2012, the Company deconsolidated GSS Holding (Cayman), L.P., which was consolidated by the Company during the second quarter of 2012.

	For the Year Ended December 31, 2011				
	Investment in AAA Investments	Investments held by Apollo Senior Loan Fund	Investments in HFA and Other	Investments of Consolidated VIEs	Total
Balance, Beginning of Period	$1,637,091	$—	$—	$170,369	$1,807,460
Transfer in due to consolidation and acquisition	—	456	—	335,353	335,809
Expenses incurred	—	—	(3,871)	—	(3,871)
Purchases	432	—	57,509	663,438	721,379
Sale of investments/Distributions	(33,425)	—	—	(273,719)	(307,144)

Net realized gains	—	—	—	980	980
Changes in net unrealized losses	(123,946)	—	(5,881)	(7,669)	(137,496)
Transfer into Level III	—	—	—	160,390	160,390
Transfer out of Level III	—	—	—	(802,533)	(802,533)
Balance, End of Period	$1,480,152	$456	$47,757	$246,609	$1,774,974
Change in net unrealized losses included in Net Gains (Losses) from Investment Activities related to investments still held at reporting date	$(123,946)	$—	$(5,881)	$—	$(129,827)
Change in net unrealized losses included in Net Gains(Losses) from Investment Activities of Consolidated VIEs related to investments still held at reporting date	$—	$—	$—	$(7,253)	$(7,253)

Table of Contents

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

	For the Year Ended December 31,								
	2013			2012			2011		
	Debt of Consolidated VIEs	Contingent Consideration Obligations	Total	Debt of Consolidated VIEs	Contingent Consideration Obligations	Total	Debt of Consolidated VIEs	Contingent Consideration Obligations	Tot
Balance, Beginning of Period	$11,834,955	$142,219	$11,977,174	$3,189,837	$5,900	$3,195,737	$1,127,180	$1,200	$1,
Transfer in due to consolidation and acquisition	—	—	—	7,317,144	117,700	7,434,844	2,046,157	4,700	2,0
Elimination of debt attributable to consolidation of VIEs	3,950	—	3,950	(67,167)	—	(67,167)	(48)	—	(48
Purchase accounting adjustments	—	—	—	—	1,000	1,000	—	—	—
Additions	2,747,033	—	2,747,033	1,639,271	—	1,639,271	454,356	—	454
Payments	(2,218,060)	(67,534)	(2,285,594)	(741,834)	(8,168)	(750,002)	(415,869)	—	(41
Net realized gains	(137,098)	—	(137,098)	—	—	—	(41,819)	—	(41
Changes in net unrealized losses / fair value	232,510	60,826 [1]	293,336	497,704	25,787 [1]	523,491	19,880	—	19,
Transfers into Level III	—	—	—	—	—	—	—	—	—
Transfers out of Level III	(2,469,143)	—	(2,469,143)	—	—	—	—	—	—
Balance, End of Period	$9,994,147	$135,511	$10,129,658	$11,834,955	$142,219	$11,977,174	$3,189,837	$5,900	$3,
Change in net unrealized (gains) losses included in Net Gains (Losses) from Investment Activities of consolidated VIEs related to liabilities still held at	$(18,578)	$—	$(18,578)	$446,649	$—	$446,649	$(25,347)	$—	$(2

reporting date

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

Table of Contents

The following tables summarize the quantitative inputs and assumptions used for financial assets and liabilities categorized in Level III of the fair value hierarchy as of December 31, 2013 and 2012, respectively:

	As of December 31, 2013				
	Fair Value	Valuation Techniques	Unobservable Inputs	Ranges	Weighted Average
Financial Assets					
Investments of Consolidated Apollo Funds:					
AAA Investments[1]	$1,942,051	Net Asset Value	N/A	N/A	N/A
Apollo Senior Loan Fund	892	Third Party Pricing[2]	N/A	N/A	N/A
Investments in HFA and Other	40,373	Third Party Pricing[2]	N/A	N/A	N/A
Athene and AAA Management Fee Derivatives	130,709	Discounted Cash Flows	Discount Rate	15.0%	15.0%
			Implied Multiple	1.1x	1.1x
Investments of Consolidated VIEs:					
Bank Debt Term Loans	18,467	Other	N/A	N/A	N/A
Stocks	7,938	Market Comparable Companies	Comparable Multiples	6.0x - 9.5x	7.9x
Corporate loans/ bonds	1,893,132	Third Party Pricing[2]	N/A	N/A	N/A
Total Investments of Consolidated VIEs	1,919,537				
Total Financial Assets	$4,033,562				
Financial Liabilities					
Liabilities of Consolidated VIEs:					
Subordinated Notes	$835,149	Discounted Cash Flow	Discount Rate	10.0% - 12.0%	10.8%
			Default Rate	1.0% - 1.5%	1.3%
			Recovery Rate	75.0%	75.0%
Senior Secured Notes	2,132,576	Discounted Cash Flow	Discount Rate	1.9% - 2.2%	2.0%
			Default Rate	2.0%	2.0%
			Recovery Rate	30.0% - 70.0%	65.2%
Senior Secured and Subordinated Notes	7,026,422	Third Party Pricing[2]	N/A	N/A	N/A
Total Liabilities of Consolidated VIEs	9,994,147				
Contingent Consideration Obligation	135,511	Discounted Cash Flow	Discount Rate	10.5% - 18.5%	15.3%
Total Financial Liabilities	$10,129,658				

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

	As of December 31, 2013
	% of Investment of AAA Investments

Approximate values based on net asset value of the underlying funds, which are based on the funds underlying investments that are valued using the following:				
Discounted cash flow models	$1,950,010	[3]	100	%
Total Investments	1,950,010		100	%
Other net liabilities[4]	(7,959	)		
Total Net Assets	$1,942,051			

(2) These securities are valued using broker quotes.

(3) Represents the investment by AAA Investments in Athene, which is valued using a discounted cash flow model. The unobservable inputs and respective ranges used in the discounted cash flow model are the same as noted for the Athene and AAA Management Fee Derivatives in the table above.

(4) Balances include other assets, liabilities and general partner interests of AAA Investments. Balance at December 31, 2013 is primarily comprised of net assets allocated to the general partner of $102.1 million less $89.0 million in note receivable from an affiliate. Carrying values approximate fair value for other assets and liabilities (except for the note receivable from an affiliate) and, accordingly, extended valuation procedures are not required. The note receivable from an affiliate is a level III asset valued using a discounted cash flow model. The unobservable inputs and respective ranges used in the discounted cash flow model are the same as noted for the Athene and AAA Management Fee Derivatives in the table above.

Table of Contents

	As of December 31, 2012				
	Fair Value	Valuation Techniques	Unobservable Inputs	Ranges	Weighted Average
Financial Assets					
Investments of Consolidated Apollo Funds:					
AAA Investments[1]	$1,666,448	Net Asset Value	N/A	N/A	N/A
Apollo Senior Loan Fund	590	Third Party Pricing[2]	N/A	N/A	N/A
Investments in HFA and Other	50,311	Third Party Pricing[2]	N/A	N/A	N/A
Athene and AAA Management Fee Derivatives	2,126	Discounted Cash Flows	Discount Rate	15.0%	15.0%
			Implied Multiple	1.23x	1.23x
Investments of Consolidated VIEs					
Bank Debt Term Loans	67,920	Discounted Cash Flow Comparable Yields	Discount Rate	11.8%-25.2%	16.3%
Stocks	3,624	Market Comparable Companies	Comparable Multiples	6.63x	6.63x
Corporate loans/ bonds	1,571,921	Third Party Pricing[2]	N/A	N/A	N/A
Total Investments of Consolidated VIEs	1,643,465				
Total	$3,362,940				
Financial Liabilities					
Liabilities of Consolidated VIEs:					
Subordinated Notes	$195,357	Discounted Cash Flow	Discount Rate	17.0%	17.0%
			Default Rate	1.5%-4.0%	2.4%
			Recovery Rate	80.0%	80.0%
Senior Secured Notes	2,066,250	Discounted Cash Flow	Discount Rate	1.65%-1.95%	1.8%
			Default Rate	2.0%	2.0%
			Recovery Rate	30.0%-60.0%	59.9%
Senior Secured and Subordinated Notes	9,573,348	Third Party Pricing[2]	N/A	N/A	N/A
Total Investments of Consolidated VIEs	11,834,955				
Contingent Consideration Obligation	142,219	Discounted Cash Flow	Discount Rate	7.0%-11.6%	9.4%
Total	$11,977,174				

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

As of December 31, 2012

			% of Investment of AAA Investments	
Approximate values based on net asset value of the underlying funds, which are based on the funds underlying investments that are valued using the following:				
Discounted cash flow models	$1,581,975	(3)	98.6	%
Listed quotes	22,029		1.4	%
Total Investments	1,604,004		100	%
Other net assets(4)	62,444			
Total Net Assets	$1,666,448			

(2) These securities are valued using broker quotes.

(3) Represents the investment by AAA Investments in Athene, which is valued using a discounted cash flow model. The unobservable inputs and respective ranges used in the discounted cash flow model are the same as noted for the Athene and AAA Management Fee Derivatives in the table above.

(4) Balances include other assets, liabilities and general partner interests of AAA Investments. Balance at December 31, 2012 is primarily comprised of $113.3 million in notes receivable from an affiliate less the portion of AAA investments net assets allocated to the general partner of $70.0 million. Carrying values approximate fair value for other assets and liabilities(except for the note receivable from affiliate) and, accordingly, extended valuation procedures are not required. The note receivable from affiliate is a level III investment valued using a discounted cash flow model. The unobservable inputs and respective ranges used in the discounted cash flow model are the same as noted for the Athene and AAA Management Fee Derivatives in the table above.

- 138-

Athene and AAA Management Fee Derivatives

The significant unobservable input used in the fair value measurement of the Athene and AAA management fee derivatives is the discount rate applied in the valuation model. 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. An increase in the discount rate can significantly lower the fair value of an investment; conversely a decrease in the discount rate can significantly increase the fair value of an investment. The discount rate is determined based on the expected required rate of return based on the risk profile of similar cash flows. See note 17 to our consolidated financial statements for further information regarding the Athene and AAA management fee derivatives.

Consolidated VIEs

Investments

The significant unobservable inputs used in the fair value measurement of the bank debt term loans and stocks include the discount rate applied and the multiples applied in the valuation models. These unobservable inputs in isolation can cause significant increases 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 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

The significant unobservable inputs used in the fair value measurement of the subordinated and senior secured notes include the discount rate applied in the valuation models, default and recovery rates applied in the valuation models. These inputs in isolation can cause significant increases 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 subordinated and senior secured notes; conversely a decrease in the discount rate can significantly increase the fair value of subordinated and senior secured notes. The discount rate is determined based on the market rates an investor would expect for similar subordinated and senior secured notes with similar risks.

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 weighted average cost of capital for the Company. See note 18 to our consolidated financial statements for further discussion of the contingent consideration obligation.

See notes 2 and 6 to our consolidated financial statements for further disclosure regarding fair value measurements.

Recent Accounting Pronouncements

A list of recent accounting pronouncements that are relevant to Apollo and its industry is included in note 2 to our consolidated financial statements.

Off-Balance Sheet Arrangements

In the normal course of business, we engage in off-balance sheet arrangements, including transactions in derivatives, guarantees, commitments, indemnifications and potential contingent repayment obligations. See note 18 to our consolidated financial statements for a discussion of guarantees and contingent obligations.

- 139-

Table of Contents

Contractual Obligations, Commitments and Contingencies

As of December 31, 2013, the Company's material contractual obligations consisted of lease obligations, contractual commitments as part of the ongoing operations of the funds and debt obligations. Fixed and determinable payments due in connection with these obligations are as follows:

	2014	2015	2016	2017	2018	Thereafter	Total
	(in thousands)						
Operating lease obligations(1)	$38,649	$38,246	$36,946	$35,020	$31,416	$53,138	$233,415
Other long-term obligations(2)	6,447	929	—	—	—	—	7,376
2013 AMH Credit Facilities - Term Facility(3)	10,259	10,259	10,259	10,259	10,259	750,513	801,808
2013 AMH Credit Facilities - Revolver Facility(4)	625	625	625	625	625	31	3,156
Obligations as of December 31, 2013	$55,980	$50,059	$47,830	$45,904	$42,300	$803,682	$1,045,755

(1) The Company has entered into sublease agreements and is expected to contractually receive approximately $11.2 million over the remaining periods of 2014 and thereafter.

(2) Includes (i) payments on management service agreements related to certain assets and (ii) payments with respect to certain consulting agreements entered into by the Company. Note that a significant portion of these costs are reimbursable by funds.

(3) $750 million of the outstanding Term Facility matures in January 2019. The interest rate on the $750 million Term Facility as of December 31, 2013 was 1.37%. See note 14 of the consolidated financial statements for further discussion of the 2013 AMH Credit Facilities.

(4) The commitment fee as of December 31, 2013 on the $500 million undrawn Revolver Facility was 0.125%. See note 14 of the consolidated financial statements for further discussion of the 2013 AMH Credit Facilities.

Note: Due to the fact that the timing of certain amounts to be paid cannot be determined or for other reasons discussed below, the following contractual commitments have not been presented in the table above.

(i) As noted previously, we have entered into a tax receivable agreement with our Managing Partners and Contributing Partners which requires us to pay to our Managing Partners and Contributing Partners 85% of any tax savings received by APO Corp. from our step-up in tax basis. The tax savings achieved may not ensure that we have sufficient cash available to pay this liability and we might be required to incur additional debt to satisfy this liability.

(ii) Debt amounts related to the consolidated VIEs are not presented in the table above as the Company is not a guarantor of these non-recourse liabilities. See note 5 of our consolidated financial statements for the contractual maturities for the debt of the consolidated VIEs.

Commitments

Certain of our management companies and general partners are committed to contribute to the funds and affiliates. While a small percentage of these amounts are funded by us, the majority of these amounts have historically been funded by our affiliates, including certain of our employees and certain Apollo funds. The table below presents the commitment and remaining commitment amounts of Apollo and its affiliates, the percentage of total fund commitments of Apollo and its affiliates, the commitment and remaining commitment amounts of Apollo only (excluding affiliates), and the percentage of total fund commitments of Apollo only (excluding affiliates) for each private equity, credit and real estate fund as of December 31, 2013 as follows ($ in millions):

Table of Contents

Fund	Apollo and Affiliates Commitments		% of Total Fund Commitments	Apollo Only (Excluding Affiliates) Commitments	Apollo Only (Excluding Affiliates) % of Total Fund Commitments	Apollo and Affiliates Remaining Commitments		Apollo Only (Excluding Affiliates) Remaining Commitments	
Private Equity:									
Fund VIII	$ 1,543.5	(1)(2)	8.4	$ 612.5	3.33	$ 1,525.2	(1)(2)	$ 607.9	
Fund VII	467.2	(1)	3.18	177.8	1.21	112.5	(1)	41.4	
Fund VI	246.2		2.43	6.1	0.06	9.7		0.2	
Fund V	100.0		2.67	0.5	0.01	6.3		—	(3)
Fund IV	100.0		2.78	0.2	0.01	0.5		—	(3)
Fund III	100.6		6.71	—	—	15.5		—	
ANRP	426.1	(1)(2)	32.21	10.1	0.76	293.0	(1)(2)	7.1	
AION	137.6	(2)	36.61	37.6	10.00	113.0	(2)	30.7	
APC	158.4		70.56	0.1	0.04	86.1		0.1	
Apollo Rose, L.P.	215.7	(2)(4)	100	—	—	88.3	(2)(4)	—	
Credit:									
EPF I(5)	369.2	(1)(6)	20.74	24.3	1.37	64.1	(1)(7)	5.8	
EPF II(5)	415.2	(1)(2)	11.34	69.1	1.89	286.1	(1)(2)	49.6	
SOMA(8)	—		—	—	—	—		—	
COF I	450.7	(9)	30.35	29.7	2.00	237.4	(9)	4.2	
COF II	30.5		1.93	23.4	1.48	0.8		0.6	
COF III	296.2	(2)	34.14	21.2	2.44	205.2	(2)	14.7	
ACLF(10)	23.9		2.43	23.9	2.43	19.3		19.3	
Palmetto(11)	18.0		1.19	18.0	1.19	7.6		7.6	
AIE II(5)	8.9		3.15	5.5	1.94	0.9		0.5	
ESDF	50.0		100.00	—	—	—		—	
FCI	150.5		26.93	—	—	72.8		—	
FCI II	169.8		16.95	—	—	164.4		—	
Franklin Fund	9.9		9.09	9.9	9.09	—		—	
Apollo/Palmetto Loan Portfolio, L.P.	300.0	(1)	100.00	—	—	85.0	(1)	—	
Apollo/Palmetto Short-Maturity Loan Portfolio, L.P.	200.0	(1)	100.00	—	—	—	(1)	—	
AESI(5)	4.8		0.99	4.8	0.99	2.0		2.0	
AEC	7.3		2.50	3.2	1.08	2.5		1.1	
ACSP	15.0		2.44	15.0	2.44	8.7		8.7	
Apollo SK Strategic Investments, L.P.	2.0		0.99	2.0	0.99	0.5		0.5	
Stone Tower Structured Credit Recovery Master Fund II, Ltd.	8.1		7.75	—	—	—		—	
Stone Tower Credit Solutions Master Fund, Ltd.	0.9		0.83	—	—	0.9		—	
Stone Tower Credit Strategies Master Fund, Ltd.	9.5		11.68	—	—	—		—	
	14		3.38	14	3.38	12.3		12.3	

Apollo Zeus Strategic Investments, L.P. ("Zeus")						
Real Estate:						
AGRE U.S. Real Estate Fund, L.P.	632.2 [1][2]	72.95	16.5	1.90	339.3 [1][2]	5.0
BEA/ AGRE China Real Estate Fund, L.P.	0.5	1.03	0.5	1.03	0.4	0.4
AGRE Asia Co-Invest I Limited	50.0 [2]	100.00	—	—	35.9 [2]	—
CAI Strategic European Real Estate Ltd.	19.9 [12]	92.13	—	—	3.8	—
CPI Capital Partners North America	7.6	1.27	2.1	0.35	0.6	0.2
CPI Capital Partners Europe[5]	7.5	0.47	—	—	0.6	—
CPI Capital Partners Asia Pacific	6.9	0.53	0.5	0.04	0.3	—
London Prime Apartments Guernsey Holdings Limited (Guernsey)[13]	18.8	7.80	0.6	0.23	8.7	0.3
2012 CMBS I Fund, L.P.	88.2	100.00	—	—	—	—
2012 CMBS II Fund, L.P.	93.5	100.00	—	—	—	—
2011 A4 Fund, L.P.	234.7	100.00	—	—	—	—
AGRE CMBS Fund, L.P.	418.8	100.00	—	—	—	—
Other:						
Apollo SPN Investments I, L.P.	27.8	0.92	27.8	0.92	23.5	23.5
Total	$ 7,656.1		$ 1,156.9		$ 3,833.7	$ 843.7

(1) As of December 31, 2013, Palmetto had commitments and remaining commitment amounts in Fund VII of $110.0 million and $25.6 million, respectively, ANRP of $150.0 million and $103.0 million, respectively, Apollo/Palmetto Loan Portfolio, L.P. of $300.0 million and $85.0 million, respectively, Apollo/Palmetto Short-Maturity Loan Portfolio, L.P. of $200.0 million and $0.0 million, respectively, AGRE U.S. Real Estate Fund, L.P. of $300 million and $216.6 million, respectively, EPF I of $145.6 million and $24.0 million, respectively, EPF II of $75.0 million and $51.2 million, respectively, and Fund VIII of $81.0 million and $79.7 million, respectively. Figures for AGRE U.S. Real Estate Fund, L.P. include Base, Additional, and Co-Invest commitments. A co-invest entity within AGRE U.S. Real Estate Fund, L.P. is denominated in pound sterling and translated into U.S. dollars at an exchange rate of £1.00 to $1.66 as of December 31, 2013.

(2) As of December 31, 2013, Apollo SPN Investments I, L.P. had commitments and remaining commitment amounts in AGRE U.S. Real Estate Fund, L.P. of $150.0 million and $58.0 million, respectively, AGRE Asia Co-Invest I Limited of $50.0 million and $35.9 million, respectively, AION of $100.0 million and $82.3 million, respectively, ANRP of $200.0 million and $137.5 million,

respectively, Apollo Rose of $129.4 million and $53.0 million, respectively, COF III of $150.0 million and $104.0 million, respectively, Fund VIII of $850.0 million and $837.5 million respectively, and EPF II of $200.0 million and $135.5 million, respectively. Figures include base, additional, and co-invest commitments, as it relates to AGRE U.S. Real Estate Fund, L.P.

(3) As of December 31, 2013, Apollo had an immaterial amount of remaining commitments in Fund IV and Fund V. Accordingly, presentation of such remaining commitments was not deemed meaningful for inclusion in the table above.

(4) Of the total commitment and remaining commitment amounts in Apollo Rose, SOMA had $23.5 million and $9.6 million, respectively, and AESI had $23.5 million and $9.6 million respectively.

(5) Apollo's commitment in these funds is denominated in Euros and translated into U.S. dollars at an exchange rate of €1.00 to $1.37 as of December 31, 2013.

(6) Of the total remaining commitment amount in EPF I, AAA Investments (Other), L.P., SOMA and Palmetto have approximately €9.0 million, €12.3 million and €17.4 million, respectively.

(7) Of the total commitment amount in EPF I, AAA Investments (Other), L.P., SOMA and Palmetto have approximately €54.5 million, €75.0 million and €106.0 million, respectively.

(8) Apollo and affiliated investors must maintain an aggregate capital balance in an amount not less than 1% of total capital account balances of the partnership. As of December 31, 2013, Apollo and affiliated investors' capital balances exceeded the 1% requirement and therefore they are not required to fund a capital commitment.

(9) As of December 31, 2013, SOMA had commitments and remaining commitment amounts in COF I of $250.0 million and $202.0 million, respectively.

(10) As of December 31, 2013, the general partner of ACLF Co-Invest, a co-investment vehicle that invests alongside ACLF, had committed an immaterial amount to ACLF Co-Invest. Accordingly, presentation of such commitment was not deemed meaningful for inclusion in the table above.

(11) As of December 31, 2013, commitments in Palmetto also included commitments related to Apollo Palmetto Athene Partnership, L.P.

(12) As of December 31, 2013, EPF I had commitments and remaining commitment amounts in CAI Strategic European Real Estate of €7.5 million and €1.4 million, respectively.

(13) Apollo's commitment in these investments is denominated in pound sterling and translated into U.S. dollars at an exchange rate of £1.00 to $1.66 as of December 31, 2013.

As a limited partner, the general partner and manager of the Apollo private equity, credit and real estate funds, Apollo has unfunded capital commitments at December 31, 2013 and December 31, 2012 of $843.7 million and $258.3 million, respectively.

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

On December 21, 2012, the Company agreed to provide up to $100 million of capital support to Athene to the extent such support was necessary in connection with Athene's then pending acquisition of Aviva USA. The Company's commitment was not called in connection with the closing of the transaction, and as a result, the Company's commitment to provide capital support terminated upon the closing of the transaction on October 2, 2013.

In September 2013, an indirect subsidiary of Apollo Global Management, LLC agreed to invest up to approximately €18.2 million ($23.9 million) in a limited partnership (the "KBCD Partnership"), a wholly-owned subsidiary of which has agreed to acquire a minority stake in KBC Bank Deutschland AG, the German subsidiary of Belgian KBC Group NV (and certain third party purchasers agreed to acquire, in aggregate, all of the other shares in KBC Bank Deutschland AG). The aforementioned indirect subsidiary of Apollo Global Management, LLC is the general partner of the KBCD Partnership. The limited partners in the KBCD Partnership are managed by subsidiaries of Apollo Global Management, LLC. The acquisition is subject to antitrust and regulatory approval, which is expected to take approximately nine months. Consequently, there is no assurance that the acquisition will close.

On October 2, 2013, Athene Holding Ltd. completed the acquisition of Aviva USA, which markets and sells a variety of fixed annuity and life insurance products in the U.S. through its wholly owned subsidiaries Aviva Life and Annuity Company, an Iowa-domiciled stock life insurance company. Athene also announced that it had completed the sale of Aviva USA's life insurance operations to PLIC USA.

The 2013 AMH Credit Facilities, which provide for a variable-rate term loan, will have future impacts on our cash uses. On December 18, 2013, AMH and its consolidated subsidiaries and certain other subsidiaries of the Company (collectively, the "Borrowers") entered into new credit facilities (the "2013 AMH Credit Facilities") with JPMorgan Chase Bank, N.A. The 2013 AMH Credit Facilities provide for (i) a term loan facility to AMH (the “Term Facility”) that includes $750 million of term loan from third-party lenders and $271.7 million of term loan held by a subsidiary of the Company and (ii) a $500 million revolving credit facility (the “Revolver Facility”), in each case, with a final maturity date of January 18, 2019.

Table of Contents

Interest on the borrowings is based on an adjusted LIBOR rate or alternate base rate, in each case plus an applicable margin, and undrawn revolving commitments bear a commitment fee. Under the terms of the 2013 AMH Credit Facilities, the applicable margin ranges from 1.125% to 1.75% for LIBOR loans and 0.125% to 0.75% for alternate base rate loans, and the undrawn revolving commitment fee ranges from 0.125% to 0.25%, in each case depending on the Company's corporate rating assigned by Standard & Poor's Ratings Group, Inc. The 2013 AMH Credit Facilities do not require any scheduled amortization payments or other mandatory prepayments (except with respect to overadvances on the Revolver Facility) prior to the final maturity date, and the Borrowers may prepay the loans and/or terminate or reduce the revolving commitments under the 2013 AMH Credit Facilities at any time without penalty. The interest rate on the $750 million Term Facility as of December 31, 2013 was 1.37% and the commitment fee as of December 31, 2013 on the $500 million undrawn Revolver Facility was 0.125%. Interest expense incurred by the Company related to the 2013 AMH Credit Facilities was $0.4 million for the year ended December 31, 2013.

As of December 31, 2013, $750 million of the Term Facility was outstanding with third-party lenders and there is approximately $271.7 million of the Term Facility that is held by a subsidiary of the Company. As of December 31, 2013 the Revolver Facility was undrawn. The estimated fair value of the Company's long-term debt obligation related to the 2013 AMH Credit Facilities is believed to be approximately $750.0 million based on a yield analysis using available market data of comparable securities with similar terms and remaining maturities. The $750 million carrying value of debt that is recorded on the consolidated statement of financial condition at December 31, 2013 is the amount for which the Company expects to settle the 2013 AMH Credit Facilities.

In accordance with U.S. GAAP, the Company determined that the refinancing of the outstanding loans under the 2007 AMH Credit Agreement resulted in a debt extinguishment. As a result, the Company recorded a loss on extinguishment of $2.7 million, of which $1.6 million related to previously capitalized costs incurred in relation to the 2007 AMH Credit Agreement and $1.1 million related to expenses incurred in relation to the 2013 AMH Credit Facilities, in other income, net in the consolidated statement of operations for the year ended December 31, 2013. In addition, the Company capitalized debt issuance costs of $6.6 million incurred in relation to the 2013 AMH Credit Facilities which was recorded in other assets in the consolidated statement of financial condition as of December 31, 2013 to be amortized over the life of the term loan and line of credit.

The 2013 AMH Credit Facilities are guaranteed and collateralized by AMH and its consolidated subsidiaries, Apollo Management, L.P., Apollo Capital Management, L.P., Apollo International Management, L.P., AAA Holdings, L.P., Apollo Principal Holdings I, L.P., Apollo Principal Holdings II, L.P., Apollo Principal Holdings III, L.P., Apollo Principal Holdings IV, L.P., Apollo Principal Holdings V, L.P., Apollo Principal Holdings VI, L.P., Apollo Principal Holdings VII, L.P., Apollo Principal Holdings VIII, L.P., Apollo Principal Holdings IX L.P., ST Holdings GP, LLC and ST Management Holdings, LLC. The 2013 AMH Credit Facilities contain affirmative and negative covenants which limit the ability of the Borrowers, the guarantors and certain of their subsidiaries to, among other things, incur indebtedness and create liens. Additionally, the 2013 AMH Credit Facilities contain financial covenants which require the Borrowers and their subsidiaries to maintain (1) at least $40 billion of fee-generating Assets Under Management and (2) a maximum total net leverage ratio of not more than 4.00 to 1.00 (subject to customary equity cure rights). The 2013 AMH Credit Facilities also contain customary events of default, including events of default arising from non-payment, material misrepresentations, breaches of covenants, cross default to material indebtedness, bankruptcy and changes in control of the Company. As of December 31, 2013, the Company was not aware of any instances of non-compliance with the financial covenants contained in the 2013 AMH Credit Facilities.

Borrowings under the Revolver Facility may be used for working capital and general corporate purposes, including, without limitation, permitted acquisitions. In addition, the Borrowers may incur incremental facilities in respect of the Revolver Facility and the Term Facility in an aggregate amount not to exceed $500 million plus additional amounts so long as the Borrowers are in compliance with a net leverage ratio not to exceed 3.75 to 1.00.

On June 30, 2008, the Company entered into a credit agreement with Fund VI, pursuant to which, in July 2008, Fund VI advanced $18.9 million of cash that was otherwise distributable to the Company as carried interest pursuant to the Fund VI limited partnership agreement. As of March 10, 2011, $8.0 million of the loan principal was settled and as of August 31, 2013, the remaining principal balance of $10.9 million was settled. Based on a rate of 3.45%, cumulative interest on the loan was $2.4 million.

In accordance with the Shareholders Agreement, we have indemnified the Managing Partners and certain Contributing Partners (at varying percentages) for any carried interest income distributed from Fund IV, Fund V and Fund VI that is subject to contingent repayment by the general partner. As of December 31, 2013 and December 31, 2012, the Company had not recorded an obligation for any previously made distributions.

Contingent Obligations—Carried interest income in private equity and certain credit and real estate funds is subject to reversal in the event of future losses to the extent of the cumulative carried interest recognized in income to date. If all of the existing investments became worthless, the amount of cumulative revenues that has been recognized by Apollo through December 31, 2013 and that would be reversed approximates $4.9 billion. Management views the possibility of all of the investments becoming worthless as remote. Carried interest income is affected by changes in the fair values of the underlying investments in the funds that Apollo manages. Valuations, on an unrealized basis, can be significantly affected by a variety of external factors including, but not limited to, bond yields and industry trading multiples. Movements in these items can affect valuations quarter to quarter even if the underlying business fundamentals remain stable. The table below indicates the potential future reversal of carried interest income:

	As of December 31, 2013
Private Equity Funds:	
Fund VII	$2,197,158
Fund VI	1,495,767
Fund V	81,218
Fund IV	7,647
AAA/Other	228,909
Total Private Equity Funds	4,010,699
Credit Funds:	
U.S. Performing Credit	445,465
Structured Credit	63,429
European Credit Funds	73,800
Non-Performing Loans	189,113
Opportunistic Credit	60,874
Total Credit Funds	832,681
Real Estate Funds:	
CPI Funds	4,755
AGRE U.S. Real Estate Fund, L.P.	5,631
Other	4,831
Total Real Estate Funds	15,217
Total	$4,858,597

Additionally, at the end of the life of certain funds that the Company manages, there could be a payment due to a fund by the Company if the Company as general partner has received more carried interest income than was ultimately earned. This general partner obligation amount, if any, will depend on final realized values of investments at the end of the life of each fund.

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

AGS, one of the Company's subsidiaries, provides underwriting commitments in connection with security offerings to the portfolio companies of the funds we manage. As of December 31, 2013, there were no underwriting commitments outstanding related to such offerings.

Contingent Consideration

In connection with the acquisition of Stone Tower in April 2012, the Company agreed to pay the former owners of Stone Tower a specified percentage of any future carried interest income earned from certain of the Stone Tower funds, CLOs, and strategic investment accounts. This contingent consideration liability had an acquisition date fair value of $117.7 million, which was determined based on the present value of estimated future carried interest payments, and is recorded in profit sharing payable in the consolidated statements of financial condition. The fair value of the contingent obligation was $121.4 million and $126.9 million as of December 31, 2013 and December 31, 2012, respectively.

In connection with the Gulf Stream acquisition, the Company agreed to make payments to the former owners of Gulf Stream under a contingent consideration obligation which required the Company to transfer cash to the former owners of Gulf

Table of Contents

Stream based on a specified percentage of carried interest income. The contingent liability had a fair value of $14.1 million as of December 31, 2013 and December 31, 2012, which was recorded in profit sharing payable in the consolidated statements of financial condition.

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

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

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

The Company has determined that the contingent consideration obligations are categorized as a Level III liability in the fair value hierarchy as the pricing inputs used to determine fair value require significant management judgment and estimation. See note 6 of the consolidated financial statements for further disclosure regarding fair value of the contingent consideration obligation.

Table of Contents

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our predominant exposure to market risk is related to our role as investment manager and general partner for our funds and the sensitivity to movements in the fair value of their investments and resulting impact on carried interest income and management fee revenues. Our direct investments in the funds also expose us to market risk whereby movements in the fair values of the underlying investments will increase or decrease both net gains (losses) from investment activities and income (loss) from equity method investments. For a discussion of the impact of market risk factors on our financial instruments see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies—Investments, at Fair Value."

The fair value of our financial assets and liabilities of our funds may fluctuate in response to changes in the value of investments, foreign exchange, commodities and interest rates. The net effect of these fair value changes impacts the gains and losses from investments in our consolidated statements of operations. However, the majority of these fair value changes are absorbed by the Non-Controlling Interests.

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

Risks are analyzed across funds from the "bottom up" and from the "top down" with a particular focus on asymmetric risk. We gather and analyze data, monitor investments and markets in detail, and constantly strive to better quantify, qualify and circumscribe relevant risks.

Each risk management process is subject to our overall risk tolerance and philosophy and our enterprise-wide risk management framework. This framework includes identifying, measuring and managing market, credit and operational risks at each segment, as well as at the fund and Company level.

Each segment runs its own investment and risk management process subject to our overall risk tolerance and philosophy:

- The investment process of our private equity funds involves a detailed analysis of potential acquisitions, and investment management teams assigned to monitor the strategic development, financing and capital deployment decisions of each portfolio investment.
- Our credit funds continuously monitor a variety of markets for attractive trading opportunities, applying a number of traditional and customized risk management metrics to analyze risk related to specific assets or portfolios, as well as, fund-wide risks.

At the direction of the Company's manager, the Company has established a risk committee comprised of the Company's President, Chief Financial Officer, Chief Legal and Compliance Officer and the Company's global head of risk. The risk committee is tasked with assisting the Company's manager in monitoring and managing enterprise-wide risk. The risk committee generally meets on a weekly basis and reports to the executive committee of the Company's manager at such times as the committee deems appropriate and at least on an annual basis.

On at least a monthly basis, the Company's risk department provides a summary analysis of fund level market and credit risk to the portfolio managers of the Company's funds and the heads of the various business segments. On a periodic basis, the Company's risk department presents a consolidated summary analysis of fund level market and credit risk to the Company's risk committee. In addition, the Company's global head of risk reviews specific investments from the perspective of risk mitigation and discusses such analysis with the Company's risk committee and/or the executive committee of the Company's manager at such times as the Company's global head of risk determines such discussions are warranted. On an annual basis, the Company's global head of risk provides the executive committee of the Company's manager with a comprehensive overview of risk management along with an update on current and future risk initiatives.

Impact on Management Fees—Our management fees are based on one of the following:

- capital commitments to an Apollo fund;
- capital invested in an Apollo fund;
- the gross, net or adjusted asset value of an Apollo fund, as defined; or
- as otherwise defined in the respective agreements.

Management fees could be impacted by changes in market risk factors and management could consider an investment permanently impaired as a result of (i) such market risk factors causing changes in invested capital or in market values to below

Table of Contents

cost, in the case of our private equity funds and certain credit funds, or (ii) such market risk factors causing changes in gross or net asset value, for the credit funds. The proportion of our management fees that are based on NAV is dependent on the number and types of our funds in existence and the current stage of each fund's life cycle.

Impact on Advisory and Transaction Fees—We earn transaction fees relating to the negotiation of private equity, credit and real estate transactions and may obtain reimbursement for certain out-of-pocket expenses incurred. Subsequently, on a quarterly or annual basis, ongoing advisory fees, and additional transaction fees in connection with additional purchases, dispositions, or follow-on transactions, may be earned. Management Fee Offsets and any broken deal costs are reflected as a reduction to advisory and transaction fees from affiliates, net. Advisory and transaction fees will be impacted by changes in market risk factors to the extent that they limit our opportunities to engage in private equity, credit and real estate transactions or impair our ability to consummate such transactions. The impact of changes in market risk factors on advisory and transaction fees is not readily predicted or estimated.

Impact on Carried Interest Income—We earn carried interest income from our funds as a result of such funds achieving specified performance criteria. Our carried interest income will be impacted by changes in market risk factors. However, several major factors will influence the degree of impact:

- the performance criteria for each individual fund in relation to how that fund's results of operations are impacted by changes in market risk factors;
- whether such performance criteria are annual or over the life of the fund;
- to the extent applicable, the previous performance of each fund in relation to its performance criteria; and
- whether each funds' carried interest income is subject to contingent repayment.

As a result, the impact of changes in market risk factors on carried interest income will vary widely from fund to fund. The impact is heavily dependent on the prior and future performance of each fund, and therefore is not readily predicted or estimated.

Market Risk—We are directly and indirectly affected by changes in market conditions. Market risk generally represents the risk that values of assets and liabilities or revenues and expenses will be adversely affected by changes in market conditions. Market risk is inherent in each of our investments and activities, including equity investments, loans, short-term borrowings, long-term debt, hedging instruments, credit default swaps, and derivatives. Just a few of the market conditions that may shift from time to time, thereby exposing us to market risk, include fluctuations in interest and currency exchange rates, equity prices, changes in the implied volatility of interest rates and price deterioration. For example, subsequent to the second quarter of 2007, debt capital markets around the world began to experience significant dislocation, severely limiting the availability of new credit to facilitate new traditional buyouts, and the markets remain volatile. Volatility in debt and equity markets can impact our pace of capital deployment, the timing of receipt of transaction fee revenues, and the timing of realizations. These market conditions could have an impact on the value of investments and our rates of return. Accordingly, depending on the instruments or activities impacted, market risks can have wide ranging, complex adverse affects on our results from operations and our overall financial condition. We monitor our market risk using certain strategies and methodologies which management evaluates periodically for appropriateness. We intend to continue to monitor this risk going forward and continue to monitor our exposure to all market factors.

Interest Rate Risk—Interest rate risk represents exposure we have to instruments whose values vary with the change in interest rates. These instruments include, but are not limited to, loans, borrowings and derivative instruments. We may seek to mitigate risks associated with the exposures by taking offsetting positions in derivative contracts. Hedging instruments allow us to seek to mitigate risks by reducing the effect of movements in the level of interest rates, changes in the shape of the yield curve, as well as, changes in interest rate volatility. Hedging instruments used to mitigate these risks may include related derivatives such as options, futures and swaps.

Credit Risk—Certain of our funds are subject to certain inherent risks through their investments.

Certain of our entities invest substantially all of their excess cash in open-end money market funds and money market demand accounts, which are included in cash and cash equivalents. The money market funds invest primarily in government securities and other short-term, highly liquid instruments with a low risk of loss. We continually monitor the funds' performance in order to manage any risk associated with these investments.

Certain of our entities hold derivative instruments that contain an element of risk in the event that the counterparties may be unable to meet the terms of such agreements. We seek to minimize our risk exposure by limiting the counterparties with

Table of Contents

which we enter into contracts to banks and investment banks who meet established credit and capital guidelines. We do not expect any counterparty to default on its obligations and therefore do not expect to incur any loss due to counterparty default.

Foreign Exchange Risk—Foreign exchange risk represents exposures we have to changes in the values of current holdings and future cash flows denominated in other currencies and investments in non-U.S. companies. The types of investments exposed to this risk include investments in foreign subsidiaries, foreign currency-denominated loans, foreign currency-denominated transactions, and various foreign exchange derivative instruments whose values fluctuate with changes in currency exchange rates or foreign interest rates. Instruments used to mitigate this risk are foreign exchange options, currency swaps, futures and forwards. These instruments may be used to help insulate us against losses that may arise due to volatile movements in foreign exchange rates and/or interest rates.

Non-U.S. Operations—We conduct business throughout the world and are continuing to expand into foreign markets. We currently have offices outside the U.S. in Toronto, London, Frankfurt, Luxembourg, Mumbai, Hong Kong and Singapore, and have been strategically growing our international presence. Our fund investments and our revenues are primarily derived from our U.S. operations. With respect to our non-U.S. operations, we are subject to risk of loss from currency fluctuations, social instability, changes in governmental policies or policies of central banks, expropriation, nationalization, unfavorable political and diplomatic developments and changes in legislation relating to non-U.S. ownership. Our funds also invest in the securities of companies which are located in non-U.S. jurisdictions. As we continue to expand globally, we will continue to focus on monitoring and managing these risk factors as they relate to specific non-U.S. investments.

Sensitivity

Our assets and unrealized gains, and our related equity and net income are sensitive to changes in the valuations of our funds' underlying investments and could vary materially as a result of changes in our valuation assumptions and estimates. See "Item 7. Management's Discussion and Analysis of Financial Conditions and Results of Operations-Critical Accounting Policies-Investments, at Fair Value" for details related to the valuation methods that are used and the key assumptions and estimates employed by such methods. We also quantify the Level III investments that are included on our consolidated statements of financial condition by valuation methodology in "Item 7. Management's Discussion and Analysis of Financial Conditions and Results of Operations-Fair Value Measurements." We employ a variety of valuation methods. Furthermore, the investments that we manage but are not on our consolidated statements of financial condition, and therefore impact carried interest, also employ a variety of valuation methods of which no single methodology is used more than any other. A 10% change in any single key assumption or estimate that is employed by any of the valuation methodologies that we use will generally not have a material impact on our financial results. Changes in fair value will have the following impacts before a reduction of profit sharing expense and Non-Controlling Interests in the Apollo Operating Group and on a pre-tax basis on our results of operations for the years ended December 31, 2013 and 2012:

- Management fees from the funds in our credit segment are based on the net asset value of the relevant fund, gross assets, capital commitments or invested capital, each as defined in the respective management agreements. Changes in the fair values of the investments in credit funds that earn management fees based on net asset value or gross assets will have a direct impact on the amount of management fees that are earned. Management fees earned from our credit segment on a segment basis that were dependent upon estimated fair value during the years ended December 31, 2013 and 2012 would decrease by approximately \$21.3 million and \$11.9 million, respectively, if the fair values of the investments held by such funds were 10% lower during the same respective periods. By contrast, a 10% increase in fair value would increase management fees for the years ended December 31, 2013 and 2012 by approximately \$21.0 million and \$9.8 million, respectively.
- Management fees for our private equity funds, excluding AAA, range from 0.65% to 1.50% and are charged on either (a) a fixed percentage of committed capital over a stated investment period or (b) a fixed percentage of invested capital of unrealized portfolio investments. Changes in values of investments could indirectly affect future management fees from private equity funds by, among other things, reducing the funds' access to capital or liquidity and their ability to currently pay the management fees or if such change resulted in a write-down of investments below their associated invested capital.

- Other income, net earned from derivative contracts related to the amended services contract with Athene and Athene Life Re Ltd. and the Amended AAA Services Agreement would decrease by approximately $8.5 million and $0.0 million for the years ended December 31, 2013 and 2012, respectively, if the fair value of the accrued notional shares of Athene Holding Ltd. decreased by 10% during the same respective periods. By contrast, a 10% increase in fair value of the accrued notional shares of Athene Holding Ltd. would increase other income, net for the years ended December 31, 2013 and 2012 by approximately $8.5 million and $0.0 million, respectively.

Table of Contents

- Carried interest income from most of our credit funds, which are quantified in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations-Segment Analysis," are impacted directly by changes in the fair value of their investments. Carried interest income from most of our credit funds generally is earned based on achieving specified performance criteria. We anticipate that a 10% decline in the fair values of investments held by all of the credit funds at December 31, 2013 and 2012 would decrease carried interest income on a segment basis for the years ended December 31, 2013 and 2012 by approximately $203.7 million and $289.4 million, respectively. Additionally, the changes to carried interest income from most of our credit funds assume there is no loss in the fund for the relevant period. If the fund had a loss for the period, no carried interest income would be earned by us. By contrast, a 10% increase in fair value would increase carried interest income on a segment basis for the years ended December 31, 2013 and 2012 by approximately $240.1 million and $256.6 million, respectively.
- Carried interest income from private equity funds generally is earned based on achieving specified performance criteria and is impacted by changes in the fair value of their fund investments. We anticipate that a 10% decline in the fair values of investments held by all of the private equity funds at December 31, 2013 and 2012 would decrease carried interest income on a segment basis for the years ended December 31, 2013 and 2012 by $524.8 million and $848.4 million, respectively. The effects on private equity fees and income assume that a decrease in value does not cause a permanent write-down of investments below their associated invested capital. By contrast, a 10% increase in fair value would increase carried interest income on a segment basis for the years ended December 31, 2013 and 2012 by $484.5 million and $789.2 million, respectively.
- Carried interest income from real estate funds generally is earned based on achieving specified performance criteria and is impacted by changes in the fair value of their fund investments. We anticipate that a 10% decline in the fair values of investments held by all of the real estate funds at December 31, 2013 and 2012 would decrease carried interest income on a segment basis for the years ended December 31, 2013 and 2012 by $6.0 million and $4.4 million, respectively. The effects on real estate fees and income assume that a decrease in value does not cause a permanent write-down of investments below their associated invested capital. By contrast, a 10% increase in fair value would increase carried interest income on a segment basis for the years ended December 31, 2013 and 2012 by $16.1 million and $1.9 million, respectively.
- For select Apollo funds, our share of investment income as a limited partner in such funds is derived from unrealized gains or losses on investments in funds included in the consolidated financial statements. For funds in which we have an interest, but are not included in our consolidated financial statements, our share of investment income is limited to our ARI and AMTG RSUs and direct investments in the funds, which ranges from 0.01% to 9.97%. A 10% decline in the fair value of investments at December 31, 2013 and 2012 would result in an approximate $39.8 million and $35.9 million decrease in investment income at the consolidated level, respectively. By contrast, a 10% increase in the fair value of investments at December 31, 2013 and 2012 would result in an approximate $39.8 million and $35.9 million increase in investment income at the consolidated level, respectively.

Table of Contents

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Index to Consolidated Financial Statements

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
To the Board of Directors and Shareholders of
Apollo Global Management, LLC
New York, New York

We have audited the accompanying consolidated statements of financial condition of Apollo Global Management, LLC and subsidiaries (the "Company") as of December 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive income (loss), changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2013. We also have audited the Company's internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control-Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Apollo Global Management, LLC and subsidiaries as of December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on the criteria established in Internal Control-Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ Deloitte & Touche LLP
New York, New York
March 3, 2014

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
DECEMBER 31, 2013 AND DECEMBER 31, 2012
(dollars in thousands, except share data)

	December 31, 2013	2012
Assets:		
Cash and cash equivalents	$1,078,120	$946,225
Cash and cash equivalents held at consolidated funds	1,417	1,226
Restricted cash	9,199	8,359
Investments	2,393,883	2,138,096
Assets of consolidated variable interest entities:		
Cash and cash equivalents	1,095,170	1,682,696
Investments, at fair value	14,126,362	12,689,535
Other assets	280,718	299,978
Carried interest receivable	2,287,075	1,878,256
Due from affiliates	317,247	173,312
Fixed assets, net	40,251	53,452
Deferred tax assets	660,199	542,208
Other assets	44,170	36,765
Goodwill	49,243	48,894
Intangible assets, net	94,927	137,856
Total Assets	$22,477,981	$20,636,858
Liabilities and Shareholders' Equity		
Liabilities:		
Accounts payable and accrued expenses	$38,159	$38,337
Accrued compensation and benefits	41,711	56,125
Deferred revenue	279,479	252,157
Due to affiliates	595,371	477,451
Profit sharing payable	992,240	857,724
Debt	750,000	737,818
Liabilities of consolidated variable interest entities:		
Debt, at fair value	12,423,962	11,834,955
Other liabilities	605,063	634,053
Other liabilities	63,274	44,855
Total Liabilities	15,789,259	14,933,475
Commitments and Contingencies (see note 18)		
Shareholders' Equity:		
Apollo Global Management, LLC shareholders' equity:		
Class A shares, no par value, unlimited shares authorized, 146,280,784 shares and 130,053,993 shares issued and outstanding at December 31, 2013 and December 31, 2012, respectively	—	—
Class B shares, no par value, unlimited shares authorized, 1 share issued and outstanding at December 31, 2013 and December 31, 2012	—	—
Additional paid in capital	2,624,582	3,043,334
Accumulated deficit	(1,568,487)	(2,142,020)
Appropriated partners' capital	1,581,079	1,765,360
Accumulated other comprehensive income	95	144
Total Apollo Global Management, LLC shareholders' equity	2,637,269	2,666,818

Non-Controlling Interests in consolidated entities	2,669,730	1,893,212
Non-Controlling Interests in Apollo Operating Group	1,381,723	1,143,353
Total Shareholders' Equity	6,688,722	5,703,383
Total Liabilities and Shareholders' Equity	$22,477,981	$20,636,858

See accompanying notes to consolidated financial statements.

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011
(dollars in thousands, except share data)

	2013	2012	2011
Revenues:			
Advisory and transaction fees from affiliates, net	$196,562	$149,544	$81,953
Management fees from affiliates	674,634	580,603	487,559
Carried interest income (loss) from affiliates	2,862,375	2,129,818	(397,880)
Total Revenues	3,733,571	2,859,965	171,632
Expenses:			
Compensation and benefits:			
Equity-based compensation	126,227	598,654	1,149,753
Salary, bonus and benefits	294,753	274,574	251,095
Profit sharing expense	1,173,255	872,133	(60,070)
Total Compensation and Benefits	1,594,235	1,745,361	1,340,778
Interest expense	29,260	37,116	40,850
Professional fees	83,407	64,682	59,277
General, administrative and other	98,202	87,961	75,558
Placement fees	42,424	22,271	3,911
Occupancy	39,946	37,218	35,816
Depreciation and amortization	54,241	53,236	26,260
Total Expenses	1,941,715	2,047,845	1,582,450
Other Income:			
Net gains (losses) from investment activities	330,235	288,244	(129,827)
Net gains (losses) from investment activities of consolidated variable interest entities	199,742	(71,704)	24,201
Income from equity method investments	107,350	110,173	13,923
Interest income	12,266	9,693	4,731
Other income, net	40,114	1,964,679	205,520
Total Other Income	689,707	2,301,085	118,548
Income (loss) before income tax provision	2,481,563	3,113,205	(1,292,270)
Income tax provision	(107,569)	(65,410)	(11,929)
Net Income (Loss)	2,373,994	3,047,795	(1,304,199)
Net (income) loss attributable to Non-controlling Interests	(1,714,603)	(2,736,838)	835,373
Net Income (Loss) Attributable to Apollo Global Management, LLC	$659,391	$310,957	$(468,826)
Distributions Declared per Class A Share	$3.95	$1.35	$0.83
Net Income Per Class A Share:			
Net Income (Loss) Available to Class A Share – Basic	$4.06	$2.06	$(4.18)
Net Income (Loss) Available to Class A Share –Diluted	$4.03	$2.06	$(4.18)
Weighted Average Number of Class A Shares – Basic	139,173,386	127,693,489	116,364,110
Weighted Average Number of Class A Shares – Diluted	142,214,350	129,540,377	116,364,110

See accompanying notes to consolidated financial statements.

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
CONSOLIDATED STATEMENTS OF
COMPREHENSIVE INCOME (LOSS)
YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011
(dollars in thousands, except share data)

	2013	2012	2011
Net Income (Loss)	$2,373,994	$3,047,795	$(1,304,199)
Other Comprehensive Income, net of tax:			
Net unrealized gain on interest rate swaps (net of taxes of $0, $410, and $855 for Apollo Global Management, LLC and $0 for Non-Controlling Interests in Apollo Operating Group for the years ended December 31, 2013, 2012, and 2011, respectively)	—	2,653	6,728
Net loss on available-for-sale securities (from equity method investment)	(8)	(11)	(225)
Total Other Comprehensive (Loss) Income, net of tax	(8)	2,642	6,503
Comprehensive Income (Loss)	2,373,986	3,050,437	(1,297,696)
Comprehensive (Income) Loss attributable to Non-Controlling Interests	(1,564,710)	(922,172)	1,032,502
Comprehensive Income (Loss) Attributable to Apollo Global Management, LLC	$809,276	$2,128,265	$(265,194)

See accompanying notes to consolidated financial statements.

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
CONSOLIDATED STATEMENTS OF CHANGES
IN SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011
(dollars in thousands, except share data)

	Apollo Global Management, LLC Shareholders								
	Class A Shares	Class B Shares	Additional Paid in Capital	Accumulated Deficit	Appropriated Partners' Capital	Accumulated Other Comprehensive (Loss) Income	Total Apollo Global Management, LLC Total Shareholders' Equity	Non-Controlling Interests in Consolidated Entities	Non-Controlling Interests in Apollo Operating Group
Balance at January 1, 2011	97,921,232	1	$2,078,890	$(1,937,818)	$11,359	$(1,529)	$150,902	$1,888,224	$1,042,293
Issuance of Class A Shares	21,500,000	—	382,488	—	—	—	382,488	—	—
Dilution impact of issuance Class A shares	—	—	132,709	—	—	(356)	132,353	—	(127,096)
Capital increase related to equity based compensation	—	—	451,543	—	—	—	451,543	—	696,361
Distributions	—	—	(115,139)	—	—	—	(115,139)	(349,509)	(199,199)
Distributions related to deliveries of Class A shares for RSUs	4,631,906	—	11,680	(17,081)	—	—	(5,401)	—	—
Repurchase for net settlement of Class A shares	(130,096)	—	—	(2,472)	—	—	(2,472)	—	—
Non-cash distribution	—	—	—	—	—	—	—	(3,176)	—
Net transfers of AAA ownership interest to (from) Non-Controlling Interests in consolidated entities	—	—	(6,524)	—	—	—	(6,524)	6,524	—
Satisfaction of liability related to AAA RDUs	—	—	3,845	—	—	—	3,845	—	—
Net (loss) income	—	—	—	(468,826)	202,235	—	(266,591)	(97,296)	(940,312)
Net loss on available-for-sale securities (from	—	—	—	—	—	(225)	(225)	—	—

equity method investment)									
Net unrealized gain on interest rate swaps (net of taxes of $855 and $0 for Apollo Global Management, LLC and Non-Controlling Interests in Apollo Operating Group, respectively	—	—	—	—	—	1,622	1,622	—	5,106
Balance at December 31, 2011	123,923,042	1	$2,939,492	$(2,426,197)	$213,594	$(488)	$726,401	$1,444,767	$477,153
Dilution impact of issuance of Class A shares	—	—	1,589	—	—	—	1,589	—	—
Capital increase related to equity-based compensation	—	—	282,288	—	—	—	282,288	—	313,856
Capital contributions	—	—	—	—	—	—	—	551,154	—
Distributions	—	—	(203,997)	—	(264,910)	—	(468,907)	(495,506)	(335,023)
Distributions related to deliveries of Class A shares for RSUs	6,130,951	—	9,090	(25,992)	—	—	(16,902)	—	—
Purchase of AAA units	—	—	—	—	—	—	—	(102,072)	—
Non-cash distributions	—	—	—	(788)	—	—	(788)	(3,605)	—
Non-cash contribution to Non-Controlling Interests	—	—	—	—	—	—	—	2,547	—
Capital increase related to business acquisition (note 3)	—	—	14,001	—	—	—	14,001	—	—
Non-Controlling Interests in consolidated entities at acquisition date	—	—	—	—	—	—	—	306,351	—

Deconsolidation	—	—	—	—	—	—	—	(46,148)	—
Net transfers of AAA ownership interest to (from) Non-Controlling Interests in consolidated entities	—	—	(919)	—	—	—	(919)	919	—
Satisfaction of liability related to AAA RDUs	—	—	1,790	—	—	—	1,790	—	—
Net income	—	—	—	310,957	1,816,676	—	2,127,633	234,805	685,357
Net loss on available-for-sale securities (from equity method investment)	—	—	—	—	—	(11)	(11)	—	—
Net unrealized gain on interest rate swaps (net of taxes of $410 and $0 for Apollo Global Management, LLC and Non-Controlling Interests in Apollo Operating Group, respectively)	—	—	—	—	—	643	643	—	2,010
Balance at December 31, 2012	130,053,993	1	$3,043,334	$(2,142,020)	$1,765,360	$144	$2,666,818	$1,893,212	$1,143,353
Dilution impact of issuance of Class A shares	—	—	4,865	—	—	—	4,865	—	—
Capital increase related to equity-based compensation	—	—	104,935	—	—	—	104,935	—	19,163
Capital contributions	—	—	—	—	—	—	—	689,172	—
Distributions	—	—	(650,189)	—	(334,215)	—	(984,404)	(159,573)	(975,488)
Distributions related to deliveries of Class A shares for RSUs	5,181,389	—	37,263	(85,858)	—	—	(48,595)	—	—
Purchase of AAA units	—	—	—	—	—	—	—	(62,326)	—
	—	—	(2,226)	—	—	—	(2,226)	2,226	—

Net transfers of AAA ownership interest to (from) Non-Controlling Interests in consolidated entities									
Satisfaction of liability related to AAA RDUs	—	—	1,205	—	—	—	1,205	—	—
Exchange of AOG Units for Class A Shares	11,045,402	—	85,395	—	—	—	85,395	—	(62,996)
Net income	—	—	—	659,391	149,934	—	809,325	307,019	1,257,650
Net (loss) gain on available-for-sale securities (from equity method investment)	—	—	—	—	—	(49)	(49)	—	41
Balance at December 31, 2013	146,280,784	1	$2,624,582	$(1,568,487)	$1,581,079	$95	$2,637,269	$2,669,730	$1,381,723

See accompanying notes to consolidated financial statements.

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011
(dollars in thousands, except share data)

	2013	2012	2011
Cash Flows from Operating Activities:			
Net income (loss)	$2,373,994	$3,047,795	$(1,304,199)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Equity-based compensation	126,227	598,654	1,149,753
Depreciation and amortization	11,047	10,226	11,132
Amortization of intangible assets	43,194	43,010	15,128
Amortization of debt issuance costs	765	511	511
Unrealized losses from investment in HFA and other investments	12,962	1,316	5,881
Non-cash interest income	(3,403)	(3,187)	(2,486)
Income (Loss) from equity awards received for directors’ fees	378	(2,536)	(19)
Income from equity method investment	(107,350)	(110,173)	(13,923)
Unrealized gain on market value on derivatives	(10,203)	—	—
Waived management fees	—	(6,161)	(23,549)
Non-cash compensation expense related to waived management fees	—	6,161	23,549
Change in fair value of contingent obligations	60,826	25,787	—
Excess tax benefits from share-based payment arrangements	(37,263)	—	—
Deferred taxes, net	62,701	55,309	10,580
Loss on fixed assets	963	923	570
Gain on business acquisitions	—	(1,951,897)	(196,193)
Changes in assets and liabilities:			
Carried interest receivable	(408,819)	(973,578)	998,491
Due from affiliates	(130,525)	5,779	(30,241)
Other assets	6,250	(7,901)	(7,019)
Accounts payable and accrued expenses	34,034	559	3,079
Accrued compensation and benefits	(17,244)	8,007	(6,128)
Deferred revenue	27,322	15,000	(21,934)
Due to affiliates	(44,223)	(103,773)	43,767
Profit sharing payable	141,225	361,606	(325,229)
Other liabilities	(5,822)	(5,052)	5,778
Apollo Funds related:			
Net realized (gains) losses from investment activities	(87,881)	(77,408)	11,313
Net unrealized (gains) losses from investment activities	(309,138)	(458,031)	113,114
Net realized gains on debt	(137,098)	—	(41,819)
Net unrealized losses on debt	232,510	497,704	19,880
Distributions from investment activities	66,796	99,675	30,248
Cash transferred from consolidated funds	—	—	6,052
Change in cash held at consolidated variable interest entities	587,526	(348,138)	(17,400)
Purchases of investments	(9,841,763)	(7,525,473)	(1,294,477)
Proceeds from sale of investments and liquidating distributions	8,422,195	7,182,392	1,530,194
Change in other assets	19,260	(71,921)	(7,109)
Change in other liabilities	(64,061)	(49,634)	56,526
Net Cash Provided by Operating Activities	$1,025,382	$265,551	$743,821

Cash Flows from Investing Activities:			
Purchases of fixed assets	(7,577)	(11,259)	(21,285)
Acquisitions (net of cash assumed) (see note 3)	—	(99,190)	(29,632)
Proceeds from disposals of fixed assets	2,282	—	631
Purchase of investment in HFA (see note 4)	—	—	(52,142)
Investment in Apollo Senior Loan Fund (see note 4)	—	—	(26,000)
Cash contributions to equity method investments	(98,422)	(126,917)	(64,226)
Cash distributions from equity method investments	216,284	152,645	64,844
Change in restricted cash	(840)	(70)	(1,726)
Net Cash Provided by (Used in) Investing Activities	$111,727	$(84,791)	$(129,536)
Cash Flows from Financing Activities:			
Issuance of Class A shares	$—	$—	$383,990
Repurchase of Class A shares related to net share settlement	—	—	(2,472)
Principal repayments of debt and repurchase of debt	(737,818)	(698)	(1,939)
Issuance costs	(7,750)	—	(1,502)
Issuance of debt	750,000	—	—
Satisfaction of tax receivable agreement	(30,403)	—	—
Satisfaction of contingent obligations	(67,535)	—	—
Distributions related to deliveries of Class A shares for RSUs	(85,858)	(25,992)	(17,081)
Distributions to Non-Controlling Interests in consolidated entities	(12,171)	(8,779)	(13,440)
Contributions from Non-Controlling Interests in consolidated entities	273	4,069	—
Distributions paid	(584,465)	(202,430)	(102,598)
Distributions paid to Non-Controlling Interests in Apollo Operating Group	(975,488)	(335,023)	(199,199)
Excess tax benefits from share-based payment arrangements	37,263	—	—
Apollo Funds related:			
Issuance of debt	2,747,033	1,413,334	454,356
Principal repayment of debt	(2,218,060)	(515,897)	(415,869)
Purchase of AAA units	(62,326)	(102,072)	—
Distributions paid	(334,215)	(264,910)	—
Distributions paid to Non-Controlling Interests in consolidated variable interest entities	(147,402)	(486,727)	(308,785)
Contributions from Non-Controlling Interests in consolidated variable interest entities	688,899	547,085	—
Distributions to Non Controlling Interests in consolidated entities	—	—	(27,284)
Subscriptions received in advance	35,000	—	—
Net Cash (Used in) Provided by Financing Activities	$(1,005,023)	$21,960	$(251,823)
Net Increase in Cash and Cash Equivalents	132,086	202,720	362,462
Cash and Cash Equivalents, Beginning of Period	947,451	744,731	382,269
Cash and Cash Equivalents, End of Period	$1,079,537	$947,451	$744,731
Supplemental Disclosure of Cash Flow Information:			
Interest paid	$43,760	$49,590	$49,296
Interest paid by consolidated variable interest entities	120,149	116,392	20,892
Income taxes paid	9,233	7,128	10,732
Supplemental Disclosure of Non-Cash Investing Activities:			
Non-cash contributions on equity method investments	$—	$4,866	$9,847
Non-cash distributions from equity method investments	(1,303)	(2,807)	(703)
Transfer of fixed assets held-for-sale	6,486	—	—
Non-cash sale of assets held-for-sale for repayment of CIT loan	—	—	(11,069)
Non-cash contributions from investing activities	—	—	3,176

Change in accrual for purchase of fixed assets	—	(659)	967
Supplemental Disclosure of Non-Cash Financing Activities:			
Non-cash distributions	$—	$(788)	$—
Declared and unpaid distributions	(65,724)	(1,567)	(12,541)
Non-cash distributions to Non-Controlling Interests in consolidated entities	—	(3,605)	(3,176)
Non-cash contributions from Non-Controlling Interests in Apollo Operating Group related to equity-based compensation	19,163	313,856	696,361
Non-cash contributions from Non-Controlling Interests in consolidated entities	—	2,547	—
Unrealized gain on interest rate swaps to Non-Controlling Interests in Apollo Operating Group, net of taxes	—	2,010	5,106
Satisfaction of liability related to AAA RDUs	1,205	1,790	3,845
Net transfers of AAA ownership interest to Non-Controlling Interests in consolidated entities	2,226	919	6,524
Net transfer of AAA ownership interest from Apollo Global Management, LLC	(2,226)	(919)	(6,524)
Unrealized gain on interest rate swaps	—	1,053	2,477
Unrealized loss on available for sale securities (from equity method investment)	(49)	(11)	(225)
Capital increases related to equity-based compensation	104,935	282,228	451,543
Dilution impact of issuance of Class A shares	4,865	1,589	132,353
Dilution impact of issuance of Class A shares on Non-Controlling Interests in Apollo Operating Group	—	—	(127,096)
Deferred tax asset related to interest rate swaps	—	(410)	(855)
Tax benefits related to deliveries of Class A shares for RSUs	—	(9,090)	(11,680)
Capital increase related to business acquisition	—	14,001	—
Satisfaction of liability related to repayment on CIT	—	—	11,069
Net Assets Transferred from Consolidated Funds			
Cash	$—	$—	$6,052
Investments	—	—	24,213
Other assets	—	—	609
Other liabilities	—	—	(4,874)
Net Assets Transferred from Consolidated Variable Interest Entity:			
Cash	$—	$1,161,016	$68,586
Investments	—	8,805,916	2,195,986
Other assets	—	169,937	14,039
Debt	—	(7,255,172)	(2,046,157)
Other liabilities	—	(560,262)	(31,959)
Non-Controlling interest in consolidated entities related to acquisition	—	260,203	—
Adjustments related to exchange of Apollo Operating Group units:			
Deferred tax assets	$149,327	$—	$—
Due to affiliates	(126,928)	—	—
Additional paid in capital	(22,399)	—	—
Non-Controlling Interest in Apollo Operating Group	62,996	—	—

See accompanying notes to consolidated financial statements.

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

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

- Private equity—primarily invests in control equity and related debt instruments, convertible securities and distressed debt investments;
- Credit—primarily invests in non-control corporate and structured debt instruments; and
- Real estate—primarily invests in real estate equity for the acquisition and recapitalization of real estate assets, portfolios, platforms and operating companies, and real estate debt including first mortgage and mezzanine loans, preferred equity and commercial mortgage backed securities.

Basis of Presentation
The accompanying consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The 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 and for which the Company is considered the primary beneficiary, and certain entities which are not considered variable interest entities but which the Company controls through a majority voting interest. Intercompany accounts and transactions have been eliminated upon consolidation.
Certain reclassifications, when applicable, have been made to the prior period's consolidated financial statements and notes to conform to the current period's presentation and are disclosed accordingly.
Organization of the Company
The Company was formed as a Delaware limited liability company on July 3, 2007 and completed a reorganization of its predecessor businesses on July 13, 2007 (the “2007 Reorganization”). The Company is managed and operated by its manager, AGM Management, LLC, which in turn is indirectly wholly-owned and controlled by Leon Black, Joshua Harris and Marc Rowan (the "Managing Partners").
As of December 31, 2013, the Company owned, through three intermediate holding companies that include APO Corp., a Delaware corporation that is a domestic corporation for U.S. Federal income tax purposes, APO Asset Co., LLC, a Delaware limited liability company that is a disregarded entity for U.S. Federal income tax purposes, and APO (FC), LLC, an Anguilla limited liability company that is treated as a corporation for U.S. Federal income tax purposes (collectively, the “Intermediate Holding Companies”), 39.0% of the economic interests of, and operated and controlled all of the businesses and affairs of, the Apollo Operating Group through its wholly-owned subsidiaries.
A.P. 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 December 31, 2013, Holdings owned the remaining 61.0% 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 consolidated financial statements.
Apollo also entered into an exchange agreement with Holdings (as amended, the “Exchange Agreement”) that allows the holders of the AOG Units (and certain permitted transferees thereof), subject to the applicable vesting and minimum retained ownership requirements and transfer restrictions to exchange, upon notice (subject to the terms of the

Exchange Agreement), their AOG Units for the Company’s Class A shares on a one-for-one basis up to four times each year, subject to customary conversion rate adjustments for splits, distributions and reclassifications. Under the Exchange Agreement, a holder of AOG Units must simultaneously exchange one partnership unit in each of the Apollo Operating Group partnerships to effectuate an exchange for one Class A share. As a holder exchanges its AOG Units, the Company's indirect interest in the Apollo Operating Group will be correspondingly increased.

On April 4, 2011, the Company completed the initial public offering ("IPO") of its Class A shares, representing limited liability company interests of the Company. The Company received net proceeds from the IPO of approximately $382.5 million, which were used to acquire additional AOG Units. As a result, Holdings' ownership interest in the Apollo Operating Group decreased from 70.7% to 66.5% and Apollo Global Management, LLC's ownership interest in the Apollo Operating Group increased from 29.3% to 33.5% upon consummation of the IPO. As such, the difference between the fair value of the consideration paid for the Apollo Operating Group level ownership interest and the book value on the date of the IPO is reflected in Additional Paid in Capital.

On May 15, 2013, the Company completed its public offering for resale of approximately 24.3 million Class A shares owned by the California Public Employees' Retirement System, or "CalPERS," and an affiliate of the Abu Dhabi Investment Authority (the "Strategic Investors") and certain of its Managing Partners, Contributing Partners and employees (collectively, the "Selling Shareholders") at a price to the public of $25.00 per Class A share, which included approximately 3.2 million Class A shares sold by the Selling Shareholders upon the exercise in full of the underwriters' option to purchase additional shares (the "Secondary Offering"). In connection with the Secondary Offering, certain holders of AOG Units exchanged their AOG Units for Class A shares and approximately 8.8 million Class A shares were issued by the Company in the exchange. No proceeds were received by the Company from the sale of Class A shares by the Selling Shareholders in the Secondary Offering. All underwriting costs were borne by the Selling Shareholders. The Company incurred approximately $3.0 million of fees for the year ended December 31, 2013, consisting of legal and professional fees and filing costs, as a result of the Secondary Offering.

As a result of the exchange of AOG Units into Class A shares from the Secondary Offering, the Company's economic interest in the Apollo Operating Group increased from 35.6% to 38.0% and Holdings' economic interest in the Apollo Operating Group decreased from 64.4% to 62.0%. The dilution of Holdings' economic interests in the Apollo Operating Group from the Secondary Offering is reflected in the consolidated statements of changes in shareholders' equity in the line titled Exchange of AOG Units for Class A shares, where $50.8 million was transferred to Apollo Global Management, LLC's shareholders' equity from Non-Controlling Interests in the Apollo Operating Group.

Additionally, as a result of the exchange of AOG Units into Class A shares, the Company recognized a step-up in tax basis of certain assets and liabilities. Similar to in our 2007 Reorganization, the Company recognized an increase in the Company's deferred tax assets, tax receivable agreement liability and shareholders' equity as a result of the exchange of AOG Units into Class A shares. See note 13 and note 17 for a discussion of the increase in the Company's deferred tax assets, tax receivable agreement liability and additional paid in capital as a result of the exchange of AOG Units into Class A shares.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Pursuant to its consolidation policy, the Company first considers the appropriate consolidation guidance to apply including consideration of whether the entity qualifies for certain scope exceptions and whether the entity should be evaluated under either the previous rules on consolidation of variable interest entities ("VIEs") or the amended consolidation rules depending on whether or not the entity qualifies for the deferral as further described below. The Company then performs an assessment to determine whether that entity qualifies as a VIE. An entity in which Apollo holds a variable interest is a VIE if any one of the following conditions exist: (a) the total equity investment at risk is not sufficient to permit the legal entity to finance its activities without additional subordinated financial support, (b) the holders of equity investment at risk (as a group) lack either the direct or indirect ability through voting rights or similar rights to make decisions about a legal entity's activities that have a significant effect on the success of the legal entity or the obligation to absorb the expected losses or right to receive the expected residual returns, or (c) the voting rights of some investors are disproportionate to their obligation to absorb the expected losses of the legal entity, their rights to receive the expected residual returns of the legal entity, or both and substantially all of the legal entity's activities either involve or are conducted on behalf of an investor with disproportionately few voting rights. Entities that do not qualify as VIEs are generally assessed for consolidation as voting interest entities (“VOEs”) under the voting interest model.

Under the voting interest model, Apollo consolidates those entities it controls through a majority voting interest or through other means, including those VOEs in which the general partner is presumed to have control. Apollo does not consolidate those VOEs in which the presumption of control by the general partner has been overcome through either the granting of substantive rights to the unaffiliated investors to either dissolve the fund or remove the general partner (“kick-out rights”) or the granting of substantive participating rights.

As previously indicated, the consolidation assessment, including the determination as to whether an entity qualifies as a VIE depends on the facts and circumstances surrounding each entity and therefore certain of Apollo's funds may qualify as VIEs whereas others may qualify as VOEs. The granting of substantive kick-out rights is a key consideration in determining whether an entity is a VIE and whether or not that entity should be consolidated. For example, when the unaffiliated holders of equity investment at risk of a fund with sufficient equity to permit the fund to finance its activities without additional subordinated financial support are not granted substantive kick-out rights and the Company is not part of the group of holders of equity investment at risk, the fund is generally determined to be a VIE, as the holders of equity investment at risk as a group lack the direct or indirect ability through voting rights or similar rights to make decisions that have a significant effect on the success of the legal entity. Alternatively, when the unaffiliated holders of equity investment at risk are granted substantive kick-out rights, the fund is generally determined to be a VOE. However, in certain cases where the Company holds a substantive equity investment at risk in the fund, the fund may be determined to be a VOE even though substantive kick-out rights were not granted to the unaffiliated holders of equity investment at risk. In these cases, the Company is part of the group of holders of equity investment at risk and therefore the holders of equity investment at risk as a group do not lack the direct or indirect ability through voting rights or similar rights to make decisions that have a significant effect on the success of the legal entity.

If the entity is determined to be a VIE under the conditions above, the Company then assesses whether the entity should be consolidated by applying either the previous consolidation rules or the amended consolidation rules depending on whether the entity qualifies for the deferral of the amended consolidation rules as further described below.

VIEs that qualify for the deferral of the amended consolidation rules because certain conditions are met, including if the entities have all the attributes of an investment company and are not securitization or asset-backed financing entities, will continue to apply the previous consolidation rules. VIEs that are securitization or asset-backed financing entities will apply the amended consolidation rules. Under both sets of rules, VIEs for which Apollo is determined to be the primary beneficiary are consolidated.

With respect to VIEs such as Apollo's funds that qualify for the deferral of the amended consolidation rules and therefore apply the previous consolidation rules, Apollo is determined to be the primary beneficiary if its involvement, through holding interests directly or indirectly in the VIE or contractually through other variable interests (e.g., carried interest and management fees), would be expected to absorb a majority of the VIE’s expected losses, receive a majority of the VIE’s expected residual returns, or both. In cases where two or more Apollo related parties hold a variable interest in a VIE, and the aggregate variable interest held by those parties would, if held by a single party, identify that party as the primary beneficiary, then the Company is determined to be the primary beneficiary to the extent it is the party within the related party group that is most closely associated with the VIE.

For VIEs such as the Apollo's CLOs that apply the amended consolidation rules, the Company is determined to be the primary beneficiary if it holds a controlling financial interest defined as possessing both (a) the power to direct the activities of a VIE that most significantly impact the VIE’s economic performance and (b) the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. CLOs are generally determined to be VIEs if they are formed solely to issue collateralized notes in the legal form of debt and therefore do not have sufficient total equity investment at risk to permit the entity to finance its activities without additional subordinated financial support. With respect to such CLOs, Apollo generally possesses a controlling financial interest in, and therefore consolidates, such CLOs in accordance with the amended consolidation rules when Apollo's role as collateral manager provides the Company with the power to direct the activities that most significantly impact the CLO's economic performance and the Company has the right to receive certain benefits from the CLO (e.g., incentive fees) that could potentially be significant to the CLO.

Under the previous and the amended consolidation rules, 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, affiliates of Apollo or third parties) or amendments to the governing documents of the respective entity may affect an entity’s status as a VIE or the determination of the primary beneficiary.

The assessment of whether an entity is a VIE and the determination of whether Apollo should consolidate such VIE requires judgments. Under both sets of rules, those judgments include, but are not limited to: (i) determining whether the total equity investment at risk is sufficient to permit the entity to finance its activities without additional subordinated financial support, (ii) evaluating whether the holders of equity investment at risk, as a group, can make decisions that have a significant effect on the success of the entity, (iii) determining whether two or more parties’ equity interests should be aggregated, (iv) determining whether the equity investors have proportionate voting rights to their obligations to absorb losses or rights to receive returns from an entity, (v) and evaluating the nature of the relationship and activities of the parties involved in determining which party within a related-party group is most closely associated with the VIE. Where the VIEs have qualified for the deferral, judgments are also made in estimating cash flows to evaluate which member within the equity group absorbs a majority of the expected profits or losses of the VIE. Where the VIEs have not qualified for the deferral, judgments are also made in determining whether a member in the equity group has a controlling financial interest including power to direct activities that most significantly impact the VIE’s economic performance and rights to receive benefits or obligations to absorb losses that are potentially significant to the VIE.

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

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

For additional disclosures regarding VIEs, see note 5. Intercompany transactions and balances, if any, have been eliminated in the consolidation.

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

Non-Controlling Interests—For entities that are consolidated, but not 100% owned, a portion of the income or loss and corresponding equity is allocated to owners other than Apollo. The aggregate of the income or loss and corresponding equity that is not owned by the Company is included in Non-Controlling Interests in the consolidated financial statements. As of December 31, 2013, the Non-Controlling Interests relating to Apollo Global Management, LLC primarily includes the 61.0% ownership interest in the Apollo Operating Group held by the Managing Partners and Contributing Partners through their limited partner interests in Holdings and other ownership interests in consolidated entities, which primarily consist of the approximately 97.4% ownership interest held by limited partners in AP Alternative Assets, L.P. ("AAA") as of December 31, 2013. Non-Controlling Interests also include limited partner interests of Apollo managed funds in certain consolidated VIEs.

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

Cash and Cash Equivalents—Apollo considers all highly liquid short-term investments with original maturities of 90 days or less when purchased to be cash equivalents. Substantially all amounts are on deposit in interest-bearing accounts with major financial institutions and exceed insured limits.

Restricted Cash—Restricted cash represents cash deposited at a bank, which is pledged as collateral in connection with leased premises.

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

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

Advisory and transaction fees from affiliates, net, also includes underwriting fees. Underwriting fees include gains, losses and fees, net of syndicate expenses, arising from securities offerings in which one of the Company's subsidiaries participates in the underwriter syndicate. Underwriting fees are recognized at the time the underwriting is completed and the income is reasonably assured and are included in the consolidated statements of operations. Underwriting fees recognized but not received are included in other assets on the consolidated statements of financial condition.

As a result of providing advisory services to certain private equity and credit portfolio companies, Apollo is generally entitled to receive fees for transactions related to the acquisition, in certain cases, and disposition of portfolio companies as well as ongoing monitoring of portfolio company operations and directors' fees. The amounts due from portfolio companies are included in "Due from Affiliates," which is discussed further in note 17. Under the terms of the limited partnership agreements for certain funds, the management fee payable by the funds may be subject to a reduction based on a certain percentage of such advisory and transaction fees, net of applicable broken deal costs ("Management Fee Offset"). Advisory and transaction fees from affiliates are presented net of the Management Fee Offset in the consolidated statements of operations.

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

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

Management Fee Waiver and Notional Investment Program—Under the terms of certain investment fund partnership agreements, Apollo elected to forgo a portion of the management fee revenue that was due from the funds and instead received a right to a proportionate interest in future distributions of profits of those funds. Waived fees recognized during the period were included in management fees from affiliates in the consolidated statements of operations. This election allowed certain employees of Apollo to waive a portion of their respective share of future income from Apollo and receive, in lieu of a cash distribution, title and ownership of the profits interests in the respective fund. Apollo immediately assigned the profits interests received to its employees. Such assignments of profits interests were treated as compensation and benefits when assigned. The investment period for Fund VII and ANRP for the management fee waiver plan was terminated as of December 31, 2012.

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

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

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

Interest and Other Income—Apollo recognizes security transactions on the trade date. Interest income is recognized as earned on an accrual basis. Discounts and premiums on securities purchased are accreted or amortized over the life of the respective securities using the effective interest method. Realized gains and losses are recorded based on the specific identification method. Interest income also includes payment-in-kind interest (or "PIK" interest) on a convertible note and from one of our credit funds.

Due from/to Affiliates—Apollo considers its existing partners, employees, certain former employees, portfolio companies of the funds and nonconsolidated private equity, credit and real estate funds to be affiliates or related parties.

Investments, at Fair Value—The Company follows U.S. GAAP attributable to fair value measurements which, among other things, requires enhanced disclosures about investments that are measured and reported at fair value. Investments, at fair value, represent investments of the consolidated funds, investments of the consolidated VIEs and certain financial instruments for which the fair value option was elected. The unrealized gains and losses resulting from changes in the fair value are reflected as net gains (losses) from investment activities and net gains (losses) from investment activities of the consolidated variable interest entities, respectively, in the consolidated statements of operations. In accordance with U.S. GAAP, investments measured and reported at fair value are classified and disclosed in one of the following categories:

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

Level II—Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Investments that are generally included in this category include corporate bonds and loans, less liquid and restricted equity securities and certain over-the-counter derivatives where the fair value is based on observable inputs. These investments exhibit higher levels of liquid market observability as compared to Level III investments. The Company subjects broker quotes to various criteria in making the determination as to whether a particular investment would qualify for treatment as a Level II investment. These criteria include, but are not limited to, the number and quality of broker quotes, the standard deviation of obtained broker quotes, and the percentage deviation from independent pricing services.

Level III—Pricing inputs are unobservable for the investment and includes situations where there is little observable market activity for the investment. The inputs into the determination of fair value may require significant management judgment or estimation. Investments that are included in this category generally include general and limited partner interests in corporate private equity and real estate funds, opportunistic credit funds, distressed debt and non-investment grade residual interests in securitizations and CDOs and CLOs where the fair value is based on observable inputs as well as unobservable inputs. When a security is valued based on broker quotes, the Company subjects those quotes to various criteria in making the determination as to whether a particular investment would qualify for treatment as a Level II or Level III investment. Some of the factors the Company considers include the number of broker quotes obtained, the quality of the broker quotes, the standard deviations of the observed broker quotes and the corroboration of the broker quotes to independent pricing services.

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

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

Private Equity Investments

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

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

On a quarterly basis, Apollo utilizes a valuation committee, consisting of members from senior management, to review and approve the valuation results related to its funds' private equity investments. The Company also retains independent valuation firms to provide third-party valuation consulting services to Apollo, which consist of certain limited procedures that management identifies and requests them to perform. The limited procedures provided by the independent valuation firms assist management with validating their valuation results or determining fair value. The Company performs various back-testing procedures to validate their valuation approaches, including comparisons between expected and observed outcomes, forecast evaluations and variance analyses. However, because of the inherent uncertainty of valuation, those estimated values may differ significantly from the values that would have been used had a ready market for the investments existed, and the differences could be material.

Credit Investments

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

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

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

Real Estate Investments

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

On a quarterly basis, Apollo utilizes a valuation committee, consisting of members from senior management, to review and approve the valuation results related to its funds' real estate investments. For certain publicly traded vehicles, a review is performed by an independent board of directors. The Company also retains independent valuation firms to provide third-party valuation consulting services to Apollo, which consist of certain limited procedures that management identifies and requests them to perform. The limited procedures provided by the independent valuation firms assist management with validating their valuation results or determining fair value. The Company performs various back-testing procedures to validate their valuation approaches, including comparisons between expected and observed outcomes, forecast evaluations and variance analyses.

Fair Value of Financial Instruments

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

Except for the Company's debt obligation related to the 2013 AMH Credit Facilities (as defined in note 14), Apollo's financial instruments are recorded at fair value or at amounts whose carrying value approximates fair value. See "Investments, at Fair Value" above. While Apollo's valuations of portfolio investments are based on assumptions that Apollo believes are reasonable under the circumstances, the actual realized gains or losses will depend on, among other factors, future operating results, the value of the assets and market conditions at the time of disposition, any related transaction costs and the timing and manner of sale, all of which may ultimately differ significantly from the assumptions on which the valuations were based. Other financial instruments' carrying values generally approximate fair value because of the short-term nature of those instruments or variable interest rates related to the borrowings. As disclosed in note 14, the Company's long term debt obligation related to the 2013 AMH Credit Facilities are believed to have an estimated fair value of approximately $750.0 million based on a yield analysis using available market data of comparable securities with similar terms and remaining maturities as of December 31, 2013. However, the carrying value that is recorded on the consolidated statements of financial condition is the amount for which the Company expects to settle the long term debt obligation. The Company has determined that the long term debt obligation related to the 2013 AMH Credit Facilities would be categorized as a Level III liability in the fair-value hierarchy.

Fair Value Option—Apollo has elected the fair value option for the convertible notes issued by HFA Holdings Limited ("HFA") and for the assets and liabilities of the consolidated VIEs. Such election is irrevocable and is applied to financial instruments on an individual basis at initial recognition. Apollo has applied the fair value option for certain corporate loans, other investments and debt obligations held by the consolidated VIEs that otherwise would not have been carried at fair value. For the convertible notes issued by HFA, Apollo has elected to separately present interest income from other changes in the fair value of the convertible notes in the consolidated statements of operations. See notes 4, 5, and 6 for further disclosure on the investment in HFA and financial instruments of the consolidated VIEs for which the fair value option has been elected.

Interest Rate Swap Agreements—Apollo recognizes derivatives as either an asset or liability measured at fair value. In order to reduce interest rate risk, Apollo entered into interest rate swap agreements which were formally designated as cash flow hedges. To qualify for cash flow hedge accounting, interest rate swaps must meet certain criteria, including (a) the items to be hedged expose Apollo to interest rate risk and (b) the interest rate swaps are highly effective in reducing Apollo's exposure to interest rate risk. Apollo formally documents at inception its hedge relationships, including identification of the hedging instruments and the hedged items, its risk management objectives, its strategy for undertaking the hedge transaction and Apollo's evaluation of effectiveness. Effectiveness is periodically assessed based upon a comparison of the relative changes in the cash flows of the interest rate swaps and the items being hedged.

For derivatives that have been formally designated as cash flow hedges, the effective portion of changes in the fair value of the derivatives are recorded in accumulated other comprehensive (loss) income ("OCI"). Amounts in OCI are reclassified into earnings when interest expense on the underlying borrowings is recognized. If, at any time, the swaps are determined to be ineffective, in whole or in part, due to changes in the interest rate swap or underlying debt agreements, the fair value of the portion of the interest rate swap determined to be ineffective will be recognized as a gain or loss in the consolidated statements of operations.

Financial Instruments held by Consolidated VIEs

The consolidated VIEs hold investments that could be traded over-the-counter. Investments in securities that are traded on a securities exchange or comparable over-the-counter quotation systems are valued based on the last reported sale price at that date. If no sales of such investments are reported on such date, and in the case of over-the-counter securities or other investments for which the last sale date is not available, valuations are based on independent market quotations obtained from market participants, recognized pricing services or other sources deemed relevant, and the prices are based on the average of the "bid" and "ask" prices, or at ascertainable prices at the close of business on such day. Market quotations are generally based on valuation pricing models or market transactions of similar securities adjusted for security-specific factors such as relative capital structure priority and interest and yield risks, among other factors. When market quotations are not available, a model based approach is used to determine fair value.

The consolidated VIEs also have debt obligations that are recorded at fair value. The primary valuation methodology used to determine fair value for debt obligation is market quotation. Prices are based on the average of the "bid" and "ask" prices. In the event that market quotations are not available, a model based approach is used. The model based approach used to estimate the fair values of debt obligations for which market quotations are not available is the discounted cash flow method, which includes consideration of the cash flows of the debt obligation based on projected quarterly interest payments and quarterly amortization. Debt obligations are discounted based on the appropriate yield curve given the loan's respective maturity and credit rating.

Management uses its discretion and judgment in considering and appraising relevant factors for determining the valuations of its debt obligations.

Pending Deal Costs

Pending deal costs consist of certain costs incurred (e.g. research costs, due diligence costs, professional fees, legal fees and other related items) related to private equity, credit and real estate fund transactions that the Company is pursuing but which have not yet been consummated. These costs are deferred until such transactions are broken or successfully completed. A transaction is determined to be broken upon management's decision to no longer pursue the transaction. In accordance with the related fund agreements, in the event the deal is broken, all of the costs are generally reimbursed by the funds and considered in the calculation of the Management Fee Offset. These offsets are included in Advisory and Transaction Fees from Affiliates in the Company's consolidated statements of operations. If a deal is successfully completed, Apollo is reimbursed by the fund or a fund's portfolio company for all costs incurred.

Fixed Assets

Fixed Assets consist primarily of ownership interests in aircraft, leasehold improvements, furniture, fixtures and equipment, computer hardware and software and are recorded at cost, net of accumulated depreciation and amortization. Depreciation and amortization is calculated using the straight-line method over the assets' estimated useful lives and in the case of leasehold improvements the lesser of the useful life or the term of the lease. Aircraft engine overhauls are capitalized and depreciated until the next expected overhaul. Expenditures for repairs and maintenance are charged to expense when incurred. The Company evaluates long-lived assets for impairment periodically and whenever events or changes in circumstances indicate the carrying amounts of the assets may be impaired.

Business Combinations

The Company accounts for acquisitions using the purchase method of accounting in accordance with U.S. GAAP. Under the purchase method of accounting, the purchase price of an acquisition is allocated to the assets acquired and liabilities assumed using the fair values determined by management as of the acquisition date.

Goodwill and Intangible Assets

Goodwill and indefinite-life intangible assets must be reviewed annually for impairment or more frequently if circumstances indicate impairment may have occurred. Identifiable finite-life intangible assets, by contrast, are amortized over their estimated useful lives, which are periodically re-evaluated for impairment or when circumstances indicate an impairment may have occurred. Apollo amortizes its identifiable finite-life intangible assets using a method of amortization reflecting the pattern in which the economic benefits of the finite-life intangible asset are consumed or otherwise used up. If that pattern cannot be reliably determined, Apollo uses the straight-line method of amortization. At June 30, 2013, the Company performed its annual impairment testing. As the fair value of the Company's reporting units was well in excess of the carrying value as of June 30, 2013, there was no impairment of goodwill or indefinite life intangible assets at such time.

Profit Sharing Payable

Profit sharing payable primarily represents the amounts payable to employees and former employees who are entitled to a proportionate share of carried interest income in one or more funds. This portion of the liability is calculated based upon the changes to realized and unrealized carried interest and is therefore not payable until the carried interest itself is realized.

Profit sharing payable also includes contingent obligations that were recognized in connection with certain Apollo acquisitions.

Debt Issuance Costs

Debt issuance costs consist of costs incurred in obtaining financing and are amortized over the term of the financing using the effective interest method. These costs are included in Other Assets on the consolidated statements of financial condition.

- 166-

Foreign Currency
The Company may, from time to time, hold foreign currency denominated assets and liabilities. Such assets and liabilities are translated using the exchange rates prevailing at the end of each reporting period. The functional currency of the Company's international subsidiaries is the U.S. Dollar, as their operations are considered an extension of U.S. parent operations. Non-monetary assets and liabilities of the Company's international subsidiaries are remeasured into the functional currency using historical exchange rates specific to each asset and liability. The results of the Company's foreign operations are normally remeasured using an average exchange rate for the respective reporting period. All currency remeasurement adjustments are included within other income (loss), net in the consolidated statements of operations. Gains and losses on the settlement of foreign currency transactions are also included within other income (loss), net in the consolidated statements of operations.

Compensation and Benefits
Equity-Based Compensation—Equity-based awards granted to employees as compensation are measured based on the grant date fair value of the award. Equity-based awards that do not require future service (i.e., vested awards) are expensed immediately. Equity-based employee awards that require future service are expensed over the relevant service period. The Company estimates forfeitures for equity-based awards that are not expected to vest. Equity-based awards granted to non-employees for services provided to affiliates are remeasured to fair value at the end of each reporting period and expensed over the relevant service period.
Salaries, Bonus and Benefits—Salaries, bonus and benefits include base salaries, discretionary and non-discretionary bonuses, severance and employee benefits. Bonuses are generally accrued over the related service period.
Also included within salaries, bonus and benefits is the expense related to profits interests issued to certain employees whereby they are entitled to a share in earnings and any appreciation in the value of a subsidiary of the Company during their term of employment. The expense related to these profits interests is recognized ratably over the requisite service period and thereafter will be recognized at the time the distributions are determined.
From time to time, the Company may assign profits interests received in lieu of management fees to certain investment professionals. Such assignments of profits interests are treated as compensation and benefits when assigned.
The Company sponsors a 401(k) Savings Plan whereby U.S. based employees are entitled to participate in the plan based upon satisfying certain eligibility requirements. The Company may provide discretionary contributions from time to time. No contributions relating to this plan were made by the Company for the years ended December 31, 2013, 2012, and 2011.
Profit Sharing Expense—Profit sharing expense primarily consists of a portion of carried interest recognized in one or more funds allocated to employees and former employees. Profit sharing expense is recognized on an accrued basis as the related carried interest income is earned. Profit sharing expense can be reversed during periods when there is a decline in carried interest income that was previously recognized. Additionally, profit sharing expenses previously distributed may be subject to clawback from employees, former employees and Contributing Partners.
Changes in the fair value of the contingent obligations that were recognized in connection with certain Apollo acquisitions are reflected in the Company's 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 consolidated financial statements.

Other Income (Loss)
Net Gains (Losses) from Investment Activities—Net gains (losses) from investment activities include both realized gains and losses and the change in unrealized gains and losses in the Company's investment portfolio between the opening reporting date and the closing reporting date. The consolidated financial statements include the net realized and unrealized gains (losses) of investments, at fair value. For the Company's investments held by AAA (see note 4), a portion of the net gains (losses) from investment activities are attributable to Non-Controlling Interests in the consolidated statements of operations.
Net Gains (Losses) from Investment Activities of Consolidated Variable Interest Entities—Changes in the fair value of the consolidated VIEs' assets and liabilities and related interest, dividend and other income and expenses subsequent to consolidation are presented within net gains (losses) from investment activities of consolidated variable interest entities and are attributable to Non-Controlling Interests in the consolidated statements of operations.
Other Income (Loss), Net—Other income (loss), net includes the recognition of bargain purchase gains as a result of Apollo acquisitions, gains (losses) arising from the remeasurement of foreign currency denominated assets and liabilities of foreign subsidiaries, reversal of a portion of the tax receivable agreement liability (see note 17), gains (losses) arising from the remeasurement of derivative instruments associated with fees from certain of the Company's affiliates and other miscellaneous non-operating income and expenses.
Comprehensive (Loss) Income—U.S. GAAP guidance establishes standards for reporting comprehensive income and its components in a financial statement that is displayed with the same prominence as other financial statements. U.S. GAAP requires that the Company classify items of OCI by their nature in the financial statements and display the accumulated balance of OCI separately in the shareholders' equity section of the Company's consolidated statements of financial condition. Comprehensive income (loss) consists of net income (loss) and OCI. Apollo's OCI is primarily comprised of the effective portion of changes in the fair value of the interest rate swap agreements discussed previously. If, at any time, any of the Company's subsidiaries' functional currency becomes non-U.S. dollar denominated, the Company will record foreign currency cumulative translation adjustments in OCI.
Income Taxes—The Apollo Operating Group and its subsidiaries generally operate as partnerships for U.S. Federal income tax purposes. As a result, except as described below, the Apollo Operating Group has not been subject to U.S. income taxes. However, these entities in some cases are subject to New York City unincorporated business taxes ("NYC UBT") and non-U.S. entities, in some cases, are subject to non-U.S. corporate income taxes. In addition, APO Corp., a wholly-owned subsidiary of the Company, is subject to U.S. Federal, state and local corporate income tax, and the Company's provision for income taxes is accounted for in accordance with U.S. GAAP.
As significant judgment is required in determining tax expense and in evaluating tax positions, including evaluating uncertainties, the Company recognizes the tax benefits of uncertain tax positions only where the position is "more likely than not" to be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit is measured as the largest amount of benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. If a tax position is not considered more likely than not to be sustained, then no benefits of the position are recognized. The Company's tax positions are reviewed and evaluated quarterly to determine whether or not the Company has uncertain tax positions that require financial statement recognition.
Deferred tax assets and liabilities are recognized for the expected future tax consequences of differences between the carrying amount of assets and liabilities and their respective tax basis using currently enacted tax rates. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period when the change is enacted. Deferred tax assets are reduced by a valuation allowance when it is more likely than not that some portion or all of the deferred tax assets will not be realized.
Net Income (Loss) Per Class A Share—U.S. GAAP requires use of the two-class method of computing earnings per share for all periods presented for each class of common stock and participating security as if all earnings for the

period had been distributed. Under the two-class method, during periods of net income, the net income is first reduced for distributions declared on all classes of securities to arrive at undistributed earnings. During periods of net losses, the net loss is reduced for distributions declared on participating securities only if the security has the right to participate in the earnings of the entity and an objectively determinable contractual obligation to share in net losses of the entity.

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

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

Recent Accounting Pronouncements

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

In January 2013, the FASB issued guidance to clarify the scope of disclosures about offsetting assets and liabilities. The amendments clarify that the scope of guidance issued in December 2011 to enhance disclosures around financial instruments and derivative instruments that are either (1) offset, or (2) subject to a master netting arrangement or similar agreement, irrespective of whether they are offset, applies to derivatives, including bifurcated embedded derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions that are either offset or subject to an enforceable master netting arrangement or similar agreement. The amendments are effective for interim and annual periods beginning on or after January 1, 2013. As the amendments are limited to disclosure only, the adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

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

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

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

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

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

3. ACQUISITIONS AND BUSINESS COMBINATIONS

Business Combinations

Stone Tower

On April 2, 2012, the Company completed its previously announced acquisition of the membership interests of Stone Tower Capital LLC and its related management companies (“Stone Tower”), a leading alternative credit manager. The acquisition was consummated by the Company for total consideration at fair value of approximately $237.2 million. The transaction added significant scale and several new credit product capabilities and increased the assets under management of the credit segment.

Consideration exchanged at closing included a payment of approximately $105.5 million, which the Company funded from its existing cash resources, and equity granted to the former owners of Stone Tower with grant date fair value of $14.0 million valued using the closing price of the Company's Class A shares on April 2, 2012 of $14.40. Additionally, the Company will also make payments to the former owners of Stone Tower under a contingent consideration obligation which requires the Company to transfer cash to the former owners of Stone Tower based on a specified percentage of carried interest income. The contingent consideration obligation had an acquisition date fair value of approximately $117.7 million, which was determined based on the present value of the estimated future carried interest payments of approximately $139.4 million using a discount rate of 9.5%, and is reflected in profit sharing payable in the consolidated statements of financial condition. See note 18 for additional disclosure regarding the contingent consideration obligation.

As a result of the acquisition, the Company incurred $4.6 million in acquisition costs, of which $2.8 million and $1.8 million was incurred during the years ended December 31, 2012 and 2011, respectively.

Tangible assets acquired in the acquisition consisted of management and carried interest receivable and other assets. Intangible assets acquired consisted primarily of certain management contracts providing economic rights to management fees, senior fees, subordinate fees, and carried interest from existing CLOs, funds and strategic investment accounts.

(dollars in thousands, except share data)

The Company has performed an analysis and an evaluation of the net assets acquired and liabilities assumed. The estimated fair value of the assets acquired exceeded the estimated fair value of the liabilities assumed as of the acquisition date resulting in a bargain purchase gain of approximately $1,951.1 million for the year ended December 31, 2012. The bargain purchase gain is reflected in other income, net within the consolidated statements of operations with corresponding amounts reflected as components of appropriated partners' capital within the consolidated statements of changes in shareholders' equity. The estimated fair values for the net assets acquired and liabilities assumed are summarized in the following table:

Tangible Assets:	
Cash	$6,310
Carried Interest Receivable	36,097
Due from Affiliates	1,642
Other Assets	2,492
Total assets of consolidated variable interest entities	10,136,869
Intangible Assets:	
Management Fees Contracts	9,658
Senior Fees Contracts	568
Subordinate Fees Contracts	2,023
Carried Interest Contracts	85,071
Non-Compete Covenants	200
Fair Value of Assets Acquired	10,280,930
Liabilities Assumed:	
Accounts payable and accrued expenses	3,570
Due to Affiliates	4,410
Other Liabilities	8,979
Total liabilities of consolidated variable interest entities	7,815,434
Fair Value of Liabilities Assumed	7,832,393
Fair Value of Net Assets Acquired	2,448,537
Less: Net assets attributable to Non-Controlling Interests in consolidated entities	260,203
Less: Fair Value of Consideration Transferred	237,201
Gain on Acquisition	$1,951,133

The bargain purchase gain was recorded in other income, net in the consolidated statements of operations. During the one year measurement period, any changes resulting from facts and circumstances that existed as of the acquisition date will be reflected as a retrospective adjustment to the bargain purchase gain and the respective asset acquired or liability assumed.

The acquisition related intangible assets valuation and related amortization are as follows:

		As of December 31,	
	Weighted Average Useful Life in Years	2013	2012
Management Fees contracts	2.2	$9,658	$9,658
Senior Fees Contracts	2.4	568	568
Subordinate Fees Contracts	2.5	2,023	2,023
Carried Interest Contracts	3.7	85,071	85,071
Non-Compete Covenants	2.0	200	200
Total Intangible Assets		97,520	97,520

Less: Accumulated amortization	(48,586)	(20,456)
Net Intangible Assets	$48,934	$77,064

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

The results of operations of the acquired business since the acquisition date included in the Company’s consolidated statements of operations for the period from April 2, 2012 to December 31, 2012 were as follows:

	For the Period from April 2, 2012 to December 31, 2012
Total Revenues	$51,719
Net Income Attributable to Non-Controlling Interest	$(1,925,053)
Net Income Attributable to Apollo Global Management, LLC	$12,446

Unaudited Supplemental Pro Forma Information

Unaudited supplemental pro forma results of operations of the combined entity for the years ended December 31, 2012 and 2011 assuming the acquisition had occurred as of January 1, 2011 are presented below. This pro forma information has been prepared for comparative purposes only and is not intended to be indicative of what the Company’s results would have been had the acquisition been completed on January 1, 2011, nor does it purport to be indicative of any future results.

	For the Year Ended December 31,	
	2012	2011
	(in millions, except for per share data)	
Total Revenues	$2,873,903	$217,347
Net Income Attributable to Non-Controlling Interest	$(739,862)	$(1,194,226)
Net Income (Loss) Attributable to Apollo Global Management, LLC	$321,420	$(456,112)
Net Income (Loss) per Class A Share:		
Net Income (Loss) per Class A Share - Basic and Diluted	$2.14	$(4.07)
Weighted Average Number of Class A Shares - Basic	127,693,489	116,364,110
Weighted Average Number of Class A Shares - Diluted	129,540,377	116,364,110

The supplemental pro forma earnings include an adjustment to exclude $5.5 million of compensation expense not expected to recur due to termination of certain contractual arrangements as part of the closing of the acquisition.

Gulf Stream

On October 24, 2011, the Company completed its previously announced acquisition of 100% of the membership interests of Gulf Stream Asset Management, LLC (“Gulf Stream”), a manager of collateralized loan obligations. The acquisition was consummated by the Company for total consideration at fair value of approximately $39.0 million. The transaction broadened Apollo’s senior credit business by expanding Apollo’s credit coverage as well as investor relationships and increasing the assets under management of Apollo's credit business.

Consideration exchanged at closing consisted of payment of approximately $29.6 million, of which $6.7 million was used to repay subordinated notes and debt due to the existing shareholder on behalf of Gulf Stream. The Company funded the consideration exchanged at closing from its existing cash resources. Under the terms of the acquisition, additional consideration of $4.0 million having an acquisition date fair value of $3.9 million will be paid to the former owners of Gulf Stream on the fourteen-month anniversary of the closing date. This liability was settled on March 8, 2013. The Company will also make payments to the former owners of Gulf Stream under a contingent consideration obligation which requires the Company to transfer cash to the former owners of Gulf Stream based on a specified percentage of carried interest income. The contingent consideration liability had an acquisition date fair value of approximately $5.4 million, which was determined based on the present value of the estimated range of future carried interest payments between $0.0 and approximately $8.7 million using a discount rate of 13.7%. See note 18 for additional disclosure regarding the contingent consideration obligation.

Tangible assets acquired in the acquisition consisted of a management fee receivable. Intangible assets acquired consisted primarily of certain management contracts providing economic rights to senior fees, subordinate fees, and incentive fees from existing CLOs managed by Gulf Stream. Additionally, as part of the acquisition, the Company acquired the assets and liabilities of six consolidated CLOs.

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

The Company has performed an analysis and an evaluation of the net assets acquired and liabilities assumed. The estimated fair value of the assets acquired exceeded the estimated fair value of the liabilities assumed as of the acquisition date resulting in a bargain purchase gain of approximately $196.2 million. The bargain purchase gain is reflected in other income, net within the consolidated statements of operations with a corresponding amount reflected in appropriated partners' capital within the consolidated statements of changes in shareholders' equity. The estimated fair values for the net assets acquired and liabilities assumed are summarized in the following table:

Tangible Assets:	
Receivable, management fees	$1,720
Total assets of consolidated CLOs	2,278,612
Intangible Assets:	
Management Contracts	33,900
Fair Value of Assets Acquired	2,314,232
Liabilities assumed:	
Deferred Tax Liability	871
Total liabilities of consolidated CLOs	2,078,117
Fair Value of Liabilities Assumed	2,078,988
Fair Value of Net Assets Acquired	235,244
Less: Fair Value of Consideration Transferred	39,026
Gain on Acquisition	$196,218

The Company's rights under all management contracts acquired will be amortized over six years. The management contract valuation and related amortization are as follows:

	Weighted Average Useful Life in Years	As of December 31, 2013	2012
Management contracts	3.7	$33,900	$33,900 (1)
Less: Accumulated amortization		(16,562)	(9,351)
Net intangible assets		$17,338	$24,549

(1) During 2012 the Company recorded a purchase price adjustment of $1.5 million to management contracts acquired as part of the Gulf Stream acquisition.

The results of operations of the acquired business since the acquisition date included in the Company's consolidated statements of operations for the period from October 24, 2011 to December 31, 2011 were as follows:

	For the Period from October 24, 2011 to December 31, 2011
Total Revenues	$2,107
Net Income Attributable to Non-Controlling Interest	$194,852
Net Income Attributable to Apollo Global Management, LLC	$473

Unaudited Supplemental Pro Forma Information

Unaudited supplemental pro forma results of operations of the combined entity for the year ended December 31, 2011 and 2010, assuming the Gulf Stream acquisition had occurred as of January 1, 2010 are presented below. This pro forma information

has been prepared for comparative purposes only and is not intended to be indicative of what the Company's results would have been had the acquisition been completed on January 1, 2010, nor does it purport to be indicative of any future results.

	For the Year Ended December 31,	
	2011	2010
	(in millions, except for share data)	
Total Revenues	$174.9	$2,115.7
Net (Income) Loss Attributable to Non-Controlling Interest	$(1,097.1)	$652.1
Net (Loss) Income Attributable to Apollo Global Management, LLC	$(468.7)	$95.9
Net (Loss) Income per Class A Share:		
Net (Loss) Income per Class A Share - Basic and Diluted	$(4.18)	$0.84
Weighted Average Number of Class A Shares - Basic and Diluted	116,364,110	96,964,769

The 2011 and 2010 supplemental pro forma earnings include an adjustment to exclude $4.9 million and $9.7 million, respectively of compensation expense not expected to recur due to termination of certain contractual arrangements as part of the closing of the acquisition.

Other Acquisitions

On October 2, 2013, the Company acquired specified assets and liabilities of Aviva Investors North America, Inc., a wholly-owned subsidiary of Aviva plc. The acquisition provides the Company additional asset management allocation and related service capabilities for similar assets that it directly manages across its investment platform. The transaction was accounted for as a business combination. Identifiable assets having a combined fair value of $0.4 million were acquired in exchange for fair value of liabilities assumed of $0.8 million, which resulted in goodwill of $0.4 million as of the acquisition date. There was no consideration transferred relating to this acquisition.

Intangible Assets

Intangible assets, net consists of the following:

	As of December 31,	
	2013	2012
Finite-lived intangible assets/management contracts	$240,285	$240,020
Accumulated amortization	(145,358)	(102,164)
Intangible assets, net	$94,927	$137,856

The changes in intangible assets, net consist of the following:

	For the Year Ended December 31,		
	2013	2012	2011
Balance, beginning of year	$137,856	$81,846	$64,574
Amortization expense	(43,194)	(43,009)	(15,128)
Acquisitions	265	99,019 [1]	32,400
Balance, end of year	$94,927	$137,856	$81,846

(1) Includes impact of purchase price adjustments related to Gulf Stream acquisition

Amortization expense related to intangible assets was $43.2 million, $43.0 million, and $15.1 million for the years ended December 31, 2013, 2012, and 2011, respectively.

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

Expected amortization of these intangible assets for each of the next 5 years and thereafter is as follows:

	2014	2015	2016	2017	2018	Thereafter	Total
Amortization of intangible assets	$34,642	$33,704	$7,917	$4,952	$3,677	$10,035	$94,927

4. INVESTMENTS

The following table represents Apollo's investments:

	As of December 31, 2013	2012
Investments, at fair value	$2,012,027	$1,744,412
Other investments	381,856	393,684
Total Investments	$2,393,883	$2,138,096

Investments, at Fair Value

Investments, at fair value, consist of financial instruments held by AAA, investments held by the Apollo Senior Loan Fund, the Company's investment in HFA and other investments held by the Company at fair value. As of December 31, 2013 and December 31, 2012, the net assets of the consolidated funds (excluding VIEs) were $1,971.1 million and $1,691.3 million, respectively. The following investments, except the investment in HFA and Other Investments, are presented as a percentage of net assets of the consolidated funds:

Investments, at Fair Value – Affiliates	As of December 31, 2013 Fair Value Private Equity	Credit	Total	Cost	% of Net Assets of Consolidated Funds	As of December 31, 2012 Fair Value Private Equity	Credit	Total	Cost	% of Net Assets of Consolidated Funds
Investments held by:										
AAA	$1,942,051	$—	$1,942,051	$1,494,358	98.5 %	$1,666,448	$—	$1,666,448	$1,561,154	98.5 %
Apollo Senior Loan Fund	—	29,603	29,603	29,226	1.5	—	27,653	27,653	27,296	1.5
HFA	—	39,534	39,534	61,218	N/A	—	48,723	48,723	57,815	N/A
Other Investments	839	—	839	4,159	N/A	1,588	—	1,588	3,563	N/A
Total Securities	$1,942,890	$69,137	$2,012,027	$1,588,961	100.0%	$1,668,036	$76,376	$1,744,412	$1,649,828	100.0%

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

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

	As of December 31, 2013				As of December 31, 2012			
	Instrument Type	Fair Value	Cost	% of Net Assets of Consolidated Funds	Instrument Type	Fair Value	Cost	% of Net Assets of Consolidated Funds
Athene Holding Ltd.	Equity	$1,950,010	$1,331,942	98.9 %	Equity	$1,578,954	$1,276,366	93.4 %

AAA Investments owns through its subsidiaries the majority of the economic equity of Athene Holding Ltd. (together with its subsidiaries, "Athene"). Athene Holding Ltd. is the ultimate parent of various insurance company operating subsidiaries. Through its subsidiaries, Athene Holding Ltd. provides insurance products focused primarily on the retirement market and its business centers primarily on issuing or reinsuring fixed and equity-indexed annuities. See note 17 for further information regarding Athene and its recently completed acquisition of the U.S. annuity operations of Aviva plc ("Aviva USA").

On October 31, 2012, AAA Investments consummated a transaction whereby substantially all of its assets were contributed to Athene in exchange for common shares of Athene Holding Ltd., cash and a short term promissory note (the "AAA Transaction"). Following receipt of required regulatory consents, AAA Investments transferred its remaining investments to Athene Holding Ltd. on July 29, 2013. After the AAA Transaction, Athene Holding Ltd. was AAA's only material investment and as of December 31, 2013 and 2012, AAA, through its investment in AAA Investments was the largest shareholder of Athene Holding Ltd. with an economic ownership stake of approximately 72.5% and 77.2%, respectively (without giving effect to restricted common shares issued under Athene's management equity plan and conversion of AAA Investments' note receivable), and as of December 31, 2013 and 2012, effectively held 45% of the voting power of Athene.

Athene's fair value is determined using the embedded value method which is based on the present value of the future expected regulatory distributable income generated by the net assets plus the excess capital (i.e., the capital in excess of what is required to be held against Athene's liabilities). The net assets of Athene consist of the current and projected assets less the current and projected liabilities related to in force insurance contracts. The assets considered capital in excess are fair valued in accordance with the fair value policies disclosed in note 2. The approach of using actuarially projected asset and liability income to value an insurance company is widely used by market participants in the insurance industry, particularly in private company acquisitions. The embedded value of the in force insurance contracts incorporates actuarial projections of expected income utilizing most recently available policyholder contract and experience data, industry information and assumptions, general economic and market conditions, and other factors deemed relevant, including the cost of capital. In addition, consideration is also given to comparable company multiples in the determination of fair value.

The Company, through its consolidation of AAA, has an approximate 68% fully diluted ownership interest in Athene (after giving effect to restricted common shares issued under Athene's management equity plan and conversion of AAA Investments' note receivable) through AAA's investment in AAA Investments as of December 31, 2013. AAA Investments' ownership interest in Athene is held indirectly through its subsidiaries and is comprised of common shares and a promissory note which can be settled in cash or common shares of Athene at AAA Investments' option. The fair value of AAA Investments' investment in Athene is determined by calculating the total fair value of Athene multiplied by AAA Investments' ownership percentage in Athene. The Company has an approximate 1.9% economic ownership interest in Athene's equity, as of December 31, 2013. The approximate 1.9% economic ownership interest is calculated as the Company's approximate 2.6% economic ownership interest in AAA plus the Company's approximate 0.06% economic ownership interest in AAA Investments multiplied by AAA Investments' approximate 68% fully diluted ownership interest in Athene. The remaining ownership interest in AAA is recognized in the Company's statement of operations and financial condition as non-controlling interest.

- 177-

Apollo Senior Loan Fund

On December 31, 2011, the Company invested $26.0 million in the Apollo Senior Loan Fund. As a result, the Company became the sole investor in the fund and therefore consolidated the assets and liabilities of the fund. The fund invests in U.S. denominated senior secured loans, senior secured bonds and other income generating fixed-income investments. At least 90% of the Apollo Senior Loan Fund's portfolio of investments must consist of senior secured, floating rate loans or cash or cash equivalents. Up to 10% of the Apollo Senior Loan Fund's portfolio may consist of non-first lien fixed income investments and other income generating fixed income investments, including but not limited to senior secured bonds. The Apollo Senior Loan Fund may not purchase assets rated (tranche rating) at B3 or lower by Moody's, or equivalent rating by another nationally recognized rating agency.

The Company has classified the instruments associated with the Apollo Senior Loan Fund investment as Level II and Level III investments. All Level II and Level III investments of the Apollo Senior Loan Fund were valued using broker quotes. See note 6 for further discussion regarding fair value leveling.

HFA

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

The terms of the convertible note allow the Company to convert the note, in whole or in part, into common shares of HFA at an exchange rate equal to the principal plus accrued payment-in-kind interest (or "PIK" interest) divided by US$0.98 at any time, and convey participation rights, on an as-converted basis, in any dividends declared in excess of $6.0 million per annum, as well as seniority rights over HFA common equity holders. Unless previously converted, repurchased or canceled, the note will be converted on the eighth anniversary of its issuance, on March 11, 2019. Additionally, the note has a percentage coupon interest of 6% per annum, paid via principal capitalization (PIK interest) for the first four years, and thereafter either in cash or via principal capitalization at HFA's discretion. The PIK interest provides for the Company to receive additional common shares of HFA if the note is converted. The Company has elected the fair value option for the convertible note. The convertible note is valued using an "if-converted basis," which is based on a hypothetical exit through conversion to common equity (for which a quoted price exists) as of the valuation date. The Company separately presents interest income in the consolidated statements of operations from other changes in the fair value of the convertible note. For the years ended December 31, 2013, 2012 and 2011, the Company recorded $4.0 million, $3.1 million and $2.5 million, respectively, in PIK interest income included in interest income in the consolidated statements of operations. The terms of the stock options allow for the Company to acquire 20,833,333 fully paid ordinary shares of HFA at an exercise price in Australian Dollars ("A$") of A$8.00 (exchange rate of A$1.00 to $0.89 and A$1.00 to $1.04 as of December 31, 2013 and 2012, respectively) per stock option. The stock options became exercisable upon issuance and expire on the eighth anniversary of the issuance date. The stock options are accounted for as a derivative and are valued at their fair value under U.S. GAAP at each reporting date. For the years ended December 31, 2013, 2012 and 2011, the Company recorded an unrealized loss of approximately $12.6 million, $1.1 million and $5.9 million, respectively, related to the convertible note and stock options within net gains from investment activities in the consolidated statements of operations.

The Company has classified the instruments associated with the HFA investment as Level III investments. See note 6 for further discussion regarding fair value leveling.

Net Gains (Losses) from Investment Activities

Net gains (losses) from investment activities in the consolidated statements of operations include net realized gains from sales of investments, and the change in net unrealized gains (losses) resulting from changes in fair value of the consolidated funds' investments and realization of previously unrealized gains (losses). Additionally, net gains (losses) from investment activities include changes in the fair value of the investment in HFA and other investments held at fair value. The following tables present Apollo's net gains (losses) from investment activities for the years ended December 31, 2013, 2012, and 2011:

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

	For the Year Ended December 31, 2013		
	Private Equity	Credit	Total
Realized gains on sales of investments	$—	$409	$409
Change in net unrealized gains (losses) due to changes in fair values	342,398	(12,572)	329,826
Net Gains (Losses) from Investment Activities	$342,398	$(12,163)	$330,235

	For the Year Ended December 31, 2012		
	Private Equity	Credit	Total
Realized gains on sales of investments	$—	$443	$443
Change in net unrealized gains (losses) due to changes in fair values	288,140	(339)	287,801
Net Gains from Investment Activities	$288,140	$104	$288,244

	For the Year Ended December 31, 2011		
	Private Equity	Credit	Total
Change in net unrealized losses due to changes in fair values	$(123,946)	$(5,881)	$(129,827)
Net Losses from Investment Activities	$(123,946)	$(5,881)	$(129,827)

Other Investments

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

(dollars in thousands, except share data)

The following table presents income from equity method investments for the years ended December 31, 2013, 2012, and 2011:

	For the Year Ended December 31,		
	2013	2012	2011
Investments:			
Private Equity Funds:			
AAA Investments	$206	$195	$(55)
Apollo Investment Fund IV, L.P. ("Fund IV")	—	(2)	8
Apollo Investment Fund V, L.P. (“Fund V”)	4	20	(9)
Apollo Investment Fund VI, L.P. (“Fund VI”)	3,708	3,947	2,090
Apollo Investment Fund VII, L.P. (“Fund VII”)	69,217	60,576	10,156
Apollo Investment Fund VIII, L.P. (“Fund VIII”)	(246)	—	—
Apollo Natural Resources Partners, L.P. (“ANRP”)	779	(71)	(141)
AION Capital Partners Limited (“AION”)	(1,103)	71	—
Apollo Asia Private Credit Fund, L.P. (“APC”)	6	—	—
Credit Funds:			
Apollo Special Opportunities Managed Account, L.P. (“SOMA”)	950	843	(793)
Apollo Value Investment Fund, L.P. (“VIF”)	10	19	(25)
Apollo Strategic Value Fund, L.P. (“SVF”)	(1)	15	(21)
Apollo Credit Liquidity Fund, L.P. (“ACLF”)	986	4,219	(295)
Apollo/Artus Investors 2007-I, L.P. (“Artus”)	(2)	1,466	368
Apollo Credit Opportunity Fund I, L.P. (“COF I”)	6,470	19,731	2,410
Apollo Credit Opportunity Fund II, L.P. (“COF II”)	1,016	4,989	(737)
Apollo Credit Opportunity Fund III, L.P. ("COF III")	227	—	—
Apollo European Principal Finance Fund, L.P. (“EPF I”)	6,201	3,933	1,729
Apollo European Principal Finance Fund II, L.P. (“EPF II”)	2,256	568	—
Apollo Investment Europe II, L.P. (“AIE II”)	1,924	1,948	(308)
Apollo Palmetto Strategic Partnership, L.P. (“Palmetto”)	2,406	2,228	(100)
Apollo Senior Floating Rate Fund Inc. (“AFT”)	(4)	14	(16)
Apollo/ JH Loan Portfolio	—	5	—
Apollo Residential Mortgage, Inc. (“AMTG”)	193 (1)	1,053 (2)	(80) (3)
Apollo European Credit, L.P. (“AEC”)	354	203	(10)
Apollo European Strategic Investments, L.P. (“AESI”)	580	576	21
Apollo Centre Street Partnership, L.P. (“ACSP”)	964	433	—
Apollo Investment Corporation (“AINV”)	4,190 (1)	1,761 (2)	—
Apollo SK Strategic Investments, L.P. ("SK")	162	18	—
Apollo SPN Investments I, L.P.	219	(10)	—
Apollo Tactical Income Fund Inc. (“AIF”)	(6)	—	—
Apollo Franklin Partnership, L.P. ("Franklin Fund")	278	—	—
Apollo Zeus Strategic Investments, L.P. ("Zeus")	(20)	—	—
Real Estate:			
Apollo Commercial Real Estate Finance, Inc. (“ARI”)	693 (1)	1,100 (2)	636 (3)
AGRE U.S. Real Estate Fund, L.P.	1,981	(172)	(79)
CPI Capital Partners North America LP	111	17	98

CPI Capital Partners Asia Pacific, L.P.	37	72	71
Apollo GSS Holding (Cayman), L.P.	539	(39)	—
BEA/AGRE China Real Estate Fund, L.P.	(9)	—	—
Other Equity Method Investments:			
VC Holdings, L.P. Series A ("Vantium A/B")	13	(306)	(1,860)
VC Holdings, L.P. Series C ("Vantium C")	1,804	165	580
VC Holdings, L.P. Series D ("Vantium D")	257	588	285
Total Income from Equity Method Investments	$107,350	$110,173	$13,923

(1) Amounts are for the twelve months ended September 30, 2013, respectively.
(2) Amounts are for the twelve months ended September 30, 2012, respectively.
(3) Amounts are for the twelve months ended September 30, 2011, respectively.

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

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

	Equity Held as of December 31, 2013	% of Ownership	December 31, 2012	% of Ownership
Investments:				
Private Equity Funds:				
AAA Investments	$1,168	0.057 %	$998	0.057 %
Fund IV	9	0.019	9	0.015
Fund V	94	0.020	173	0.014
Fund VI	9,964	0.103	9,814	0.094
Fund VII	137,960	1.258	164,773	1.316
Fund VIII	4,310	3.996	—	—
ANRP	3,735	0.831	2,355	0.903
AION	6,425	9.970	625	10.000
APC	49	0.046	17	0.058
Credit Funds:				
SOMA	6,833	0.853	5,887	0.643
VIF	151	0.124	141	0.093
SVF	17	0.079	137	0.076
ACLF	4,559	3.341	9,281	2.579
Artus	—	—	667	6.156
COF I	10,077	1.850	39,416	1.924
COF II	5,015	1.428	19,654	1.429
COF III	6,720	2.450	—	—
EPF I	19,332	1.363	18,329	1.363
EPF II	23,212	1.994	5,337	1.316
AIE II	4,500	2.772	7,207	2.205
Palmetto	16,054	1.186	13,614	1.186
AFT	95	0.034	98	0.034
AMTG[3]	4,015 [1]	0.632 [1]	4,380 [2]	0.811 [2]
AEC	2,482	1.230	1,604	1.079
AESI	3,732	0.956	3,076	0.991
ACSP	7,690	2.465	5,327	2.457
AINV[4]	55,951 [1]	2.933 [1]	51,761 [2]	2.955 [2]
SK	1,714	0.997	1,002	0.988
Apollo SPN Investments I, L.P.	4,457	0.828	90	0.083
CION Investment Corporation	1,000	0.716	1,000	22.207
AIF	94	0.036	—	—
Franklin Fund	10,178	9.107	—	—
Zeus	1,678	3.383	—	—
Real Estate:				
ARI[3]	11,550 [1]	1.500 [1]	11,469 [2]	2.729 [2]
AGRE U.S. Real Estate Fund, L.P.	9,473	1.845	5,210	1.845
CPI Capital Partners North America	272	0.416	455	0.413
CPI Capital Partners Europe	5	0.001	5	0.001

CPI Capital Partners Asia Pacific	106	0.042	186	0.039
Apollo GSS Holding (Cayman), L.P.	3,670	3.460	2,428	4.621
BEA/AGRE China Real Estate Fund, L.P.	72	1.031	—	
Other Equity Method Investments:				
Vantium A/B	15	6.450	54	6.450
Vantium C	1,233	2.071	5,172	2.071
Vantium D	2,190	6.345	1,933	6.345
Total Other Investments	$381,856		$393,684	

(1) Amounts are as of September 30, 2013.
(2) Amounts are as of September 30, 2012.
(3) Investment value includes the fair value of RSUs granted to the Company as of the grant date. These amounts are not considered in the percentage of ownership until the RSUs are vested and issued to the Company, at which point the RSUs are converted to common stock and delivered to the Company.

(dollars in thousands, except share data)

(4) The value of the Company's investment in AINV was $57,249 and $51,351 based on the quoted market price as of December 31, 2013 and December 31, 2012, respectively.

The tables below represent summarized aggregated financial information of the funds and other equity method investments in which Apollo has an equity method investment as of December 31, 2013 and 2012, and for the years ended December 31, 2013, 2012 and 2011:

	Private Equity		Credit		Real Estate		Aggregate Totals	
	As of December 31,		As of December 31,		As of December 31,		As of December 31,	
Balance Sheet Information	2013(1)	2012(1)(2)	2013(1)	2012(1)(2)	2013(1)	2012(1)	2013	2012
Investments	$23,539,644	$25,925,222	$16,043,142	$17,060,353	$2,260,989	$1,912,369	$41,843,775	$44,897,944
Assets	24,265,145	26,635,102	17,636,723	19,368,801	2,465,780	2,038,877	44,367,648	48,042,780
Liabilities	111,285	102,031	6,071,182	7,823,046	300,517	290,392	6,482,984	8,215,469
Equity	24,153,860	26,533,071	11,565,541	11,545,755	2,165,263	1,748,485	37,884,664	39,827,311

	Private Equity			Credit			Real Estate		
	For the Years Ended December 31,			For the Years Ended December 31,			For the Years Ended December 31,		
Income Statement Information	2013(1)	2012(1)(2)	2011(1)	2013(1)	2012(1)(2)	2011(1)	2013(1)	2012(1)	2011(1)
Revenues/Investment Income	$675,844	$1,686,855	$1,522,831	$1,297,324	$1,326,142	$852,282	$73,429	$54,720	$46,654
Expenses	239,750	280,262	377,985	583,410	694,114	290,843	39,153	32,077	30,350
Net Investment Income	436,094	1,406,593	1,144,846	713,914	632,028	561,439	34,276	22,643	16,304
Net Realized and Unrealized Gain (Loss)	10,411,556	6,856,414	2,239,373	953,227	2,053,100	(537,017)	214,764	275,659	172,018
Net Income	$10,847,650	$8,263,007	$3,384,219	$1,667,141	$2,685,128	$24,422	$249,040	$298,302	$188,32

(1) Certain private equity, credit and real estate fund amounts are as of and for the years ended September 30, 2013, 2012 and 2011.
(2) Reclassified to conform to current period presentation.

5. VARIABLE INTEREST ENTITIES

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

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

Consolidated Variable Interest Entities

Apollo has consolidated VIEs in accordance with the policy described in note 2. The majority of the consolidated VIEs were formed for the sole purpose of issuing collateralized notes to investors. The assets of these VIEs are primarily comprised of senior secured loans and the liabilities are primarily comprised of debt. Through its role as collateral manager of these VIEs, it was determined that Apollo had the power to direct the activities that most significantly impact the economic performance of these

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

VIEs. Additionally, Apollo determined that the potential fees that it could receive directly and indirectly from these VIEs represent rights to returns that could potentially be significant to such VIEs. As a result, Apollo determined that it is the primary beneficiary and therefore should consolidate the VIEs.

The assets of these consolidated VIEs are not available to creditors of the Company. In addition, the investors in these consolidated VIEs have no recourse against the assets of the Company. The Company has elected the fair value option for financial instruments held by its consolidated VIEs, which includes investments in loans and corporate bonds, as well as debt obligations held by such consolidated VIEs. Other assets include amounts due from brokers and interest receivables. Other liabilities include payables for securities purchased, which represent open trades within the consolidated VIEs and primarily relate to corporate loans that are expected to settle within the next 60 days.

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

The following table presents net gains (losses) from investment activities of the consolidated VIEs for the years ended December 31, 2013, 2012, and 2011 respectively:

	For the Year Ended December 31,		
	2013	2012	2011
Net unrealized (losses) gains from investment activities	$(33,275)	$169,087	$10,832
Net realized gains (losses) from investment activities	87,472	76,965	(11,313)
Net gains (losses) from investment activities	54,197	246,052	(481)
Net unrealized losses from debt	(232,509)	(497,704)	(19,880)
Net realized gains from debt	137,098	—	41,819
Net (losses) gains from debt	(95,411)	(497,704)	21,939
Interest and other income	674,324	581,610	75,004
Interest and other expenses	(433,368)	(401,662)	(72,261)
Net Gains (Losses) from Investment Activities of Consolidated VIEs	$199,742	$(71,704)	$24,201

Senior Secured Notes and Subordinated Notes—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 December 31, 2013 and December 31, 2012:

	As of December 31, 2013			As of December 31, 2012		
	Principal Outstanding	Weighted Average Interest Rate	Weighted Average Remaining Maturity in Years	Principal Outstanding	Weighted Average Interest Rate	Weighted Average Remaining Maturity in Years
Senior Secured Notes(2)(3)	$11,877,744	1.31 %	7.3	$11,409,825	1.30 %	7.3
Subordinated Notes(2)(3)	963,099	N/A (1)	8.1	1,074,904	N/A (1)	7.7
Total	$12,840,843			$12,484,729		

(1) The subordinated notes do not have contractual interest rates but instead receive distributions from the excess cash flows of the VIEs.

(2) The fair value of Senior Secured Notes and Subordinated Notes as of December 31, 2013 and December 31, 2012 was $12,424 million and $11,835 million, respectively.

(3) The debt at fair value of the consolidated VIEs is collateralized by assets of the consolidated VIEs and assets of one vehicle may not be used to satisfy the liabilities of another vehicle. As of December 31, 2013 and

December 31, 2012, the fair value of the consolidated VIE assets was $15,502 million and $14,672 million, respectively. This collateral consisted of cash and cash equivalents, investments, at fair value, and other assets.

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

The consolidated VIEs' debt obligations contain various customary loan covenants as described above. As of December 31, 2013, the Company was not aware of any instances of non-compliance with any of these covenants.
As of December 31, 2013, the table below presents the contractual maturities for debt of the consolidated VIEs:

	2014	2015	2016	2017	2018	Thereafter	Total
Senior Secured Notes	$—	$—	$2,225,000	$—	$234,731	$9,418,013	$11,877,744
Subordinated Notes	—	—	—	—	60,000	903,099	963,099
Total Obligations as of December 31, 2013	$—	$—	$2,225,000	$—	$294,731	$10,321,112	$12,840,843

Variable Interest Entities Which are Not Consolidated
The Company holds variable interests in certain VIEs which are not consolidated, as it has been determined that Apollo is not the primary beneficiary.
The following tables present the carrying amounts of the assets and liabilities of the VIEs for which Apollo has concluded that it holds a significant variable interest, but that it is not the primary beneficiary as of December 31, 2013 and 2012. In addition, the tables present the maximum exposure to losses relating to those VIEs.

	As of December 31, 2013		
	Total Assets	Total Liabilities	Apollo Exposure
Private Equity	$7,631,592	$(38,970)	$3,424
Credit	3,926,347	(321,888)	31,241
Real Estate	1,308,559	(950,421)	—
Total	$12,866,498 (1)	$(1,311,279) (2)	$34,665 (3)

(1) Consists of $354,686 in cash, $12,034,487 in investments and $477,325 in receivables.
(2) Represents $1,161,549 in debt and other payables, $106,532 in securities sold, not purchased, and $43,198 in capital withdrawals payable.
(3) Represents Apollo's direct equity method investment in those entities in which Apollo holds a significant variable interest. Additionally, cumulative carried interest income is subject to reversal in the event of 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, is $4,858 million as of December 31, 2013 as discussed in note 18.

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

(1) Consists of $452,116 in cash, $17,092,814 in investments and $915,161 in receivables.
(2) Represents $1,752,294 in debt and other payables, $32,702 in securities sold, not purchased, and $32,451 in capital withdrawals payable.
(3) Represents Apollo's direct equity method investment in those entities in which Apollo holds a significant variable interest. Additionally, cumulative carried interest income is subject to reversal in the event of 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 $3,209 million as of December 31, 2012.

(dollars in thousands, except share data)

6. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The following tables summarize the valuation of the Company's financial assets and liabilities by the fair value hierarchy as of December 31, 2013 and 2012, respectively:

	As of December 31, 2013			
	Level I(5)	Level II(5)	Level III	Total
Assets				
Investment in AAA Investments(1)	$—	$—	$1,942,051	$1,942,051
Investments held by Apollo Senior Loan Fund(1)	—	28,711	892	29,603
Investments in HFA and Other(1)	—	—	40,373	40,373
Athene and AAA Management Fee Derivatives(2)	—	—	130,709	130,709
Investments of VIEs, at fair value(4)	3,455	12,203,370	1,919,537	14,126,362
Total Assets	$3,455	$12,232,081	$4,033,562	$16,269,098
Liabilities				
Debt of VIEs, at fair value(4)	$—	$2,429,815	$9,994,147	$12,423,962
Contingent Consideration Obligations(3)	—	—	135,511	135,511
Total Liabilities	$—	$2,429,815	$10,129,658	$12,559,473

	As of December 31, 2012			
	Level I(5)	Level II(5)	Level III	Total
Assets				
Investment in AAA Investments(1)	$—	$—	$1,666,448	$1,666,448
Investments held by Apollo Senior Loan Fund(1)	—	27,063	590	27,653
Investments in HFA and Other(1)	—	—	50,311	50,311
Athene and AAA Management Fee Derivatives(2)	—	—	2,126	2,126
Investments of VIEs, at fair value(4)	168	11,045,902	1,643,465	12,689,535
Total Assets	$168	$11,072,965	$3,362,940	$14,436,073
Liabilities				
Liabilities of VIEs, at fair value(4)	$—	$—	$11,834,955	$11,834,955
Contingent Consideration Obligations(3)	—	—	142,219	142,219
Total Liabilities	$—	$—	$11,977,174	$11,977,174

(1) See note 4 for further disclosure regarding the investment in AAA Investments, investments held by Apollo Senior Loan Fund, and investments in HFA and Other.
(2) See note 17 for further disclosure regarding the Athene and AAA Management Fee Derivatives.
(3) See note 18 for further disclosure regarding Contingent Consideration Obligations.
(4) See note 5 for further disclosure regarding VIEs.
(5) All level I and II investments and liabilities were valued using third party pricing.

(dollars in thousands, except share data)

The following table summarizes the fair value transfers of financial assets between Level I and Level II and Level II and Level III for positions that existed as of December 31, 2013, 2012 and 2011, respectively:

	For the Year Ended December 31,		
	2013	2012	2011
Transfers from Level II into Level I[(1)]	$—	$164	$—
Transfers from Level III into Level II[(2)]	1,253,090	712,975	802,533
Transfers from Level II into Level III[(2)]	978,194	833,791	160,390

(1) Transfers into Level I represent those financial instruments for which an unadjusted quoted price in an active market became available for the identical asset. The transfer during the year ended December 31, 2012 related to investments of the consolidated VIEs.

(2) Transfers between Level II and III were a result of subjecting the broker quotes on these investments to various criteria which include the number and quality of broker quotes, the standard deviation of obtained broker quotes and the percentage deviation from independent pricing services.

For the year ended December 31, 2013, transfers of financial liabilities from Level III to Level II relating to liabilities held by the consolidated VIEs totaled $2.5 billion. There was a transfer of debt held by the consolidated VIEs that are valued using broker quotes from Level III into Level II as a result of subjecting broker quotes on these liabilities to various criteria which include the number and quality of broker quotes, the standard deviation of obtained broker quotes, and the percentage deviation from independent pricing services. For the years ended December 31, 2012 and 2011, there were no transfers of financial liabilities between Level I, Level II and Level III.

The following tables summarize the changes in fair value in financial assets, which are measured at fair value and characterized as Level III investments, for the years ended December 31, 2013, 2012, and 2011:

	For the Year Ended December 31, 2013					
	Investment in AAA Investments	Investments held by Apollo Senior Loan Fund	Investments in HFA and Other	Athene and AAA Management Fee Derivatives	Investments of Consolidated VIEs	Total
Balance, Beginning of Period	$1,666,448	$590	$50,311	$2,126	$1,643,465	$3,362,940
Elimination of investments attributable to consolidation of VIEs	—	—	—	—	(35,410)	(35,410)
Fees	—	—	—	118,380	—	118,380
Purchases	—	520	4,901	—	1,326,095	1,331,516
Sale of investments/Distributions	(66,796)	(6)	(2,541)	—	(724,666)	(794,009)
Net realized losses	—	—	—	—	(28,717)	(28,717)
Changes in net unrealized gains (losses)	342,399	15	(12,298)	10,203	13,439	353,758
Transfer into Level III	—	831	—	—	977,363	978,194
Transfer out of Level III	—	(1,058)	—	—	(1,252,032)	(1,253,090)
Balance, End of Period	$1,942,051	$892	$40,373	$130,709	$1,919,537	$4,033,562
Change in net unrealized gains (losses) included in Net Gains (Losses) from Investment Activities related to investments still held at reporting date	$342,399	$15	$(12,298)	$—	$—	$330,116

Change in net unrealized (losses) included in Net Gains (Losses) from Investment Activities of Consolidated VIEs related to investments still held at reporting date	$—	$—	$—	$—	$ 9,083	$ 9,083
Change in net unrealized gains included in Other Income, net related to assets still held at reporting date	$—	$—	$—	$ 10,203	$ —	$ 10,203

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

	For the Year Ended December 31, 2012					
	Investment in AAA Investments	Investments held by Apollo Senior Loan Fund	Investments in HFA and Other	Athene and AAA Management Fee Derivatives	Investments of Consolidated VIEs	Total
Balance, Beginning of Period	$1,480,152	$456	$47,757	$—	$246,609	$1,774,974
Transfer in due to consolidation and acquisition	—	—	46,148 (1)	—	1,706,145	1,752,293
Transfer out due to deconsolidation	—	—	(48,037) (1)	—	—	(48,037)
Elimination of investments attributable to consolidation of VIEs	—	—	—	—	(69,437)	(69,437)
Fees	—	—	—	2,126	—	2,126
Purchases	—	496	5,759	—	1,236,232	1,242,487
Sale of investments/Distributions	(101,844)	(1,291)	—	—	(1,561,589)	(1,664,724)
Net realized gains	—	20	—	—	21,603	21,623
Changes in net unrealized gains (losses)	288,140	8	(1,316)	—	(56,013)	230,819
Transfer into Level III	—	1,836	—	—	831,955	833,791
Transfer out of Level III	—	(935)	—	—	(712,040)	(712,975)
Balance, End of Period	$1,666,448	$590	$50,311	$2,126	$1,643,465	$3,362,940
Change in net unrealized gains (losses) included in Net Gains (Losses) from Investment Activities related to investments still held at reporting date	$288,140	$8	$(1,316)	$—	$—	$286,832
Change in net unrealized gains included in Net Gains(Losses) from Investment Activities of Consolidated VIEs related to investments still held at reporting date	$—	$—	$—	$—	$7,464	$7,464

(1) During the third quarter of 2012, the Company deconsolidated GSS Holding (Cayman), L.P., which was consolidated by the Company during the second quarter of 2012.

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

	For the Year Ended December 31, 2011				
	Investment in AAA Investments	Investments held by Apollo Senior Loan Fund	Investments in HFA and Other	Investments of Consolidated VIEs	Total
Balance, Beginning of Period	$1,637,091	$—	$—	$170,369	$1,807,460
Transfer in due to consolidation and acquisition	—	456	—	335,353	335,809
Expenses incurred	—	—	(3,871)	—	(3,871)
Purchases	432	—	57,509	663,438	721,379
Sale of investments/Distributions	(33,425)	—	—	(273,719)	(307,144)
Net realized gains	—	—	—	980	980
Changes in net unrealized losses	(123,946)	—	(5,881)	(7,669)	(137,496)
Transfer into Level III	—	—	—	160,390	160,390
Transfer out of Level III	—	—	—	(802,533)	(802,533)
Balance, End of Period	$1,480,152	$456	$47,757	$246,609	$1,774,974
Change in net unrealized losses included in Net Gains (Losses) from Investment Activities related to investments still held at reporting date	$(123,946)	$—	$(5,881)	$—	$(129,827)
Change in net unrealized losses included in Net Gains(Losses) from Investment Activities of Consolidated VIEs related to investments still held at reporting date	$—	$—	$—	$(7,253)	$(7,253)

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

	For the Year Ended December 31,								
	2013			2012			2011		
	Debt of Consolidated VIEs	Contingent Consideration Obligations	Total	Debt of Consolidated VIEs	Contingent Consideration Obligations	Total	Debt of Consolidated VIEs	Contingent Consideration Obligations	Tot
Balance, Beginning of Period	$11,834,955	$142,219	$11,977,174	$3,189,837	$5,900	$3,195,737	$1,127,180	$1,200	$1,
Transfer in due to consolidation and acquisition	—	—	—	7,317,144	117,700	7,434,844	2,046,157	4,700	2,0
Elimination of debt attributable to consolidation of VIEs	3,950	—	3,950	(67,167)	—	(67,167)	(48)	—	(48

Purchase accounting adjustments	—	—	—	—	1,000	1,000	—	—	—
Additions	2,747,033	—	2,747,033	1,639,271	—	1,639,271	454,356	—	454
Payments	(2,218,060)	(67,534)	(2,285,594)	(741,834)	(8,168)	(750,002)	(415,869)	—	(41
Net realized gains	(137,098)	—	(137,098)	—	—	—	(41,819)	—	(41
Changes in net unrealized losses / fair value	232,510	60,826 [1]	293,336	497,704	25,787 [1]	523,491	19,880	—	19,
Transfers into Level III	—	—	—	—	—	—	—	—	—
Transfers out of Level III	(2,469,143)	—	(2,469,143)	—	—	—	—	—	—
Balance, End of Period	$9,994,147	$135,511	$10,129,658	$11,834,955	$142,219	$11,977,174	$3,189,837	$5,900	$3,
Change in net unrealized (gains) losses included in Net Gains (Losses) from Investment Activities of consolidated VIEs related to liabilities still held at reporting date	$(18,578)	$—	$(18,578)	$446,649	$—	$446,649	$(25,347)	$—	$(2

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

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

The following tables summarize the quantitative inputs and assumptions used for financial assets and liabilities categorized in Level III of the fair value hierarchy as of December 31, 2013 and 2012, respectively:

	As of December 31, 2013				
	Fair Value	Valuation Techniques	Unobservable Inputs	Ranges	Weighted Average
Financial Assets					
Investments of Consolidated Apollo Funds:					
AAA Investments(1)	$1,942,051	Net Asset Value	N/A	N/A	N/A
Apollo Senior Loan Fund	892	Third Party Pricing(2)	N/A	N/A	N/A
Investments in HFA and Other	40,373	Third Party Pricing(2)	N/A	N/A	N/A
Athene and AAA Management Fee Derivatives	130,709	Discounted Cash Flows	Discount Rate	15.0%	15.0%
			Implied Multiple	1.1x	1.1x
Investments of Consolidated VIEs:					
Bank Debt Term Loans	18,467	Other	N/A	N/A	N/A
Stocks	7,938	Market Comparable Companies	Comparable Multiples	6.0x - 9.5x	7.9x
Corporate loans/ bonds	1,893,132	Third Party Pricing(2)	N/A	N/A	N/A
Total Investments of Consolidated VIEs	1,919,537				
Total Financial Assets	$4,033,562				
Financial Liabilities					
Liabilities of Consolidated VIEs:					
Subordinated Notes	$835,149	Discounted Cash Flow	Discount Rate	10.0% - 12.0%	10.8%
			Default Rate	1.0% - 1.5%	1.3%
			Recovery Rate	75.0%	75.0%
Senior Secured Notes	2,132,576	Discounted Cash Flow	Discount Rate	1.9% - 2.2%	2.0%
			Default Rate	2.0%	2.0%
			Recovery Rate	30.0% - 70.0%	65.2%
Senior Secured and Subordinated Notes	7,026,422	Third Party Pricing(2)	N/A	N/A	N/A
Total Liabilities of Consolidated VIEs	9,994,147				
Contingent Consideration Obligation	135,511	Discounted Cash Flow	Discount Rate	10.5% - 18.5%	15.3%
Total Financial Liabilities	$10,129,658				

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

As of December 31, 2013

			% of Investment of AAA Investments	
Approximate values based on net asset value of the underlying funds, which are based on the funds underlying investments that are valued using the following:				
Discounted cash flow models	$1,950,010	(3)	100	%
Total Investments	1,950,010		100	%
Other net liabilities(4)	(7,959	)		
Total Net Assets	$1,942,051			

(2) These securities are valued using broker quotes.

(3) Represents the investment by AAA Investments in Athene, which is valued using a discounted cash flow model. The unobservable inputs and respective ranges used in the discounted cash flow model are the same as noted for the Athene and AAA Management Fee Derivatives in the table above.

(4) Balances include other assets, liabilities and general partner interests of AAA Investments. Balance at December 31, 2013 is primarily comprised of net assets allocated to the general partner of $102.1 million less $89.0 million in note receivable from an affiliate. Carrying values approximate fair value for other assets and liabilities (except for the note receivable from an affiliate) and, accordingly, extended valuation procedures are not required. The note receivable from an affiliate is a level III asset valued using a discounted cash flow model. The unobservable inputs

(dollars in thousands, except share data)

and respective ranges used in the discounted cash flow model are the same as noted for the Athene and AAA Management Fee Derivatives in the table above.

	As of December 31, 2012				
	Fair Value	Valuation Techniques	Unobservable Inputs	Ranges	Weighted Average
Financial Assets					
Investments of Consolidated Apollo Funds:					
AAA Investments[1]	$1,666,448	Net Asset Value	N/A	N/A	N/A
Apollo Senior Loan Fund	590	Third Party Pricing[2]	N/A	N/A	N/A
Investments in HFA and Other	50,311	Third Party Pricing[2]	N/A	N/A	N/A
Athene and AAA Management Fee Derivatives	2,126	Discounted Cash Flows	Discount Rate	15.0%	15.0%
			Implied Multiple	1.23x	1.23x
Investments of Consolidated VIEs					
Bank Debt Term Loans	67,920	Discounted Cash Flow Comparable Yields	Discount Rate	11.8%-25.2%	16.3%
Stocks	3,624	Market Comparable Companies	Comparable Multiples	6.63x	6.63x
Corporate loans/ bonds	1,571,921	Third Party Pricing[2]	N/A	N/A	N/A
Total Investments of Consolidated VIEs	1,643,465				
Total	$3,362,940				
Financial Liabilities					
Liabilities of Consolidated VIEs:					
Subordinated Notes	$195,357	Discounted Cash Flow	Discount Rate	17.0%	17.0%
			Default Rate	1.5%-4.0%	2.4%
			Recovery Rate	80.0%	80.0%
Senior Secured Notes	2,066,250	Discounted Cash Flow	Discount Rate	1.65%-1.95%	1.8%
			Default Rate	2.0%	2.0%
			Recovery Rate	30.0%-60.0%	59.9%
Senior Secured and Subordinated Notes	9,573,348	Third Party Pricing[2]	N/A	N/A	N/A
	11,834,955				

Total Investments of Consolidated VIEs					
Contingent Consideration Obligation	142,219	Discounted Cash Flow	Discount Rate	7.0%-11.6%	9.4%
Total	$11,977,174				

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

	As of December 31, 2012			
			% of Investment of AAA Investments	
Approximate values based on net asset value of the underlying funds, which are based on the funds underlying investments that are valued using the following:				
Discounted cash flow models	$1,581,975	(3)	98.6	%
Listed quotes	22,029		1.4	%
Total Investments	1,604,004		100	%
Other net assets(4)	62,444			
Total Net Assets	$1,666,448			

(2) These securities are valued using broker quotes.

(3) Represents the investment by AAA Investments in Athene, which is valued using a discounted cash flow model. The unobservable inputs and respective ranges used in the discounted cash flow model are the same as noted for the Athene and AAA Management Fee Derivatives in the table above.

(4) Balances include other assets, liabilities and general partner interests of AAA Investments. Balance at December 31, 2012 is primarily comprised of $113.3 million in notes receivable from an affiliate less the portion of AAA investments net assets allocated to the general partner of $70.0

- 190-

million. Carrying values approximate fair value for other assets and liabilities(except for the note receivable from affiliate) and, accordingly, extended valuation procedures are not required. The note receivable from affiliate is a level III investment valued using a discounted cash flow model. The unobservable inputs and respective ranges used in the discounted cash flow model are the same as noted for the Athene and AAA Management Fee Derivatives in the table above.

Athene and AAA Management Fee Derivatives

The significant unobservable input used in the fair value measurement of the Athene and AAA management fee derivatives is the discount rate applied in the valuation model. 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. An increase in the discount rate can significantly lower the fair value of an investment; conversely a decrease in the discount rate can significantly increase the fair value of an investment. The discount rate is determined based on the expected required rate of return based on the risk profile of similar cash flows. See note 17 for further information regarding the Athene and AAA management fee derivatives.

Consolidated VIEs

Investments

The significant unobservable inputs used in the fair value measurement of the bank debt term loans and stocks include the discount rate applied and the multiples applied in the valuation models. These unobservable inputs in isolation can cause significant increases 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

The significant unobservable inputs used in the fair value measurement of the subordinated and senior secured notes include the discount rate applied in the valuation models, default and recovery rates applied in the valuation models. These inputs in isolation can cause significant increases 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 subordinated and senior secured notes; conversely a decrease in the discount rate can significantly increase the fair value of subordinated and senior secured notes. The discount rate is determined based on the market rates an investor would expect for similar subordinated and senior secured notes with similar risks.

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 weighted average cost of capital for the Company. See note 18 for further discussion of the contingent consideration obligation.

(dollars in thousands, except share data)

7. CARRIED INTEREST RECEIVABLE

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

	As of December 31,	
	2013	2012
Private Equity	$1,867,771	$1,413,306
Credit	408,342	454,155
Real Estate	10,962	10,795
Total Carried Interest Receivable	$2,287,075	$1,878,256

The table below provides a roll-forward of the carried interest receivable balance for the years ended December 31, 2013 and 2012:

	Private Equity	Credit	Real Estate	Total
Carried interest receivable, January 1, 2012	$672,952	$195,630	$—	$868,582
Change in fair value of funds (1)	1,592,234	448,670	15,074	2,055,978
Acquisition of Stone Tower	—	36,097	—	36,097
Fund cash distributions to the Company	(851,880)	(226,242)	(4,279)	(1,082,401)
Carried interest receivable, December 31, 2012	$1,413,306	$454,155	$10,795	$1,878,256
Change in fair value of funds (1)	2,516,990	324,859	967	2,842,816
Fund cash distributions to the Company	(2,062,525)	(370,672)	(800)	(2,433,997)
Carried interest receivable, December 31, 2013	$1,867,771	$408,342	$10,962	$2,287,075

(1) Included in change in fair value of funds for the year ended December 31, 2013 was a reversal of $19.3 million and $0.3 million of the entire general partner obligation to return previously distributed carried interest income to SOMA and APC, respectively. Included in change in fair value of funds for the year ended December 31, 2012 was a reversal of $75.3 million of the entire general partner obligation to return previously distributed carried interest income with respect to Fund VI and reversal of previously realized carried interest income due to the general partner obligation to return previously distributed carried interest income of $1.2 million and $0.3 million for SOMA and APC, respectively. The general partner obligation is recognized based upon a hypothetical liquidation of the 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.

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 estate 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 high watermark provisions.

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

8. PROFIT SHARING PAYABLE

Profit sharing payable from private equity, credit and real estate funds consisted of the following:

	As of December 31,	
	2013	2012
Private Equity	$751,192	$596,427
Credit	234,504	254,629
Real Estate	6,544	6,668
Total Profit Sharing Payable	$992,240	$857,724

The table below provides a roll-forward of the profit sharing payable balance for the years ended December 31, 2013 and 2012:

	Private Equity	Credit	Real Estate	Total
Profit sharing payable, January 1, 2012	$296,672	$56,224	$—	$352,896
Acquisition of Stone Tower(1)	—	117,700	—	117,700
Profit sharing expense (2)(3)	704,797	138,444	6,815	850,056
Payments	(405,042)	(57,739)	(147)	(462,928)
Profit sharing payable, December 31, 2012	$596,427	$254,629	$6,668	$857,724
Profit sharing expense (2)	1,030,404	142,728	123	1,173,255
Payments	(875,639)	(162,853)	(247)	(1,038,739)
Profit sharing payable, December 31, 2013	$751,192	$234,504	$6,544	$992,240

(1) See note 3 as it relates to the Stone Tower acquisition.

(2) Includes both of the following: i) changes in amounts payable to employees and former employees entitled to a share of carried interest income in one or more funds and ii) changes to the fair value of the contingent consideration obligations (see notes 6 and 18) recognized in connection with certain Apollo acquisitions.

(3) Included in profit sharing expense for the year ended December 31, 2012 was a reversal of the entire receivable from Contributing Partners and certain employees of $22.1 million due to the reversal of the general partner obligation as discussed in note 18.

(dollars in thousands, except share data)

9. FIXED ASSETS

Fixed assets consisted of the following:

	Useful Life in Years	December 31, 2013	2012
Ownership interests in aircraft	15	$—	$10,184
Leasehold improvements	8-16	50,478	48,610
Furniture, fixtures and other equipment	4-10	16,750	16,047
Computer software and hardware	2-4	31,200	27,744
Other	N/A	509	509
Total fixed assets		98,937	103,094
Less - accumulated depreciation and amortization		(58,686)	(49,642)
Fixed Assets, net		$40,251	$53,452

In December 2013, the Company committed to a plan to sell its ownership interests in certain aircraft. The sale of the ownership interest in one aircraft was completed in December 2013 while the sale of the remaining ownership interest is expected to be completed in the first quarter of 2014. Accordingly, in December 2013, the Company recorded the completed sale and reclassified the remaining aircraft interests committed for sale to assets held for sale which is included in other assets in the consolidated statement of financial condition. The aircraft reclassified to assets held for sale were recorded at the lower of cost or fair value less costs to sell. As a result of both the completed sale and reclassification, the Company recognized a net loss of approximately $1.0 million which is included in other income, net in the consolidated statements of operations for the year ended December 31, 2013.

Depreciation expense for the years ended December 31, 2013, 2012 and 2011 was $11.0 million, $10.2 million and $11.1 million, respectively.

10. OTHER ASSETS

Other assets consisted of the following:

	As of December 31, 2013	2012
Prepaid expenses	$9,867	$12,650
Tax receivables	6,549	5,380
Assets held for sale	6,413	—
Debt issuance costs, net	6,407	2,113
Underwriting fee receivable	2,090	5,569
Receivable from broker	1,436	3,537
Rent deposits	1,224	1,336
Interest Receivable	6,420	2,598
Other	3,764	3,582
Total Other Assets	$44,170	$36,765

(dollars in thousands, except share data)

Table of Contents

11. OTHER LIABILITIES

Other liabilities consisted of the following:

	As of December 31,	
	2013	2012
Deferred tax liabilities	$37,272	$13,717
Deferred rent	14,701	14,829
Unsettled trades and redemption payable	2,516	3,986
Other	8,785	12,323
Total Other Liabilities	$63,274	$44,855

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

12. OTHER INCOME, NET

Other income, net consisted of the following:

	For the Year Ended December 31,		
	2013	2012	2011
Gain on derivatives	$10,203	$—	$—
Tax receivable agreement adjustment	13,038	3,937	(137)
Gain on acquisitions	—	1,951,897	196,193
AMTG offering costs	—	—	(8,000)
ARI reimbursed offering costs	—	—	8,000
Foreign exchange gain (loss)	4,142	(790)	6,169
Rental income	5,334	4,387	1,999
Loss on assets held for sale	(1,087)	—	—
Loss on extinguishment of debt	(2,741)	—	—
Other	11,225	5,248	1,296
Total Other Income, Net	$40,114	$1,964,679	$205,520

13. 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. APO Corp., a wholly-owned subsidiary of the Company, is subject to U.S. Federal, State and Local corporate income taxes. 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 provision for income taxes totaled $(107.6) million, $(65.4) million, and $(11.9) million for the years ended December 31, 2013, 2012, and 2011, respectively. The Company’s effective tax rate was approximately 4.33%, 2.10% and (0.92)% for the years ended December 31, 2013, 2012, and 2011, respectively.

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

The provision for income taxes is presented in the following table:

	For the Year Ended December 31,		
	2013	2012	2011
Current:			
Federal income tax	$(30,422)	$—	$(856)
Foreign income tax	(4,733)	(3,411)	(3,705)
State and local income tax	(9,728)	(7,722)	(6,943)
Subtotal	(44,883)	(11,133)	(11,504)
Deferred:			
Federal income tax	(40,955)	(55,114)	248
Foreign income tax	(130)	277	301
State and local income tax (net of federal (benefit) provision)	(21,601)	560	(974)
Subtotal	(62,686)	(54,277)	(425)
Total Income Tax Provision	$(107,569)	$(65,410)	$(11,929)

For the years ended December 31, 2013, 2012 and 2011, the amount of federal income tax provision netted in the deferred state and local income tax amounts was $3.5 million, $(0.4) million and $1.4 million, respectively.
The following table reconciles the provision for taxes to the U.S. Federal statutory tax rate:

	For the Year Ended December 31,		
	2013	2012	2011
U.S. Statutory Tax Rate	35.00 %	35.00 %	35.00 %
Income Passed Through to Non-Controlling Interests	(24.15)	(30.88)	(24.67)
Income passed through to Class A holders	(7.85)	(4.41)	(1.28)
Equity Based Compensation - AOG Units	0.16	1.84	(9.12)
Foreign income tax	0.12	0.10	(0.17)
State and Local Income Taxes (net of Federal Benefit)	1.13	0.20	(0.56)
Amortization & Other Accrual Adjustments	(0.08)	0.25	(0.12)
Effective Income Tax Rate	4.33 %	2.10 %	(0.92)%

During the year ended December 31, 2013, the Company adjusted its estimated rate of tax it expects to pay in the future and thereby reduced its net deferred tax assets, and increased its income tax provision, by $16.9 million (see note 17 for details regarding the impact on tax receivable agreement).
Deferred income taxes are provided for the effects of temporary differences between the tax basis of an asset or liability and its reported amount in the consolidated statements of financial condition. These temporary differences result in taxable or deductible amounts in future years.

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

The Company's deferred tax assets and liabilities on the consolidated statements of financial condition consist of the following:

	As of December 31,	
	2013	2012
Deferred Tax Assets:		
Depreciation and amortization	$553,251	$448,372
Revenue recognition	51,790	40,597
Net operating loss carryforwards	776	5,514
Equity-based compensation - RSUs and AAA RDUs	42,784	41,083
Foreign tax credit	7,528	6,494
Other	4,070	148
Total Deferred Tax Assets	660,199	542,208
Deferred Tax Liabilities:		
Unrealized gains from investments	36,939	12,882
Other	333	835
Total Deferred Tax Liabilities	$37,272	$13,717

As of December 31, 2013, the Company had approximately $9.3 million of state and local net operating loss carryforwards that will expire in 2031. In addition, the Company's foreign tax credit carryforwards will begin to expire in 2020.

The Company considered its historical and current year earnings, current utilization of existing deferred tax assets, and the 15 year amortization periods of the tax basis of its intangible assets in evaluating whether it should establish a valuation allowance. The Company's short-term and long-term projections anticipate positive book income. In addition, the Company's projection of future taxable income, including the effects of originating and reversing temporary differences including those for the tax basis intangibles, indicates that deferred tax liabilities will reverse substantially in the same period and jurisdiction and are of the same character as the temporary differences giving rise to the deferred tax assets. Based upon this positive evidence, the Company has concluded it is more likely than not, that the deferred tax assets will be realized and that no valuation allowance is needed at December 31, 2013.

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 files its tax returns as prescribed by the tax laws of the jurisdictions in which it operates. In the normal course of business, the Company is subject to examination by federal and certain state, local and foreign tax authorities. With a few exceptions, as of December 31, 2013, Apollo and its predecessor entities' U.S. Federal, state, local and foreign income tax returns for the years 2010 through 2013 are open under the general statute of limitations provisions and therefore subject to examination. In addition, the State of New York is examining APO Corp.'s tax returns for tax years 2008 to 2010. The Internal Revenue Service is examining the tax return of Apollo Management Holdings, L.P. for the tax year 2011. The tax returns of APO Corp. for tax years 2010 and 2011 are being examined by the Internal Revenue Service in connection with the filing of a net operating loss carryback claim to the 2010 tax year.

The Company has recorded a deferred tax asset for the future amortization of tax basis intangibles as a result of the 2007 Reorganization. In connection with the Secondary Offering, as disclosed in note 1, the Company recognized an additional step-up in tax basis of intangibles as a result of the exchange of AOG Units for Class A shares in May 2013. The Company recognized an additional step-up in tax basis of intangibles as a result of an exchange of AOG Units for Class A shares in November 2013. As a result of the exchange of AOG Units for Class A shares, there was an increase in the deferred tax asset established from the

(dollars in thousands, except share data)

2007 Reorganization, which was recorded in the consolidated statements of financial condition for the expected income tax benefit associated with this increase. A related tax receivable agreement liability was recorded in due to affiliates in the 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 17). The increase in the deferred tax asset less the related liability resulted in an increase to additional paid-in capital of which was recorded in the consolidated statements of changes in shareholders' equity for the year ended December 31, 2013. The amortization period for these tax basis intangibles is 15 years. Accordingly, the related deferred tax assets will reverse over a similar period. The following table below presents the transactions during the year related to the Exchange of AOG Units for Class A Shares and the resulting impact to the Deferred Tax Asset, Tax Receivable Agreement Liability and additional paid-in capital.

	For the Year Ended December 31, 2013		
Date of Exchange of AOG Units for Class A Shares	Increase in Deferred Tax Asset	Increase in Tax Receivable Agreement Liability	Increase to Additional Paid In Capital
May 15, 2013	$92,080	$78,268	$13,812
November 11, 2013	57,247	48,660	8,587
Total	$149,327	$126,928	$22,399

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

14. DEBT
Debt consisted of the following:

	As of December 31, 2013			As of December 31, 2012		
	Outstanding Balance	Annualized Weighted Average Interest Rate		Outstanding Balance	Annualized Weighted Average Interest Rate	
2007 AMH Credit Agreement	N/A	N/A		$728,273	4.95	%(1)
2013 AMH Credit Facilities - Term Facility	750,000	1.37	%	N/A	N/A	
CIT secured loan agreements	N/A	N/A		9,545	3.47	
Total Debt	$750,000	1.37	%	$737,818	4.93	%

(1) Includes the effect of interest rate swaps.

2007 AMH Credit Agreement—On April 20, 2007, Apollo Management Holdings, L.P. (“AMH”), a subsidiary of the Company which is a Delaware limited partnership, entered into a $1.0 billion seven year credit agreement (the “2007 AMH Credit Agreement”). Interest payable under the 2007 AMH Credit Agreement was based on Eurodollar LIBOR or Alternate Base Rate ("ABR") as determined by the borrower. Through the use of interest rate swaps, AMH irrevocably elected three-month LIBOR for $167 million of the debt for five years from the closing date of the 2007 AMH Credit Agreement, which expired in May 2012. The interest rate of the Eurodollar loan, which was amended as discussed below, was the daily Eurodollar rate plus the applicable margin rate (3.75% for $995 million of the loan, as discussed below, and 1.00% for $5 million of the loan as of December 31, 2012. The interest rate on the ABR term loan, which was amended as discussed below, for any day, was the greatest of (a) the prime rate in effect on such day, (b) the Federal Funds Rate in effect on such day plus 0.5% and (c) the one-month Eurodollar Rate plus 1.00%, in each case plus the applicable margin. The 2007 AMH Credit Agreement originally had a maturity date of April 2014.

On December 20, 2010, Apollo amended the 2007 AMH Credit Agreement to extend the maturity date of $995.0 million (including the $90.9 million of fair value debt repurchased by the Company) of the term loan from April 20, 2014 to January 3, 2017 and modified certain other terms of the 2007 AMH Credit Agreement. The interest rate for the highest applicable margin for the loan portion extended changed to LIBOR plus 4.25% and ABR plus 3.25%. On December 20, 2010, an affiliate of AMH that was a guarantor under the 2007 AMH Credit Agreement repurchased approximately $180.8 million of the term loan in connection with the extension of the maturity date of such loan and thus the 2007 AMH Credit Agreement (excluding the portions held by AMH affiliates) had a remaining balance of $728.3 million.

The interest rate on the $723.3 million, net ($995.0 million portion less amount repurchased by the Company) of the loan at December 31, 2012 was 4.07% and the interest rate on the remaining $5.0 million portion of the loan at December 31, 2012 was 1.32%. The estimated fair value of the Company’s long-term debt obligation related to the 2007 AMH Credit Agreement was believed to be approximately $795.6 million based on a yield analysis using available market data of comparable securities with similar terms and remaining maturities as of December 31, 2012. The $728.3 million carrying value of debt that is recorded on the consolidated statement of financial condition at December 31, 2012 is the amount for which the Company expected to settle the 2007 AMH Credit Agreement.

Interest expense incurred by the Company related to the 2007 AMH Credit Agreement was $28.3 million, $36.0 million, and $39.3 million for the years ended December 31, 2013, 2012, and 2011, respectively.

As of December 31, 2012, the 2007 AMH Credit Agreement was guaranteed by, and collateralized by, substantially all of the assets of AMH and its subsidiaries, Apollo Principal Holdings II, L.P., Apollo Principal Holdings IV, L.P., Apollo Principal Holdings V, L.P., and Apollo Principal Holdings IX, L.P., as well as cash proceeds from the sale of assets or similar recovery events and any cash deposited pursuant to the excess cash flow covenant, which was deposited as cash collateral to the extent necessary as set forth in the 2007 AMH Credit Agreement.

(dollars in thousands, except share data)

The consolidated net (deficit) assets of each Borrower are summarized as follows:

Borrower	Consolidated Net (Deficit) Assets as of December 31, 2012
AMH and subsidiaries	$(858,804)
Apollo Principal Holdings II, L.P.	94,884
Apollo Principal Holdings IV, L.P.	91,104
Apollo Principal Holdings V, L.P.	62,283
Apollo Principal Holdings IX, L.P.	217,480

The 2007 AMH Credit Agreement contained customary events of default, including events of default arising from non-payment, material misrepresentations, breaches of covenants, cross default to material indebtedness, bankruptcy and changes in control of AMH.

The outstanding loans under the 2007 AMH Credit Agreement were refinanced on December 18, 2013 with the net proceeds from the 2013 AMH Credit Facilities (as defined below). Additionally, the net proceeds were used to pay fees and expenses associated with the 2013 AMH Credit Facilities. The 2007 AMH Credit Agreement and all related loan documents and security with respect thereto were terminated in connection with the refinancing.

2013 AMH Credit Facilities—On December 18, 2013, AMH and its consolidated subsidiaries and certain other subsidiaries of the Company (collectively, the "Borrowers") entered into new credit facilities (the "2013 AMH Credit Facilities") with JPMorgan Chase Bank, N.A. The 2013 AMH Credit Facilities provide for (i) a term loan facility to AMH (the “Term Facility”) that includes $750 million of the term loan from third-party lenders and $271.7 million of the term loan held by a subsidiary of the Company and (ii) a $500 million revolving credit facility (the “Revolver Facility”), in each case, with a final maturity date of January 18, 2019.

Interest on the borrowings is based on an adjusted LIBOR rate or alternate base rate, in each case plus an applicable margin, and undrawn revolving commitments bear a commitment fee. Under the terms of the 2013 AMH Credit Facilities, the applicable margin ranges from 1.125% to 1.75% for LIBOR loans and 0.125% to 0.75% for alternate base rate loans, and the undrawn revolving commitment fee ranges from 0.125% to 0.25%, in each case depending on the Company’s corporate rating assigned by Standard & Poor’s Ratings Group, Inc. The 2013 AMH Credit Facilities do not require any scheduled amortization payments or other mandatory prepayments (except with respect to overadvances on the Revolver Facility) prior to the final maturity date, and the Borrowers may prepay the loans and/or terminate or reduce the revolving commitments under the 2013 AMH Credit Facilities at any time without penalty.

The interest rate on the $750 million Term Facility as of December 31, 2013 was 1.37% and the commitment fee as of December 31, 2013 on the $500 million undrawn Revolver Facility was 0.125%. Interest expense incurred by the Company related to the 2013 AMH Credit Facilities was $0.4 million for the year ended December 31, 2013.

As of December 31, 2013, $750 million of the Term Facility was outstanding with third-party lenders and there is approximately $271.7 million of the Term Facility that is held by a subsidiary of the Company. As of December 31, 2013 the Revolver Facility was undrawn. The estimated fair value of the Company’s long-term debt obligation related to the 2013 AMH Credit Facilities is believed to be approximately $750 million based on a yield analysis using available market data of comparable securities with similar terms and remaining maturities. The $750 million carrying value of debt that is recorded on the consolidated statement of financial condition at December 31, 2013 is the amount for which the Company expects to settle the 2013 AMH Credit Facilities.

In accordance with U.S. GAAP, the Company determined that the refinancing of the outstanding loans under the 2007 AMH Credit Agreement resulted in a debt extinguishment. As a result, the Company recorded a loss on extinguishment of $2.7 million, of which $1.6 million related to previously capitalized costs incurred in relation to the 2007 AMH Credit Agreement and $1.1 million related to expenses incurred in relation to the 2013 AMH Credit Facilities, in other income, net in the consolidated statement of operations for the year ended December 31, 2013. In addition, the Company capitalized debt issuance costs of $6.6 million incurred in relation to the 2013 AMH Credit

Facilities which was recorded in other assets in the consolidated statement of financial condition as of December 31, 2013 to be amortized over the life of the term loan and line of credit.

(dollars in thousands, except share data)

The 2013 AMH Credit Facilities are guaranteed and collateralized by AMH and its consolidated subsidiaries, Apollo Management, L.P., Apollo Capital Management, L.P., Apollo International Management, L.P., AAA Holdings, L.P., Apollo Principal Holdings I, L.P., Apollo Principal Holdings II, L.P., Apollo Principal Holdings III, L.P., Apollo Principal Holdings IV, L.P., Apollo Principal Holdings V, L.P., Apollo Principal Holdings VI, L.P., Apollo Principal Holdings VII, L.P., Apollo Principal Holdings VIII, L.P., Apollo Principal Holdings IX L.P., ST Holdings GP, LLC and ST Management Holdings, LLC. The 2013 AMH Credit Facilities contain affirmative and negative covenants which limit the ability of the Borrowers, the guarantors and certain of their subsidiaries to, among other things, incur indebtedness and create liens. Additionally, the 2013 AMH Credit Facilities contain financial covenants which require the Borrowers and their subsidiaries to maintain (1) at least $40 billion of fee-generating Assets Under Management and (2) a maximum total net leverage ratio of not more than 4.00 to 1.00 (subject to customary equity cure rights). The 2013 AMH Credit Facilities also contain customary events of default, including events of default arising from non-payment, material misrepresentations, breaches of covenants, cross default to material indebtedness, bankruptcy and changes in control of the Company. As of December 31, 2013, the Company was not aware of any instances of non-compliance with the financial covenants contained in the 2013 AMH Credit Facilities.

Borrowings under the Revolver Facility may be used for working capital and general corporate purposes, including, without limitation, permitted acquisitions. In addition, the Borrowers may incur incremental facilities in respect of the Revolver Facility and the Term Facility in an aggregate amount not to exceed $500 million plus additional amounts so long as the Borrowers are in compliance with a net leverage ratio not to exceed 3.75 to 1.00.

The consolidated net (deficit) assets of each Borrower are summarized as follows:

Borrower	Consolidated Net (Deficit) Assets as of December 31, 2013
AMH and subsidiaries (1)	$(689,958)
Apollo Principal Holdings I, L.P.	1,570,336
Apollo Principal Holdings II, L.P. (2)	167,844
Apollo Principal Holdings III, L.P.	661,106
Apollo Principal Holdings IV, L.P.	163,329
Apollo Principal Holdings V, L.P.	53,116
Apollo Principal Holdings VI, L.P.	239,876
Apollo Principal Holdings VII, L.P.	99,250
Apollo Principal Holdings VIII, L.P.	16,784
Apollo Principal Holdings IX L.P.	152,010

(1) Includes Apollo Management, L.P., Apollo Capital Management, L.P., Apollo International Management, L.P., AAA Holdings, L.P. and ST Management Holdings, LLC, which are consolidated by AMH.

(2) Includes ST Holdings GP, LLC, which is consolidated by Apollo Principal Holdings II, L.P.

CIT Secured Loan Agreements—During 2011, the Company had secured loan agreements totaling $10.2 million with CIT Group/Equipment Financing Inc. ("CIT") to finance the purchase of certain fixed assets. The loans bore interest at LIBOR plus 318 basis points per annum with interest and principal to be repaid monthly and a balloon payment of the remaining principal totaling $9.4 million due at the end of the terms in April 2013. At December 31, 2012 and 2011, the interest rate was 3.40% and 3.45%, respectively. In April 2013, the CIT loan balance was repaid. Interest expense incurred by the Company related to the CIT loan was $0.1 million, $0.3 million, and $0.5 million during the years ended December 31, 2013, 2012 and 2011, respectively.

As of December 31, 2013, the table below presents the contractual maturities for the 2013 AMH Credit Facilities:

	2014	2015	2016	2017	2018	Thereafter	Total
2013 AMH Credit Facilities(1)	$—	$—	$—	$—	$—	$750,000	$750,000

Total Obligations as of December 31, 2013	$—	$—	$—	$—	$—	$750,000	$750,000

(1) Excludes a $500 million undrawn revolving credit facility with a final maturity of January 18, 2019.

Table of Contents

15. NET INCOME (LOSS) PER CLASS A SHARE

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

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

(dollars in thousands, except share data)

The table below presents basic and diluted net income (loss) per Class A share using the two-class method for the years ended December 31, 2013, 2012, and 2011:

	Basic and Diluted For the Year Ended December 31, 2013	2012	2011
Numerator:			
Net income (loss) attributable to Apollo Global Management, LLC	$659,391	$310,957	$(468,826)
Distributions declared on Class A shares	(556,954)[(1)]	(172,887)[(2)]	(97,758)[(3)]
Distributions on participating securities	(93,235)	(31,175)	(17,381)
Earnings allocable to participating securities	(1,394)	(16,855)	—[(4)]
Undistributed income (loss) attributable to Class A shareholders: Basic	7,808	90,040	(583,965)
Dilution effect on undistributed income attributable to Class A shareholders	9,106	3,425	—
Dilution effect on distributable income attributable to participating securities	(1,329)	(85)	—
Undistributed Income (Loss) attributable to Class A shareholders: Diluted	$15,585	$93,380	$(583,965)
Denominator:			
Weighted average number of Class A shares outstanding: Basic	139,173,386	127,693,489	116,364,110
Dilution effect of share options and unvested RSUs	3,040,964	1,846,888	—
Weighted average number of Class A shares outstanding: Diluted	142,214,350	129,540,377	116,364,110
Net income (loss) per Class A share: Basic			
Distributed Income	$4.00	$1.35	$0.84
Undistributed (Loss) Income	0.06	0.71	(5.02)
Net Income (Loss) per Class A Share: Basic	$4.06	$2.06	$(4.18)
Net Income (Loss) per Class A Share: Diluted[(5)]			
Distributed income	$3.92	$1.34	$0.84
Undistributed (loss) income	0.11	0.72	(5.02)
Net Income (Loss) per Class A Share: Diluted	$4.03	$2.06	$(4.18)

(1) The Company declared a $1.05 distribution on Class A shares on February 8, 2013, a $0.57 distribution on May 6, 2013, a $1.32 distribution on August 8, 2013 and a $1.01 distribution on November 7, 2013.
(2) The Company declared a $0.46 distribution on Class A shares on February 10, 2012, a $0.25 distribution on May 8, 2012, a $0.24 distribution on August 12, 2012, and a $0.40 distribution on November 9, 2012.
(3) The Company declared a $0.17 distribution on Class A shares on January 4, 2011, a $0.22 distribution on May 12, 2011, a $0.24 distribution on August 9, 2011, and a $0.20 distribution on November 3, 2011.
(4) No allocation of losses was made to the participating securities as the holders do not have a contractual obligation to share in the losses of the Company with Class A shareholders.
(5) For the year ended December 31, 2013, share options and unvested RSUs were determined to be dilutive, and were accordingly included in the diluted earnings per share calculation. For the year ended December 31, 2012, share

options and unvested RSUs were determined to be dilutive, and were accordingly included in the diluted earnings per share calculation. For the year ended December 31, 2011, the Company had losses attributable to Class A shareholders and as such there was no dilution. AOG Units and participating securities were determined to be anti-dilutive for the years ended December 31, 2013, 2012, and 2011, and were accordingly excluded from the diluted earnings per share calculation.

On October 24, 2007, the Company commenced the granting of restricted share units ("RSUs") that provide the right to receive, subject to vesting, Class A shares of Apollo Global Management, LLC, pursuant to the Company's 2007 Omnibus Equity Incentive Plan. Certain RSU grants to employees provide the right to receive distribution equivalents on vested RSUs on an equal basis any time a distribution is declared. The Company refers to these RSU grants as "Plan Grants." For certain Plan Grants, distribution equivalents are paid in January of the calendar year next following the calendar year in which a distribution on Class A shares was declared. In addition, certain RSU grants to employees provide that both vested and unvested RSUs participate in distribution equivalents on an equal basis with the Class A shareholders any time a distribution is declared. The Company refers to these as "Bonus Grants." As of December 31, 2013, approximately 22.8 million vested RSUs and 3.4 million unvested RSUs were eligible for participation in distribution equivalents.

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

Holders of AOG Units are subject to the vesting requirements and transfer restrictions set forth in the agreements with the respective holders, and may up to four times each year, upon notice (subject to the terms of the Exchange Agreement), exchange their AOG Units for Class A shares on a one-for-one basis. A limited partner must exchange one partnership unit in each of the Apollo Operating Group partnerships to effectuate an exchange for one Class A share. As disclosed in note 1, in connection with the Secondary Offering, certain holders of AOG Units exchanged their AOG Units for Class A shares and approximately 8.8 million Class A shares were issued by the Company in the exchange. In November 2013, as disclosed in note 13, certain holders of AOG Units exchanged their AOG Units for Class A shares and approximately 2.3 million Class A shares were issued by the Company in the exchange. If all of the outstanding AOG Units were exchanged for Class A shares as of December 31, 2013, the result would be an additional 228,954,598 Class A shares added to the diluted earnings per share calculation.

Apollo Global Management, LLC has one Class B share outstanding, which is held by BRH Holdings GP, Ltd. ("BRH"). The voting power of the Class B share is reduced on a one vote per one AOG Unit basis in the event of an exchange of AOG Units for Class A shares, as discussed above. The Class B share has no net income (loss) per share as it does not participate in Apollo's earnings (losses) or distributions. The Class B share has no distribution or liquidation rights. The Class B share has voting rights on a pari passu basis with the Class A shares. The Class B share had a super voting power of 228,954,598 votes as of December 31, 2013.

The table below presents transactions in Class A shares during the years ended December 31, 2013, 2012, and 2011 and the resulting impact on the Company's and Holdings' ownership interests in the Apollo Operating Group:

Date	Type of Class A Shares Transaction	Number of Shares Issued in Class A Shares Transaction (in thousands)	Apollo Global Management, LLC ownership% in Apollo Operating Group before Class A Shares Transaction	Apollo Global Management, LLC ownership% in Apollo Operating Group after Class A Shares Transaction	Holdings ownership% in Apollo Operating Group before Class A Shares Transaction	Holdings ownership% in Apollo Operating Group after Class A Shares Transaction	
Quarter Ended March 31, 2011	Issuance	1,550	29.0%	29.3%	71.0%	70.7%	
Quarter Ended June 30, 2011	Issuance	22,250	29.3%	33.7%	70.7%	66.3%	
Quarter Ended September 30, 2011	Issuance	1,268	33.7%	33.9%	66.3%	66.1%	
Quarter Ended December 31, 2011	Issuance/Net Settlement	933	33.9%	34.1%	66.1%	65.9%	
Quarter Ended March 31, 2012	Issuance	2,388	34.1%	34.5%	65.9%	65.5%	
Quarter Ended June 30, 2012	Issuance	150	34.5%	34.5%	65.5%	65.5%	
Quarter Ended September 30, 2012	Issuance	3,414	34.5%	35.1%	65.5%	64.9%	
Quarter Ended December 31, 2012	Issuance	180	35.1%	35.1%	64.9%	64.9%	
Quarter Ended March 31, 2013	Issuance	2,091	35.1%	35.5%	64.9%	64.5%	
Quarter Ended June 30, 2013	Issuance/Offering	9,577	35.5%	38.0%	64.5%	62.0%	(1)
Quarter Ended September 30, 2013	Issuance	1,977	38.0%	38.3%	62.0%	61.7%	
Quarter Ended December 31, 2013	Issuance/Offering	2,581	38.3%	39.0%	61.7%	61.0%	(1)

(1)

Certain holders of AOG Units exchanged their AOG Units for Class A shares. Approximately 8.8 million Class A shares were issued by the Company in the exchange, which settled on May 14, 2013. See note 1 for details regarding the Secondary Offering. In November 2013, as disclosed in note 13, certain holders of AOG Units exchanged their AOG Units for Class A shares and approximately 2.3 million Class A shares were issued by the Company in the exchange.

16. EQUITY-BASED COMPENSATION

AOG Units

The fair value of the AOG Units of approximately $5.6 billion is charged to compensation expense on a straight-line basis over the five or six year service period, as applicable. For the years ended December 31, 2013, 2012, and 2011, $30.0 million, $480.9 million, and $1,032.8 million of compensation expense was recognized, respectively. As of December 31, 2013, there was no unrecognized compensation expense related to unvested AOG Units.

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

The following table summarizes the activity of the AOG Units for the years ended December 31, 2013, 2012, and 2011:

	AOG Units	Weighted Average Grant Date Fair Value
Balance at January 1, 2011	66,742,906	$23.13
Vested	(44,149,696)	23.39
Balance at December 31, 2011	22,593,210	22.64
Granted	199,050	17.36
Forfeited	(199,050)	20.00
Vested	(21,092,844)	22.80
Balance at December 31, 2012	1,500,366	20.00
Vested	(1,500,366)	20.00
Balance at December 31, 2013	—	$—

RSUs

On October 24, 2007, the Company commenced the granting of RSUs under the Company's 2007 Omnibus Equity Incentive Plan. These grants are accounted for as a grant of equity awards in accordance with U.S. GAAP. The fair value of all grants after March 29, 2011 is based on the grant date fair value, which considers the public share price of the Company. For Plan Grants, the fair value is based on grant date fair value, and is discounted primarily for transfer restrictions and lack of distributions until vested. For Bonus Grants, the valuation methods are discounted primarily for transfer restrictions and in certain cases timing of distributions. For Plan Grants, the discount for the lack of distributions until vested based on the present value of a growing annuity calculation had a weighted average of 30.5%, 23.3% and 7.1% for the years ending December 31, 2013, 2012, and 2011, respectively. Additionally, for Plan Grants, the marketability discount for transfer restrictions based on the Finnerty Model calculation, after considering the discount for lack of pre-vesting distributions, had a weighted average of 6.0%, 5.0%, and 8.6% for the years ending December 31, 2013, 2012, and 2011, respectively. For Bonus Grants, the marketability discount for transfer restrictions based on the Finnerty Model calculation had a weighted average of 3.2%, 4.9%, and 6.5% for the years ending December 31, 2013, 2012, and 2011, respectively. The total fair value is charged to compensation expense on a straight-line basis over the vesting period, which is generally up to six years, with the first installment vesting one year after grant and quarterly vesting thereafter (for Plan Grants) or annual vesting over three years (for Bonus Grants).

The fair value of grants made in 2013, 2012, and 2011 is $56.6 million, $73.5 million and $116.6 million, respectively. Of the awards granted in 2012, 972,266 RSUs relate to awards granted as part of the Stone Tower acquisition. The fair value of these awards was not charged to compensation expense, but charged to additional paid in capital in the consolidated statements of changes in shareholder's equity. See note 3 for further discussion of the Stone Tower acquisition. The actual forfeiture rate was 5.3%, 3.9%, and 2.3% for the years ended December 31, 2013, 2012, and 2011 respectively. For the years ended December 31, 2013, 2012, and 2011, $87.7 million, $110.2 million, and $108.2 million of compensation expense was recognized, respectively.

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

The following table summarizes RSU activity for the years ended December 31, 2013, 2012, and 2011:

	Unvested	Weighted Average Grant Date Fair Value	Vested	Total Number of RSUs Outstanding
Balance at January 1, 2011	23,442,916	$ 10.25	15,642,921	39,085,837
Granted	8,068,735	14.45	—	8,068,735
Forfeited	(737,372)	12.59	—	(737,372)
Delivered	—	10.12	(5,696,419)	(5,696,419)
Vested	(10,293,506)	11.13	10,293,506	—
Balance at December 31, 2011	20,480,773	11.38	20,240,008	40,720,781 (1)
Granted	5,377,562	13.68	—	5,377,562
Forfeited	(966,725)	11.02	—	(966,725)
Delivered	—	11.69	(7,894,214)	(7,894,214)
Vested	(10,167,136)	12.28	10,167,136	—
Balance at December 31, 2012	14,724,474	11.62	22,512,930	37,237,404 (1)
Granted	2,101,277	26.95	—	2,101,277
Forfeited	(888,594)	13.30	—	(888,594)
Delivered	—	12.30	(6,879,050)	(6,879,050)
Vested	(7,159,871)	12.60	7,159,871	—
Balance at December 31, 2013	8,777,286	$ 14.32	22,793,751	31,571,037 (1)

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

Units Expected to Vest—As of December 31, 2013, approximately 8,300,000 RSUs were expected to vest over the next 2.9 years.

Share Options

Under the Company’s 2007 Omnibus Equity Incentive Plan, the following options were granted:

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

the remaining 20 quarters with full vesting on June 30, 2018.

For the years ended December 31, 2013, 2012, and 2011, $4.7 million, $4.8 million, and $6.9 million of compensation expense was recognized as a result of these grants, respectively.

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

There were no share options granted during the year ended December 31, 2013. Apollo measures the fair value of each option award on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions used for options awarded during 2012 and 2011:

Assumptions:	2012[2]	2011[2]
Risk-free interest rate	1.11 %	2.79 %
Weighted average expected dividend yield	8.13 %	2.25 %
Expected volatility factor[1]	45.00 %	40.22 %
Expected life in years	6.66	5.72
Fair value of options per share	$3.01	$8.44

(1) The Company determined its expected volatility based on comparable companies using daily stock prices and the Company's volatility.
(2) Represents weighted average of 2012 and 2011 grants, respectively.

The following table summarizes the share option activity for the years ended December 31, 2013, 2012, and 2011:

	Options Outstanding	Weighted Average Exercise Price	Aggregate Fair Value	Weighted Average Remaining Contractual Term
Balance at January 1, 2011	5,000,000	$8.00	$28,100	9.92
Granted	580,556	9.39	4,896	9.09
Exercised	—	—	—	—
Forfeited	—	—	—	—
Balance at December 31, 2011	5,580,556	8.14	32,996	8.93
Granted	250,000	16.26	752	9.90
Exercised	(277,778)	9.00	(2,364)	—
Forfeited	(277,778)	9.00	(2,364)	—
Balance at December 31, 2012	5,275,000	8.44	29,020	8.01
Granted	—	—	—	—
Exercised	(2,324,997)	8.12	(12,896)	—
Forfeited	—	—	—	—
Balance at December 31, 2013	2,950,003	8.69	$16,124	7.08
Exercisable at December 31, 2013	262,500	$9.83	$1,342	7.34

Options Expected to Vest—As of December 31, 2013, approximately 2,526,000 options were expected to vest.

The expected life of the options granted represents the period of time that options are expected to be outstanding and is based on the contractual term of the option. Unamortized compensation cost related to unvested share options at December 31, 2013 was $13.8 million and is expected to be recognized over a weighted average period of 3.0 years. The intrinsic value of options exercised was $42.9 million and $1.4 million for the years ended December 31, 2013 and 2012, respectively.

Delivery of Class A Shares - RSUs and Share Options

During the years ended December 31, 2013, 2012, and 2011, the Company delivered Class A shares in settlement of vested RSUs and exercised share options. The Company has generally allowed holders of vested RSUs and exercised share options to settle their tax liabilities by reducing the number of Class A shares delivered to them, which the

Company refers to as "net share settlement." Additionally, the Company has generally allowed holders of share options to settle their exercise price by reducing the number of Class A Shares delivered to them at the time of exercise by an amount sufficient to cover the exercise price. The net share settlement results in a tax liability for the Company and a corresponding accumulated deficit adjustment. This adjustment for the years ended December 31, 2013, 2012 and 2011 was $85.9 million, $26.0 million and $19.6 million, respectively, which is recorded as accumulated deficit in the consolidated statements of changes in shareholders' equity.

The delivery of Class A shares in settlement of vested RSUs and exercised share options does not cause a transfer of amounts in the consolidated statements of changes in shareholders' equity to the Class A shareholders. The delivery of Class A shares in settlement of vested RSUs and exercised share options causes the income allocated to the Non-Controlling Interests to shift to the Class A shareholders from the date of delivery forward. During the year ended December 31, 2013, the Company delivered 5,181,389 Class A shares in settlement of vested RSUs and exercised share options, which caused the Company's ownership interest in the Apollo Operating Group to increase to 36.0% from 35.1%.

AAA RDUs

Incentive units that provide the right to receive AAA restricted depositary units ("RDUs") following vesting are granted periodically to employees of Apollo. These grants are accounted for as equity awards in accordance with U.S. GAAP. The incentive units granted to employees generally vest over three years. In contrast, the Company's Managing Partners and Contributing Partners have received distributions of fully-vested AAA RDUs. The fair value at the date of the grants is recognized on a straight-line basis over the vesting period (or upon grant in the case of fully vested AAA RDUs). The grant date fair value is based on the public share price of AAA. Vested AAA RDUs can be converted into ordinary common units of AAA subject to applicable securities law restrictions. During the years ended December 31, 2013, 2012, and 2011, the actual forfeiture rate was 0%. For the years ended December 31, 2013, 2012, and 2011, $1.2 million, $1.0 million, and $0.5 million of compensation expense was recognized, respectively.

(dollars in thousands, except share data)

During the years ended December 31, 2013, 2012, and 2011 the Company delivered 114,896, 60,702, and 389,785 RDUs, respectively. The deliveries in 2013, 2012, and 2011 resulted in a satisfaction of liability of $1.2 million, $1.8 million, and $3.8 million, respectively, and the recognition of a net decrease of additional paid in capital in 2013 of $1.0 million and a net decrease in 2012 and 2011 of $2.5 million and $2.7 million, respectively. These amounts are presented in the consolidated statements of changes in shareholders' equity. There was $1.2 million and $1.0 million of liability for undelivered RDUs included in accrued compensation and benefits in the consolidated statements of financial condition as of December 31, 2013 and December 31, 2012, respectively. The following table summarizes RDU activity for the years ended December 31, 2013, 2012, and 2011, respectively:

	Unvested	Weighted Average Grant Date Fair Value	Vested	Total Number of RDUs Outstanding
Balance at January 1, 2011	166,667	$7.20	389,785	556,452
Granted	90,688	10.30	—	90,688
Forfeited	—	—	—	—
Delivered	—	10.54	(389,785)	(389,785)
Vested	(60,702)	8.69	60,702	—
Balance at December 31, 2011	196,653	8.17	60,702	257,355
Granted	256,673	9.45	—	256,673
Forfeited	—	—	—	—
Delivered	—	8.69	(60,702)	(60,702)
Vested	(114,896)	9.02	114,896	—
Balance at December 31, 2012	338,430	8.85	114,896	453,326
Granted	27,286	26.90	—	27,286
Forfeited	—	—	—	—
Delivered	—	9.02	(114,896)	(114,896)
Vested	(120,354)	9.83	120,354	—
Balance at December 31, 2013	245,362	$10.38	120,354	365,716

Units Expected to Vest—As of December 31, 2013, approximately 231,000 RDUs were expected to vest over the next three years.

(dollars in thousands, except share data)

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

	RDUs Available For Future Grants
Balance at January 1, 2011	1,979,031
Purchases	59,494
Granted	(90,688)
Forfeited	—
Balance at December 31, 2011	1,947,837
Purchases	187,261
Granted/Issued	(449,753) (1)
Forfeited	—
Balance at December 31, 2012	1,685,345
Purchases	6,236
Granted/Issued	(39,272) (1)
Forfeited	—
Balance at December 31, 2013	1,652,309

(1) During 2013 and 2012, the Company delivered 11,986 and 193,080 to certain employees as part of AAA's carry reinvestment program, respectively. This resulted in a decrease in profit sharing payable of $0.2 million and $1.2 million in 2013 and 2012, respectively in the consolidated statements of financial condition.

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

ARI restricted stock awards and ARI restricted stock unit awards ("ARI RSUs") granted to the Company and certain of the Company's employees generally vest over three years, either quarterly or annually. The awards granted to the Company are accounted for as investments and deferred revenue in the consolidated statements of financial condition. As these awards vest, the deferred revenue is recognized as management fees. The investment is accounted for using the equity method of accounting for awards granted to the Company and as a deferred compensation asset for the awards granted to employees. Compensation expense is recognized on a straight line-basis over the vesting period for the awards granted to the employees. The Company recorded an asset and a liability upon receiving the awards on behalf of the Company's employees. The fair value of the awards to employees is based on the grant date fair value, which utilizes the public share price of ARI, less discounts for transfer restrictions. The awards granted to the Company's employees are remeasured each period to reflect the fair value of the asset and other liabilities and any changes in these values are recorded in the consolidated statements of operations. For the years ended December 31, 2013, 2012, and 2011, $2.8 million, $2.3 million, and $2.9 million of management fees and $2.0 million, $1.5 million, and $1.3 million of compensation expense were recognized in the consolidated statements of operations, respectively. The actual forfeiture rate for unvested ARI restricted stock awards and ARI RSUs was 2%, 1%, and 7% for the years ended December 31, 2013, 2012, and 2011, respectively.

(dollars in thousands, except share data)

The following table summarizes activity for the ARI restricted stock awards and ARI RSUs that were granted to both the Company and certain of its employees for the years ended December 31, 2013, 2012, and 2011:

	ARI Restricted Stock Unvested	ARI RSUs Unvested	Weighted Average Grant Date Fair Value	ARI RSUs Vested	Total Number of ARI RSUs Outstanding
Balance at January 1, 2011	65,002	96,250	$ 17.57	22,709	118,959
Granted to employees of the Company	—	203,337	14.34	—	203,337
Granted to the Company	—	156,000	14.85	—	156,000
Forfeited by employees of the Company	—	(30,000)	14.85	—	(30,000)
Vested awards for employees of the Company	—	(50,833)	16.95	50,833	—
Vested awards of the Company	(32,500)	—	18.48	—	—
Balance at December 31, 2011	32,502	374,754	15.12	73,542	448,296
Granted to employees of the Company	—	20,000	15.17	—	20,000
Granted to the Company	—	—	—	—	—
Forfeited by employees of the Company	—	(5,522)	14.09	—	(5,522)
Vested awards for employees of the Company	—	(99,690)	15.43	99,690	—
Vested awards of the Company	(32,502)	(52,000)	16.25	52,000	—
Balance at December 31, 2012	—	237,542	14.62	225,232	462,774
Granted to employees of the Company	—	205,000	16.58	—	205,000
Granted to the Company	—	40,000	17.59	—	40,000
Forfeited by employees of the Company		(5,000)	16.66	—	(5,000)
Vested awards of the employees of the Company	—	(137,807)	15.48	137,807	—
Vested awards of the Company	—	(65,333)	15.41	65,333	—
Balance at December 31, 2013	—	274,402	$ 15.86	428,372	702,774

Units Expected to Vest—As of December 31, 2013, approximately 263,000 ARI RSUs were expected to vest over the next three years.

Restricted Stock Unit Awards—Apollo Residential Mortgage, Inc.

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

The fair value of the awards to employees is based on the grant date fair value, which utilizes the public share price of AMTG less discounts for transfer restrictions and timing of distributions. For the years ended December 31, 2013, 2012, and 2011, $0.9 million, $0.2 million, and $0.1 million of management fees were recognized in the consolidated statements of operations, respectively. For the years ended December 31, 2013, 2012, and 2011, $0.8 million, $0.1 million, and $0.0 million of compensation expense was recognized in the consolidated statements of operations, respectively. The actual forfeiture rate for AMTG RSUs was 1% for the year ended December 31, 2013 and 0% for the years ended December 31, 2012 and 2011.

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

The following table summarizes activity for the AMTG RSUs that were granted to both the Company and certain of its employees for the years ended December 31, 2013, 2012, and 2011:

	AMTG RSUs Unvested	Weighted Average Grant Date Fair Value	AMTG RSUs Vested	Total Number of AMTG RSUs Outstanding
Balance at January 1, 2011	—	$—	—	—
Granted to employees of the Company	12,125	16.57	—	12,125
Granted to the Company	18,750	18.20	—	18,750
Forfeited by employees of the Company	—	—	—	—
Vested awards of the employees of the Company	(1,008)	16.57	1,008	—
Vested awards of the Company	(1,562)	18.20	1,562	—
Balance at December 31, 2011	28,305	17.56	2,570	30,875
Granted to employees of the Company	143,244	20.62	—	143,244
Granted to the Company	—	—	—	—
Forfeited by employees of the Company	—	—	—	—
Vested awards of the employees of the Company	(4,042)	16.57	4,042	—
Vested awards of the Company	(6,250)	18.20	6,250	—
Balance at December 31, 2012	161,257	20.28	12,862	174,119
Granted to employees of the Company	25,848	14.73	—	25,848
Forfeited by employees of the Company	(2,359)	18.74	—	(2,359)
Vested awards of the employees of the Company	(51,259)	20.30	51,259	—
Vested awards of the Company	(6,250)	18.20	6,250	—
Balance at December 31, 2013	127,237	$19.28	70,371	197,608

Units Expected to Vest—As of December 31, 2013, approximately 120,000 AMTG RSUs were expected to vest over three years.

Equity-Based Compensation Allocation

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

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

Below is a reconciliation of the equity-based compensation allocated to Apollo Global Management, LLC for the year ended December 31, 2013:

	Total Amount	Non-Controlling Interest % in Apollo Operating Group	Allocated to Non-Controlling Interest in Apollo Operating Group[1]	Allocated to Apollo Global Management, LLC
AOG Units	$30,007	61.0 %	$19,163	$10,844
RSUs and Share Options	92,185	—	—	92,185
ARI Restricted Stock Awards, ARI RSUs and AMTG RSUs	2,852	61.0	1,763	1,089
AAA RDUs	1,183	61.0	731	452
Total Equity-Based Compensation	$126,227		21,657	104,570
Less ARI Restricted Stock Awards, ARI RSUs and AMTG RSUs			(2,494)	365
Capital Increase Related to Equity-Based Compensation			$19,163	$104,935

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

Below is a reconciliation of the equity-based compensation allocated to Apollo Global Management, LLC for the year ended December 31, 2012:

	Total Amount	Non-Controlling Interest % in Apollo Operating Group	Allocated to Non-Controlling Interest in Apollo Operating Group[1]	Allocated to Apollo Global Management, LLC
AOG Units	$480,931	64.9 %	$313,856	$167,075
RSUs and Share Options	115,013	—	—	115,013
ARI Restricted Stock Awards, ARI RSUs and AMTG RSUs	1,674	64.9	1,093	581
AAA RDUs	1,036	64.9	676	360
Total Equity-Based Compensation	$598,654		315,625	283,029
Less ARI Restricted Stock Awards, ARI RSUs and AMTG RSUs			(1,769)	(741)
Capital Increase Related to Equity-Based Compensation			$313,856	$282,288

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

- 215-

(dollars in thousands, except share data)

Below is a reconciliation of the equity-based compensation allocated to Apollo Global Management, LLC for the year ended December 31, 2011:

	Total Amount	Non-Controlling Interest % in Apollo Operating Group	Allocated to Non-Controlling Interest in Apollo Operating Group[1]	Allocated to Apollo Global Management, LLC
AOG Units	$1,032,762	65.9 %	$696,361	$336,401
RSUs and Share Options	115,142	—	—	115,142
ARI Restricted Stock Awards, ARI RSUs and AMTG RSUs	1,320	65.9	870	450
AAA RDUs	529	65.9	349	180
Total Equity-Based Compensation	$1,149,753		697,580	452,173
Less ARI Restricted Stock Awards, ARI RSUs and AMTG RSUs			(1,219)	(630)
Capital Increase Related to Equity-Based Compensation			$696,361	$451,543

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

17. RELATED PARTY TRANSACTIONS AND INTERESTS IN CONSOLIDATED ENTITIES

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

	As of December 31, 2013	2012	
Due from Affiliates:			
Due from private equity funds	$57,582	$28,201	
Due from portfolio companies	23,484	46,048	
Due from credit funds[2]	216,750	68,278	(1)
Due from Contributing Partners, employees and former employees	2,659	9,536	
Due from real estate funds	12,119	17,950	
Other	4,653	3,299	
Total Due from Affiliates	$317,247	$173,312	
Due to Affiliates:			
Due to Managing Partners and Contributing Partners in connection with the tax receivable agreement			