

BECTON DICKINSON & CO
Form 10-K
November 27, 2013
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As filed with the Securities and Exchange Commission on November 27, 2013

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

COMMISSION FILE NUMBER 1-4802

BECTON, DICKINSON AND COMPANY

(Exact name of registrant as specified in its charter)

New Jersey
*(State or other jurisdiction of
incorporation or organization)*

1 Becton Drive

Franklin Lakes, New Jersey

22-0760120
(I.R.S. Employer

Identification No.)

07417-1880

(Zip code)

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(Address of principal executive offices)

(201) 847-6800

(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
Common Stock, par value \$1.00	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 Act. Yes 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

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of 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.

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. (Check one):

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

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

As of March 31, 2013, the aggregate market value of the registrant's outstanding common stock held by non-affiliates of the registrant was approximately \$18,537,729,489.

As of October 31, 2013, 194,094,466 shares of the registrant's common stock were outstanding.

Documents Incorporated by Reference

Portions of the registrant's Proxy Statement for the Annual Meeting of Shareholders to be held January 28, 2014 are incorporated by reference into Part III hereof.

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PART I

Item 1. *Business.*
General

Becton, Dickinson and Company (also known as **BD**) was incorporated under the laws of the State of New Jersey in November 1906, as successor to a New York business started in 1897. **BD**'s executive offices are located at 1 Becton Drive, Franklin Lakes, New Jersey 07417-1880, and its telephone number is (201) 847-6800. All references in this Form 10-K to **BD** refer to Becton, Dickinson and Company and its domestic and foreign subsidiaries, unless otherwise indicated by the context.

BD is a global medical technology company engaged principally in the development, manufacture and sale of medical devices, instrument systems and reagents used by healthcare institutions, life science researchers, clinical laboratories, the pharmaceutical industry and the general public.

Business Segments

BD's operations consist of three worldwide business segments: **BD Medical**, **BD Diagnostics** and **BD Biosciences**. Information with respect to **BD**'s business segments is included in Note 6 to the consolidated financial statements contained in Item 8, Financial Statements and Supplementary Data, and is incorporated herein by reference.

BD Medical

BD Medical produces a broad array of medical devices that are used in a wide range of healthcare settings. **BD Medical**'s principal product lines include needles, syringes and intravenous catheters for medication delivery (including safety-engineered and auto-disable devices); prefilled IV flush syringes; syringes and pen needles for the self-injection of insulin and other drugs used in the treatment of diabetes; prefillable drug delivery systems provided to pharmaceutical companies and sold to end-users as drug/device combinations; regional anesthesia needles and trays; sharps disposal containers; closed-system transfer devices; and generic prefilled injectables. The primary customers served by **BD Medical** are hospitals and clinics; physicians' office practices; consumers and retail pharmacies; governmental and nonprofit public health agencies; pharmaceutical companies; and healthcare workers.

BD Diagnostics

BD Diagnostics provides products for the safe collection and transport of diagnostics specimens, as well as instruments and reagent systems to detect a broad range of infectious diseases, healthcare-associated infections (**HAI**s) and cancers. **BD Diagnostics**' principal products include integrated systems for specimen collection; safety-engineered blood collection products and systems; automated blood culturing systems; molecular testing systems for infectious diseases and women's health; microorganism identification and drug susceptibility systems; liquid-based cytology systems for cervical cancer screening; rapid diagnostic assays; microbiology laboratory automation; and plated media. **BD Diagnostics** serves hospitals, laboratories and clinics; reference laboratories; blood banks; healthcare workers; public health agencies; physicians' office practices; and industrial and food microbiology laboratories.

BD Biosciences

BD Biosciences produces research and clinical tools that facilitate the study of cells, and the components of cells, to gain a better understanding of normal and disease processes. That information is used to aid the discovery and development of new drugs and vaccines, and to improve the diagnosis and management of diseases. **BD Biosciences**' principal product lines include fluorescence-activated cell sorters and analyzers; monoclonal antibodies and kits for performing cell analysis; reagent systems for life science research; cell imaging systems; diagnostic assays; and cell culture media supplements for biopharmaceutical manufacturing. The primary customers served by **BD Biosciences** are research and clinical laboratories; academic and government institutions; pharmaceutical and biotechnology companies; hospitals; and blood banks.

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Acquisitions

During the first quarter of 2013, BD acquired a 100% interest in Safety Syringes, Inc., a privately held California-based company that specializes in the development of anti-needlestick devices for prefilled syringes. The fair value of consideration transferred was \$124 million, net of cash acquired.

During the second quarter of 2013, BD acquired a 100% interest in Cato Software Solutions, a privately held Austria-based manufacturer of cato[®] and chemocato[®] software, a suite of comprehensive medication safety solutions for pharmacy intravenous medication preparation, physician therapy planning and nurse bedside documentation. The fair value of consideration transferred was \$23 million, which consisted of \$14 million in cash, net of cash acquired, as well as \$9 million in contingent consideration.

Additional information regarding these acquisitions is contained in Note 9 to the consolidated financial statements contained in Item 8, Financial Statements and Supplementary Data, which is incorporated herein by reference.

Divestitures

During the first quarter of 2013, BD completed the sale of its BD Biosciences Discovery Labware unit, excluding its Advanced Bioprocessing platform. Gross cash proceeds from the sale were approximately \$740 million. Additional information regarding this divestiture is contained in Note 10 to the consolidated financial statements contained in Item 8, Financial Statements and Supplementary Data, which is incorporated herein by reference.

International Operations

BD's products are manufactured and sold worldwide. For reporting purposes, we organize our operations outside the United States as follows: Europe (which includes the Middle East and Africa); Greater Asia (which includes Japan and Asia Pacific); Latin America (which includes Mexico and Brazil) and Canada. The principal products sold by BD outside the United States are needles and syringes; insulin syringes and pen needles; diagnostic systems; BD Vacutainer[™] brand blood collection products; BD Hypak[™] brand prefillable syringe systems; infusion therapy products; flow cytometry instruments and reagents; and disposable laboratory products. BD has manufacturing operations outside the United States in Brazil, Canada, China, France, Germany, Hungary, India, Ireland, Japan, Mexico, the Netherlands, Pakistan, Singapore, Spain, Sweden and the United Kingdom. Geographic information with respect to BD's operations is included under the heading Geographic Information in Note 6 to the consolidated financial statements included in Item 8, Financial Statements and Supplementary Data, and is incorporated herein by reference.

Foreign economic conditions and exchange rate fluctuations have caused the profitability related to foreign revenues to fluctuate more than the profitability related to domestic revenues. BD believes its activities in some countries outside the United States involve greater risk than its domestic business due to the factors cited herein, as well as the economic environment, local commercial and economic policies and political uncertainties. See further discussion of this risk in Item 1A. Risk Factors.

Distribution

BD's products are marketed in the United States and internationally through independent distribution channels and directly to end-users by BD and independent sales representatives. Order backlog is not material to BD's business inasmuch as orders for BD products generally are received and filled on a current basis, except for items temporarily out of stock. BD's worldwide sales are not generally seasonal, with the exception of certain medical devices in the BD Medical segment, and respiratory and flu diagnostic products in the BD Diagnostics segment, which relate to seasonal diseases such as influenza.

Raw Materials

BD purchases many different types of raw materials, including plastics, glass, metals, textiles, paper products, agricultural products, electronic and mechanical sub-assemblies and various biological, chemical and petrochemical products. BD seeks to ensure continuity of raw material supply by securing multiple options for

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sourcing. However, there are situations where raw materials are only available from one supplier, which are referred to as sole sourced. The use of sole sourced materials may be due to sourcing of proprietary and/or patented technology and processes that are intended to provide a unique market differentiation to our product. In other cases, while a raw material can be sourced from multiple manufacturers, only one supplier is qualified due to quality assurance, cost or other considerations. In order to provide alternate sources of raw materials, BD must complete a rigorous qualification process, which most often includes completion of regulatory registration and approval. If clinical trials are not required, this qualification process can take 3-18 months depending on the criticality of the change. When clinical trials are required, this process may lengthen the qualification phase for one to three years. BD continuously assesses its sole sourced raw materials and maintains business continuity plans with our suppliers. BD's continuity plans may include securing secondary supply with alternate suppliers, qualification of alternate manufacturing facilities, maintaining contingency stock, internal development of supply and establishment of technology escrow accounts. While BD works closely with its suppliers, there may nonetheless be events that cause supply interruption, reduction or termination that adversely impacts BD's ability to manufacture and sell certain products.

Research and Development

BD conducts its research and development (R&D) activities at its operating units and at BD Technologies in Research Triangle Park, North Carolina. The majority of BD's R&D activities are conducted in the United States. Outside the United States, BD's businesses conduct R&D activities in Canada, China, France, India and Singapore. BD also collaborates with certain universities, medical centers and other entities on R&D programs, and retains individual consultants to support its efforts in specialized fields. BD spent approximately \$494 million, \$472 million and \$470 million on research and development during the fiscal years ended September 30, 2013, 2012, and 2011, respectively.

Intellectual Property and Licenses

BD owns significant intellectual property, including patents, patent applications, technology, trade secrets, know-how, copyrights and trademarks in the United States and other countries. BD is also licensed under domestic and foreign patents, patent applications, technology, trade secrets, know-how, copyrights and trademarks owned by others. In the aggregate, these intellectual property assets and licenses are of material importance to BD's business. BD believes, however, that no single patent, technology, trademark, intellectual property asset or license is material in relation to BD's business as a whole, or to any business segment.

Competition

BD operates in the increasingly complex and challenging medical technology marketplace. Technological advances and scientific discoveries have accelerated the pace of change in medical technology, the regulatory environment of medical products is becoming more complex and vigorous, and economic conditions have resulted in a challenging market. Companies of varying sizes compete in the global medical technology field. Some are more specialized than BD with respect to particular markets, and some have greater financial resources than BD. New companies have entered the field, particularly in the areas of molecular diagnostics, safety-engineered devices and in the life sciences, and established companies have diversified their business activities into the medical technology area. Other firms engaged in the distribution of medical technology products have become manufacturers of medical devices and instruments as well. Acquisitions and collaborations by and among companies seeking a competitive advantage also affect the competitive environment. In addition, the entry into the market of manufacturers located in China and other low-cost manufacturing locations are creating increased pricing pressures, particularly in developing markets. Some competitors have also established manufacturing sites or have contracted with suppliers located in these countries as a means to lower their costs.

BD competes in this evolving marketplace on the basis of many factors, including price, quality, innovation, service, reputation, distribution and promotion. The impact of these factors on BD's competitive position varies among BD's various product offerings. In order to remain competitive in the industries in which it operates, BD continues to make investments in research and development, quality management, quality improvement, product innovation and productivity improvement in support of its core strategy to increase revenue growth by focusing on products that deliver greater benefits to patients, healthcare workers and researchers.

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Third-Party Reimbursement

Most of our customers and healthcare providers typically rely on third-party payers, including government programs and private health insurance plans, to reimburse some or all of the cost of the procedures, products and services they provide. Our devices are subject to worldwide regulations regarding reimbursement developed by government agencies, including the Centers for Medicare and Medicaid Services (CMS) in the United States; the National Health Service in the United Kingdom; the Joint Federal Committee in Germany; the Commission d Evaluation des Produits et prestations in France; the Ministry for Health, Labor and Welfare in Japan; the Ministry of Health and the National Development and Reform Commission in China; among many others. In addition, our devices are also subject to reimbursement policies issued by private insurance companies and managed care organizations. The manner and level of reimbursement in any given case may depend on the site of care, the procedure(s) performed, the final patient diagnosis, the device(s) and/or drug(s) utilized, the available budget, or a combination of these factors, and coverage and payment levels are determined at each payer's discretion. The coverage policies and reimbursement levels of these third-party payers may impact the decisions of healthcare providers and facilities regarding which medical products they purchase and the prices they are willing to pay for those products. Thus, changes in reimbursement levels or methods may either positively or negatively impact sales of BD products.

While BD is actively engaged in promoting the value propositions of its products for payer, provider, and patient stakeholders, and it employs various efforts and resources to positively impact coverage, coding and payment processes in this regard, it has no direct control over payer decision-making with respect to coverage and payment levels for BD products. Many third-party payers are seeking to control the growth of healthcare expenditures and have developed specific payment and delivery mechanisms to support these cost control efforts. These mechanisms include payment reductions, pay for performance measures, quality-based performance payments, restrictive coverage policies, bidding and tender mechanics, studies to compare the effectiveness of therapies and use of technology assessments. These changes have created an increased emphasis on the delivery of more cost-effective and quality-driven healthcare. As government programs, including CMS and many other national healthcare programs, seek to expand healthcare coverage for their citizens, they have at the same time sought to control costs by limiting the amount of reimbursement they will pay for particular procedures, products or services.

As BD's product offerings are diverse across many healthcare settings, they are affected to varying degrees by the many payment systems. Therefore, individual countries, product lines or product classes may be impacted by changes to these systems. Notably the Patient Protection and Affordable Care Act (PPACA) provides for numerous, substantive changes to U.S. healthcare payment systems. The law focuses on Medicare provisions aimed at improving quality and decreasing costs. The Medicare provisions include value-based payment programs, increased funding of comparative effectiveness research, reduced hospital payments for avoidable readmissions and healthcare acquired conditions and infections. New programs to evaluate alternative payment methodologies that promote care coordination such as Accountable Care Organizations and bundled physician and hospital payments have been established and will continue to be implemented during the next several years that could impact the value and payment for our products. See Item 1A. Risk Factors for a further discussion.

Regulation

BD's medical technology products and operations are subject to regulation by the U.S. Food and Drug Administration (FDA) and various other federal and state agencies, as well as by foreign governmental agencies. These agencies enforce laws and regulations that govern the development, testing, manufacturing, labeling, advertising, marketing and distribution, and market surveillance of BD's medical products. The scope of the activities of these agencies, particularly in the Europe, Japan and Asia Pacific regions in which BD operates, has been increasing.

BD actively maintains FDA/ISO Quality Systems that establish standards for its product design, manufacturing, and distribution processes. Prior to marketing or selling most of its products, BD must secure approval from the FDA and counterpart non-U.S. regulatory agencies. Following the introduction of a product, these agencies engage in periodic reviews of BD's quality systems, as well as product performance and advertising and promotional materials. These regulatory controls, as well as any changes in FDA policies, can

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affect the time and cost associated with the development, introduction and continued availability of new products. Where possible, BD anticipates these factors in its product development and planning processes. These agencies possess the authority to take various administrative and legal actions against BD, such as product recalls, product seizures and other civil and criminal sanctions. BD also undertakes voluntary compliance actions such as voluntary recalls.

BD also is subject to various federal and state laws, and laws outside the United States, concerning healthcare fraud and abuse (including false claims laws and anti-kickback laws), global anti-corruption, transportation, safety and health, and customs and exports. Many of the agencies enforcing these laws have increased their enforcement activities with respect to medical device manufacturers in recent years. This appears to be part of a general trend toward increased regulation and enforcement activity within and outside the United States.

In addition, as part of PPACA, the federal government has enacted the Sunshine Act provisions. Beginning in 2013, we are required to track, and in 2014 publicly report, gifts and payments made to physicians and teaching hospitals. Many of these requirements are new and uncertain, and failure to comply could result in a range of fines, penalties and/or other sanctions.

BD believes it is in compliance in all material respects with applicable law and the regulations promulgated by the applicable agencies (including, without limitation, environmental laws and regulations), and that such compliance has not had, and will not have, a material adverse effect on our operations or results. See Item 3. Legal Proceedings.

Employees

As of September 30, 2013, BD had 29,979 employees, of whom 11,908 were employed in the U.S. (including Puerto Rico). BD believes that its employee relations are satisfactory.

Available Information

BD maintains a website at www.bd.com. BD also makes available its Annual Reports on Form 10-K, its Quarterly Reports on Form 10-Q, and its Current Reports on Form 8-K (and amendments to those reports) as soon as reasonably practicable after those reports are electronically filed with, or furnished to, the Securities and Exchange Commission (SEC). These filings may be obtained and printed free of charge at www.bd.com/investors. In addition, the written charters of the Audit Committee, the Compensation and Benefits Committee, the Corporate Governance and Nominating Committee, the Executive Committee and the Science, Marketing, Innovation and Technology Committee of the Board of Directors, BD's Corporate Governance Principles and its Code of Conduct, are available at BD's website at www.bd.com/investors/corporate_governance/. Printed copies of these materials, this 2013 Annual Report on Form 10-K, and BD's reports and statements filed with, or furnished to, the SEC, may be obtained, without charge, by contacting the Corporate Secretary, BD, 1 Becton Drive, Franklin Lakes, New Jersey 07417-1880, telephone 201-847-6800. In addition, the SEC maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at www.sec.gov.

BD also routinely posts important information for investors on its website at www.bd.com/investors. BD may use this website as a means of disclosing material, non-public information and for complying with its disclosure obligations under Regulation FD adopted by the SEC. Accordingly, investors should monitor the Investor Relations portion of BD's website noted above, in addition to following BD's press releases, SEC filings, and public conference calls and webcasts. Our website and the information contained therein or connected thereto shall not be deemed to be incorporated into this Annual Report.

Forward-Looking Statements

BD and its representatives may from time-to-time make certain forward-looking statements in publicly-released materials, both written and oral, including statements contained in filings with the SEC and in its reports to shareholders. Additional information regarding BD's forward-looking statements is contained in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.

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Item 1A. Risk Factors.

An investment in BD involves a variety of risks and uncertainties. The following describes some of the significant risks that could adversely affect BD's business, financial condition, operating results or cash flows.

Global economic conditions could continue to adversely affect our operations.

In recent years, we have been faced with very challenging global economic conditions., particularly in the U.S. and Western Europe. Further deterioration in the global economic environment may result in decreased demand for our products and services, increased competition, downward pressure on the prices for our products, longer sales cycles, and slower adoption of new technologies. We anticipate that these industry conditions will continue for the foreseeable future. Weakening macroeconomic conditions may also adversely affect our suppliers, and there can be no assurances that BD will not experience any interruptions in supply in the future. We have also experienced delays in collecting receivables in certain countries in Western Europe, and we may experience similar delays in these and other regions experiencing liquidity problems.

We are subject to foreign currency exchange risk.

About 58% of our fiscal year 2013 revenues were derived from international operations, and we anticipate that a significant portion of our sales will continue to come from outside the U.S. in the future. The revenues we report with respect to our operations outside the United States may be adversely affected by fluctuations in foreign currency exchange rates. A discussion of the financial impact of exchange rate fluctuations and the ways and extent to which we may attempt to address any impact is contained in Item 7, Management's Discussion of Financial Condition and Results of Operations. Any hedging activities we engage in may only offset a portion of the adverse financial impact resulting from unfavorable changes in foreign currency exchange rates. We cannot predict with any certainty changes in foreign currency exchange rates or the degree to which we can address these risks.

Changes in reimbursement practices of third-party payers could affect the demand for our products and the prices at which they are sold.

Our sales depend, in part, on the extent to which healthcare providers and facilities are reimbursed by government authorities, private insurers and other third-party payers for the costs of our products. The coverage policies and reimbursement levels of third-party payers, which can vary among public and private sources and by country, may affect which products customers purchase and the prices they are willing to pay for those products in a particular jurisdiction. Reimbursement rates can also affect the acceptance rate of new technologies, and products. Legislative or administrative reforms to reimbursement systems in the United States or abroad, or changes in reimbursement rates by private payers, could significantly reduce reimbursement for procedures using BD products or result in denial of reimbursement for those products, which would adversely affect customer demand or the price customers are willing to pay for such products. For example, the Center for Medicare and Medicaid Services (CMS) has proposed a series of changes to the way diagnostic tests are reimbursed that would significantly cut reimbursement rates, including for some pathology tests that use flow cytometry. See Third-Party Reimbursement under Item 1. Business.

Federal healthcare reform may adversely affect our results of operations.

The Patient Protection and Affordable Care Act (the PPACA) was enacted in March 2010. Under the PPACA, beginning in 2013, medical device manufacturers, such as BD, pay a 2.3% excise tax on U.S. sales of certain medical devices. For fiscal 2013, this excise tax (which impacted only three quarters of the fiscal year) was \$40 million. We cannot predict with any certainty what other impact the PPACA may have on our business. The PPACA reduces Medicare and Medicaid payments to hospitals, clinical laboratories and pharmaceutical companies, and could otherwise reduce the volume of medical procedures. These factors, in turn, could result in reduced demand for our products and increased downward pricing pressure. It is also possible that the PPACA will result in lower reimbursement rates for our products. Other provisions in the law may significantly change the practice of health care and could adversely affect aspects of our business. While the PPACA is intended to expand health insurance coverage to uninsured persons in the United States, the impact of any overall increase in access to healthcare on sales of BD's products remains uncertain.

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Efforts to reduce the U.S. federal deficit could adversely affect our results of operations.

As part of the Budget Control Act passed in August 2011 to extend the federal debt limit and reduce government spending, \$1.2 trillion in automatic spending cuts (known as sequestration) over the next decade have gone into effect, beginning in 2013, and will remain in effect in the absence of further legislative action. Half of the automatic reductions will come from lowering the caps imposed on non-defense discretionary spending and cutting domestic entitlement programs, including reductions in payments to Medicare providers. Government research funding has also been reduced as a result of sequestration. Such reductions in government healthcare spending or research funding could result in reduced demand for our products or additional pricing pressure. Further, there is ongoing uncertainty regarding the federal budget and federal spending levels, including the possible impacts of a failure to increase the debt ceiling. Any U.S. government default on its debt could have broad macroeconomic effects that could, among other things, raise our borrowing costs. Any future shutdown of the federal government or failure to enact annual appropriations could also have a material adverse impact on our business.

Consolidation in the healthcare industry could adversely affect BD's future revenues and operating income.

The medical technology industry has experienced a significant amount of consolidation. As a result of this consolidation, competition to provide goods and services to customers has increased. In addition, group purchasing organizations and integrated health delivery networks have served to concentrate purchasing decisions for some customers, which has also placed pricing pressure on medical device suppliers. Further consolidation in the industry could exert additional pressure on the prices of our products.

Cost volatility could adversely affect our operations.

Our results of operations could be negatively impacted by volatility in the cost of raw materials, components, freight and energy. In particular, BD purchases supplies of resins, which are oil-based components used in the manufacture of certain products. Any significant increases in resin costs could adversely impact future operating results. Increases in the price of oil can also increase BD's costs for packaging and transportation. New laws or regulations adopted in response to climate change could also increase energy costs and the costs of certain raw materials and components. We may not be able to offset increases in these costs through other cost reductions.

Breaches of our information technology systems could have a material adverse effect on our operations.

We rely on information technology systems to process, transmit, and store electronic information in our day-to-day operations. Like many multinational corporations, our information technology systems have been subjected to computer viruses or other malicious codes, unauthorized access attempts, and cyber- or phishing-attacks, and we expect to be subject to similar attacks in the future. We also store certain information with third parties that could be subject to these types of attacks. These attacks could result in our intellectual property and other confidential information being lost or stolen, disruption of our operations, and other negative consequences, such as increased costs for security measures or remediation costs, and diversion of management attention. Recently, we became aware that certain of our information systems have been compromised by an external threat. Our ongoing investigation by an independent third-party security firm has not revealed the loss of information that would otherwise result in material interruption of or damage to our information systems, or material disruption of our operations. While we will continue to implement additional protective measures to reduce the risk of and detect future cyber incidents, cyber-attacks are becoming more sophisticated and frequent, and the techniques used in such attacks change rapidly. There can be no assurances that our protective measures will prevent future attacks that could have a significant impact on our business.

BD's future growth is dependent upon the development of new products, and there can be no assurance that such products will be developed.

A significant element of our strategy is to increase revenue growth by focusing on products that deliver greater benefits to patients, healthcare workers and researchers. The development of these products requires significant investment in research and development, clinical trials and regulatory approvals. The results of our

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product development efforts may be affected by a number of factors, including BD's ability to anticipate customer needs, innovate, and develop new products, complete clinical trials, obtain regulatory approvals and reimbursement in the United States and abroad, manufacture products in a cost-effective manner, obtain appropriate intellectual property protection for our products, and gain and maintain market approval of our products. In addition, patents attained by others can preclude or delay our commercialization of a product. There can be no assurance that any products now in development or that we may seek to develop in the future will achieve technological feasibility, obtain regulatory approval or gain market acceptance.

We cannot guarantee that any of BD's strategic acquisitions, investments or alliances will be successful.

As part of our strategy to increase revenue growth, we seek to supplement our internal growth through strategic acquisitions, investments and alliances. Such transactions are inherently risky. The success of any acquisition, investment or alliance may be affected by a number of factors, including our ability to properly assess and value the potential business opportunity or to successfully integrate any business we may acquire into our existing business. There can be no assurance that any past or future transaction will be successful.

The medical technology industry is very competitive.

The medical technology industry is subject to rapid technological change. In addition, we face changing customer preferences and requirements, including increased customer demand for more environmentally-friendly products. We face significant competition across our product lines and in each market in which our products are sold on the basis of product features, clinical outcomes, price, services and other factors. We face this competition from a wide range of companies. These include large medical device companies, some of which may have greater financial and marketing resources than we do, and firms that are more specialized than we are with respect to particular markets. Other firms engaged in the distribution of medical technology products have become manufacturers of medical devices and instruments as well. In some instances, competitors, including pharmaceutical companies, also offer, or are attempting to develop, alternative therapies for disease states that may be delivered without a medical device. The development of new or improved products, processes or technologies by other companies (such as needle-free injection technology) may render our products or proposed products obsolete or less competitive. The entry into the market of manufacturers located in China and other low-cost manufacturing locations has also created pricing pressure, particularly in developing markets. Some competitors have also established manufacturing sites or have contracted with suppliers located in these countries as a means to lower their costs.

The international operations of BD's business may subject BD to certain business risks.

The majority of our sales come from our operations outside the United States, and we intend to continue to pursue growth opportunities in foreign markets, especially in emerging markets. BD's foreign operations subject BD to certain risks, including the effects of fluctuations in foreign currency exchange (discussed above), the effects of local economic conditions, foreign regulatory requirements or changes in such requirements, local product preferences and product requirements, difficulty in establishing, staffing and managing foreign operations, differing labor regulations, changes in tax laws, potential political instability, trade barriers, weakening or loss of the protection of intellectual property rights in some countries, trade protection and restrictions on the transfer of capital across borders. The success of our operations outside the United States depends, in part, on our ability to acquire or form and maintain alliances with local companies and make necessary infrastructure enhancements to, among other things, our production facilities and sales and distribution networks.

In addition, our international operations are governed by the Foreign Corrupt Practices Act (FCPA) and similar anti-corruption laws. Global enforcement of anti-corruption laws has increased substantially in recent years, with more enforcement proceedings by U.S. and foreign governmental agencies. While we have implemented policies and procedures to enhance compliance with these laws, our international operations create the risk that there may be unauthorized payments or offers of payments by employees, consultants, sales agents or distributors. Any alleged or actual violations of these laws may subject us to government scrutiny, severe criminal or civil sanctions and other liabilities, and negatively affect our reputation.

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Under the U.S. tax code, we may also be subject to additional taxation to the extent we repatriate earnings from our foreign operations to the U.S. In the event we require more capital in the United States than is generated by our U.S. operations to fund acquisitions or other activities and elect to repatriate earnings from foreign jurisdictions, our effective tax rate may be higher as a result.

Reductions in customers' research budgets or government funding may adversely affect our BD Biosciences segment.

Our BD Biosciences segment sells products to researchers at pharmaceutical and biotechnology companies, academic institutions, government laboratories and private foundations. Research and development spending of our customers can fluctuate based on spending priorities and general economic conditions. A number of these customers are also dependent for their funding upon grants from U.S. government agencies, such as the U.S. National Institutes of Health (NIH) and agencies in other countries. The level of government funding of research and development is unpredictable. There have been instances where NIH grants have been frozen or otherwise unavailable for extended periods. The availability of governmental research funding may also continue to be adversely affected by the current economic conditions and, as described above, governmental spending reductions. Any reduction or delay in governmental funding could cause our customers to delay or forego purchases of our products.

A reduction or interruption in the supply of certain raw materials and components would adversely affect BD's manufacturing operations and related product sales.

BD purchases many different types of raw materials and components. Certain raw materials (primarily related to the BD Biosciences segment) and components are not available from multiple sources. In addition, for quality assurance, cost-effectiveness and other reasons, BD elects to purchase certain raw materials and components from sole suppliers. The supply of these materials can be disrupted for a number of reasons, including economic conditions as described above. While we work with suppliers to ensure continuity of supply, no assurance can be given that these efforts will be successful. In addition, due to regulatory requirements relating to the qualification of suppliers, we may not be able to establish additional or replacement sources on a timely basis or without excessive cost. The termination, reduction or interruption in supply of these sole-sourced raw materials and components could adversely impact our ability to manufacture and sell certain of our products.

Interruption of our manufacturing operations could adversely affect BD's future revenues and operating income.

We have manufacturing sites all over the world. In some instances, the manufacturing of certain of our product lines is concentrated in one or more of our plants. Weather, natural disasters (including pandemics), terrorism, political change, failure to follow specific internal protocols and procedures, equipment malfunction, environmental factors or damage to one or more of our facilities could adversely affect our ability to manufacture our products, resulting in lost revenues and damage to our relationships with customers.

BD is subject to lawsuits.

BD is or has been a defendant in a number of lawsuits, including purported class action lawsuits for, among other things, alleged antitrust violations and suits alleging patent infringement, and could be subject to additional lawsuits in the future. A more detailed description of these lawsuits is contained in Item 3. Legal Proceedings. Given the uncertain nature of litigation generally, we are not able in all cases to estimate the amount or range of loss that could result from an unfavorable outcome of the litigation to which we are a party. In view of these uncertainties, we could incur charges in excess of any currently established accruals and, to the extent available, excess liability insurance. Any such future charges, individually or in the aggregate, could have a material adverse effect on BD's results of operations and cash flows.

BD is subject to extensive regulation.

BD's operations are global and are affected by various state, federal and international healthcare, environmental, antitrust, anti-corruption, fraud and abuse (including anti-kickback and false claims laws) and employment laws. Violations of these laws can result in criminal or civil sanctions, including substantial fines

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and, in some cases, exclusion from participation in health care programs such as Medicare and Medicaid. BD is also subject to extensive regulation by the FDA pursuant to the Federal Food, Drug and Cosmetic Act, by comparable agencies in foreign countries, and by other regulatory agencies and governing bodies. Most of BD's products must receive clearance or approval from the FDA or counterpart regulatory agencies in other countries before they can be marketed or sold. The process for obtaining marketing approval or clearance may take a significant period of time and require the expenditure of substantial resources, and these have been increasing due to increased requirements from the FDA for supporting data for submissions. The process may also require changes to our products or result in limitations on the indicated uses of the products. Governmental agencies may also impose new requirements regarding registration, labeling or prohibited materials that may require us to modify or re-register products already on the market or otherwise impact our ability to market our products in those countries. Once clearance or approval has been obtained for a product, there is an obligation to ensure that all applicable FDA and other regulatory requirements continue to be met.

Following the introduction of a product, these agencies also periodically review our manufacturing processes and product performance. Our failure to comply with the applicable good manufacturing practices, adverse event reporting, clinical trial and other requirements of these agencies could delay or prevent the production, marketing or sale of our products and result in fines, delays or suspensions of regulatory clearances, closure of manufacturing sites, seizures or recalls of products and damage to our reputation. Recent changes in enforcement practice by the FDA and other agencies have resulted in increased enforcement activity, which increases the compliance risk for BD and other companies in our industry.

Product defects could adversely affect the results of our operations.

The design, manufacture and marketing of medical devices involve certain inherent risks. Manufacturing or design defects, unapproved use of our products, or inadequate disclosure of risks relating to the use of our products can lead to injury or other adverse events. These events could lead to recalls or safety alerts relating to our products (either voluntary or required by the FDA or similar governmental authorities in other countries), and could result, in certain cases, in the removal of a product from the market. A recall could result in significant costs, as well as negative publicity and damage to our reputation that could reduce demand for our products. Personal injuries relating to the use of our products can also result in significant product liability claims being brought against us. In some circumstances, such adverse events could also cause delays in regulatory approval of new products.

We may experience difficulties implementing our enterprise resource planning system.

We are engaged in a project to upgrade our enterprise resource planning (ERP) system. Our ERP system is critical to our ability to accurately maintain books and records, record transactions, provide important information to our management and prepare our financial statements. The implementation of the new ERP system has required, and will continue to require, the investment of significant financial and human resources. In addition, we may not be able to successfully complete the implementation of the new ERP system without experiencing difficulties. Any disruptions, delays or deficiencies in the design and implementation of the new ERP system could adversely affect our ability to process orders, ship products, provide services and customer support, send invoices and track payments, fulfill contractual obligations or otherwise operate our business.

Our operations are dependent in part on patents and other intellectual property assets.

Many of BD's businesses rely on patent, trademark and other intellectual property assets. These intellectual property assets, in the aggregate, are of material importance to our business. BD can lose the protection afforded by these intellectual property assets through patent expirations, legal challenges or governmental action. Patents attained by competitors, particularly as patents on our products expire, may also adversely affect our competitive position. In addition, competitors may claim that BD products infringe upon their intellectual property, and resolving any intellectual property claim can be costly and time-consuming. The loss of a significant portion of our portfolio of intellectual property assets may have an adverse effect on our earnings, financial condition or cash flows.

Table of Contents**Natural disasters, war and other events could adversely affect BD's future revenues and operating income.**

Natural disasters (including pandemics), war, terrorism, labor disruptions and international conflicts, and actions taken by the United States and other governments or by our customers or suppliers in response to such events, could cause significant economic disruption and political and social instability in the United States and in areas outside of the United States in which we operate. These events could result in decreased demand for our products, adversely affect our manufacturing and distribution capabilities, or increase the costs for or cause interruptions in the supply of materials from our suppliers.

We need to attract and retain key employees to be competitive.

Our ability to compete effectively depends upon our ability to attract and retain executives and other key employees, including people in technical, marketing, sales and research positions. Competition for experienced employees, particularly for persons with specialized skills, can be intense. BD's ability to recruit such talent will depend on a number of factors, including compensation and benefits, work location and work environment. If we cannot effectively recruit and retain qualified executives and employees, our business could be adversely affected.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

BD's executive offices are located in Franklin Lakes, New Jersey. As of November 1, 2013, BD owned or leased 166 facilities throughout the world comprising approximately 16,528,221 square feet of manufacturing, warehousing, administrative and research facilities. The U.S. facilities, including those in Puerto Rico, comprise approximately 7,034,414 square feet of owned and 1,848,572 square feet of leased space. The international facilities comprise approximately 6,148,322 square feet of owned and 1,496,913 square feet of leased space. Sales offices and distribution centers included in the total square footage are also located throughout the world.

Operations in each of BD's business segments are conducted at both U.S. and international locations. Particularly in the international marketplace, facilities often serve more than one business segment and are used for multiple purposes, such as administrative/sales, manufacturing and/or warehousing/distribution. BD generally seeks to own its manufacturing facilities, although some are leased. The following table summarizes property information by business segment.

Sites	Corporate	BD Biosciences	BD Diagnostics	BD Medical	Mixed(A)	Total
Leased	3	6	8	53	45	115
Owned	2	4	13	23	9	51
Total	5	10	21	76	54	166
Square feet	1,022,297	900,596	2,886,172	7,731,010	3,988,146	16,528,221

(A) Facilities used by more than one business segment.

BD believes that its facilities are of good construction and in good physical condition, are suitable and adequate for the operations conducted at those facilities, and are, with minor exceptions, fully utilized and operating at normal capacity.

The U.S. facilities are located in Arizona, California, Connecticut, Florida, Georgia, Illinois, Indiana, Maryland, Massachusetts, Michigan, Minnesota, Nebraska, New Jersey, North Carolina, Pennsylvania, South Carolina, Tennessee, Texas, Utah, Washington, D.C., Washington, Wisconsin and Puerto Rico.

The international facilities are as follows:

Europe, which includes facilities in Austria, Belgium, the Czech Republic, Denmark, England, Finland, France, Germany, Ghana, Hungary, Ireland, Italy, Kenya, Luxembourg, Poland, Russia, Saudi Arabia, South Africa, Spain, Sweden, Switzerland, Turkey, the United Arab Emirates and Zambia.

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Greater Asia, which includes facilities in Australia, China, India, Indonesia, Japan, Malaysia, New Zealand, Pakistan, the Philippines, Singapore, South Korea, Taiwan, Thailand and Vietnam.

Latin America, which includes facilities in Argentina, Brazil, Chile, Colombia, Costa Rica, Mexico, Peru and Venezuela.

Canada.

Item 3. Legal Proceedings.

Given the uncertain nature of litigation generally, BD is not able in all cases to estimate the amount or range of loss that could result from an unfavorable outcome of the litigation to which BD is a party. In accordance with U.S. generally accepted accounting principles, BD establishes accruals to the extent probable future losses are estimable (in the case of environmental matters, without considering possible third-party recoveries). In view of the uncertainties discussed below, BD could incur charges in excess of any currently established accruals and, to the extent available, excess liability insurance. In the opinion of management, any such future charges, individually or in the aggregate, could have a material adverse effect on BD's consolidated results of operations and consolidated cash flows.

BD was named as a defendant in five purported class action suits brought on behalf of distributors and other entities that purchase BD's products (the Distributor Plaintiffs), alleging that BD violated federal antitrust laws, resulting in the charging of higher prices for BD's products to the plaintiffs and other purported class members. These actions were consolidated under the caption *In re Hypodermic Products Antitrust Litigation*. Pursuant to a settlement agreement BD entered into with the Distributor Plaintiffs in these actions on April 27, 2009 and following approval by the District Court (on a preliminarily basis in November 2012 and on a final basis in April 2013), BD has paid \$45 million in exchange for a release by all potential class members of the direct purchaser claims under federal antitrust laws related to the products and acts enumerated in the complaint, and a dismissal of the case with prejudice, insofar as it relates to direct purchaser claims.

BD is also named as a defendant in the following purported class action suits brought on behalf of indirect purchasers of BD's products, such as hospitals and retailers (the Hospital Plaintiffs), alleging that BD violated federal and state antitrust laws, resulting in the charging of higher prices for BD's products to the plaintiffs and other purported class members.

Case	Court	Date Filed
<i>Jabo's Pharmacy, Inc., et. al. v. Becton Dickinson & Company</i>	U.S. District Court, Greenville, Tennessee	June 3, 2005
<i>Drug Mart Tallman, Inc., et. al. v. Becton Dickinson and Company</i>	U.S. District Court, Newark, New Jersey	January 17, 2006
<i>Medstar v. Becton Dickinson</i>	U.S. District Court, Newark, New Jersey	May 18, 2006
<i>The Hebrew Home for the Aged at Riverdale v. Becton Dickinson and Company</i>	U.S. District Court, Southern District of New York	March 28, 2007

The plaintiffs in each of the above antitrust class action lawsuits seek monetary damages. These antitrust class action lawsuits have been consolidated for pre-trial purposes in a Multi-District Litigation in Federal court in New Jersey.

On July 30, 2013, BD entered into an agreement with the Hospital Plaintiffs to settle their claims in these actions, which agreement has been preliminarily approved and is subject to final approval by the court following notice to potential class members. The settlement agreement provides for BD to pay \$22 million into a fund in exchange for a release by all potential class members of the indirect purchaser claims related to the products and acts enumerated in the complaint, and a dismissal of the case with prejudice. The release will not cover potential class members that opt out of the settlement. BD currently cannot estimate the range of reasonably possible losses with respect to these class action matters beyond the \$22 million settlement.

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In June 2007, Retractable Technologies, Inc. (RTI) filed a complaint against BD under the caption Retractable Technologies, Inc. vs. Becton Dickinson and Company (Civil Action No. 2:07-cv-250, U.S. District Court, Eastern District of Texas). RTI alleges that the BD Integra syringes infringe patents licensed exclusively to RTI. In its complaint, RTI also alleges that BD engaged in false advertising with respect to certain of BD s safety-engineered products in violation of the Lanham Act; acted to exclude RTI from various product markets and to maintain its market share through, among other things, exclusionary contracts in violation of state and federal antitrust laws; and engaged in unfair competition. In January 2008, the court severed the patent and non-patent claims into separate cases, and stayed the non-patent claims during the pendency of the patent claims at the trial court level. RTI seeks money damages and injunctive relief. On April 1, 2008, RTI filed a complaint against BD under the caption Retractable Technologies, Inc. and Thomas J. Shaw v. Becton Dickinson and Company (Civil Action No.2:08-cv-141, U.S. District Court, Eastern District of Texas). RTI alleges that the BD Integra syringes infringe another patent licensed exclusively to RTI. RTI seeks money damages and injunctive relief. On August 29, 2008, the court ordered the consolidation of the patent cases. On November 9, 2009, at a trial of these consolidated cases, the jury rendered a verdict in favor of RTI on all but one of its infringement claims, but did not find any willful infringement, and awarded RTI \$5 million in damages. On May 19, 2010, the court granted RTI s motion for a permanent injunction against the continued sale by BD of its BD Integra products in their current form, but stayed the injunction for the duration of BD s appeal. At the same time, the court lifted a stay of RTI s non-patent claims. On July 8, 2011, the Court of Appeals for the Federal Circuit reversed the District Court judgment that BD s 3ml BD Integra products infringed the asserted RTI patents and affirmed the District Court judgment of infringement against BD s discontinued 1ml BD Integra products. On October 31, 2011, the Federal Circuit Court of Appeals denied RTI s request for an en banc rehearing. In January 2013, RTI s petition for review with the U.S. Supreme Court was denied. BD s motion for further proceedings on damages was denied by the District Court on the grounds that the Court did not have authority to modify the \$5 million damage award. BD has appealed this ruling to the Federal Circuit Court of Appeals.

On September 19, 2013, a jury returned a verdict against BD with respect to certain of RTI s non-patent claims. The verdict was unfavorable to BD with respect to RTI s Lanham Act claim and claim for attempted monopolization based on deception in the safety syringe market. The jury awarded RTI \$113.5 million for its attempted monopolization claim (which will be trebled and attorneys fees added to under the antitrust statute). The Court will determine whether to award equitable relief under the Lanham Act including disgorgement. The jury s verdict rejected RTI s monopolization claims in the markets for safety syringes, conventional syringes and safety IV catheters; its attempted monopolization claims in the markets for conventional syringes and safety IV catheters; and its claims for contractual restraint of trade and exclusive dealing in the markets for safety syringes, conventional syringes and safety IV catheters. In connection with the verdict, BD recorded a pre-tax charge of approximately \$341 million in the fourth quarter of fiscal year 2013. BD plans to appeal the jury s verdict.

On November 4, 2013, the Secretariat of Foreign Trade (SECEX) of the Federal Republic of Brazil, initiated an administrative anti-dumping investigation of imports of vacuum plastic tubes for blood collection into Brazil from the United States of America, the United Kingdom of Great Britain and Northern Ireland, the Federal Republic of Germany and the People s Republic of China during the period from January 2012 through December 2012. BD, through its United States and international subsidiaries, exports vacuum plastic tubes for blood collection into Brazil and is cooperating with the investigation. The investigation is expected to be completed by November 2014, but could extend longer. During the course of the investigation (on a provisional basis) and upon completion of the investigation (on a final basis), the SECEX will issue a decision on whether grounds exist to apply anti-dumping measures (including, without limitation, the imposition of duties on such vacuum plastic tubes imported into Brazil). Once applied, anti-dumping measures will last for as long as the measures are deemed necessary, which, in most cases, is for five years. BD does not expect that the outcome of the investigation will materially affect results of operations.

BD believes that it has meritorious defenses to each of the above-mentioned suits pending against BD and is engaged in a vigorous defense of each of these matters.

BD is also involved both as a plaintiff and a defendant in other legal proceedings and claims that arise in the ordinary course of business.

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On October 19, 2009, Gen-Probe Incorporated (Gen-Probe) filed a patent infringement action against BD in the U.S. District Court for the Southern District of California. The complaint alleges that the BD Viper and BD Viper XTR systems and BD ProbeTec specimen collection products infringe certain U.S. patents of Gen-Probe. On March 23, 2010, Gen-Probe filed a complaint, also in the U.S. District Court for the Southern District of California, alleging that the BD Max instrument infringes Gen-Probe patents. The patents alleged to be infringed are a subset of the Gen-Probe patents asserted against BD in the October 2009 suit. On June 8, 2010, the court consolidated these cases. On December 1, 2012, BD entered into a settlement agreement with Gen-Probe, under which BD is granted a license to make, use and sell products accused of infringing Gen-Probe patents in the action. The payments that BD made to Gen-Probe under the settlement, which include a settlement payment, a licensing fee and ongoing royalties, are not material to BD's consolidated results of operations and consolidated cash flows. Following the settlement, the case was dismissed with prejudice.

BD is a party to a number of Federal proceedings in the United States brought under the Comprehensive Environment Response, Compensation and Liability Act, also known as Superfund, and similar state laws. The affected sites are in varying stages of development. In some instances, the remedy has been completed, while in others, environmental studies are commencing. For all sites, there are other potentially responsible parties that may be jointly or severally liable to pay all cleanup costs.

Item 4. *Mine Safety Disclosures.*

Not applicable.

Table of Contents**Executive Officers of the Registrant**

The following is a list of the executive officers of BD, their ages and all positions and offices held by each of them during the past five years. There is no family relationship between any executive officer or director of BD.

Name	Age	Position
Vincent A. Forlenza	60	Chairman since July 2012; Chief Executive Officer since October 2011; President since January 2009; Chief Operating Officer from July 2010 to October 2011; and prior thereto, Executive Vice President.
Gary M. Cohen	54	Executive Vice President.
Alexandre Conroy	50	President, Europe, EMA and the Americas since June 2012; President, Western Europe from August 2009 to June 2012; and prior thereto, President, Pharmaceutical Systems.
Jerome V. Hurwitz	59	Senior Vice President Human Resources since September 2013; Vice President, Change Management from November 2010 to September 2013; and Vice President, Everest Program from October 2008 to October 2010.
William A. Kozy	61	Chief Operating Officer since November 2012; and Executive Vice President since June 2006.
James Lim	49	President, Greater Asia since June 2012; and prior thereto, Vice President/General Manager, Central Asia Pacific and Operations.
Christopher R. Reidy	56	Chief Financial Officer and Executive Vice President of Administration since July 15, 2013; and Vice President and Chief Financial Officer of ADP Corporation from October 2006 to January 2013.
Nabil Shabshab	48	Senior Vice President and Chief Marketing Officer since August 2011; and prior thereto, Executive Vice President, Global Portfolio Management of Diversey, Inc.
Jeffrey S. Sherman	58	Senior Vice President and General Counsel.
Stephen Sichak	56	Senior Vice President, Integrated Supply Chain since January 2009; and prior thereto, President BD Diagnostics, Preanalytical Systems.
Ellen Strahlman	56	Senior Vice President, Research and Development and Chief Medical Officer since April 22, 2013; Senior Vice President, Office of the CEO and Global Head, Neglected Tropical Diseases from March 2012 to May 2012 and Chief Medical Officer from August 2008 to March 2012 of GlaxoSmithKline.

Table of Contents**PART II****Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.**

BD's common stock is listed on the New York Stock Exchange. As of October 31, 2013, there were approximately 8,372 shareholders of record.

Market and Market Prices of Common Stock (per common share)

By Quarter	2012		2013	
	High	Low	High	Low
First	\$ 79.64	\$ 70.65	\$ 79.46	\$ 74.63
Second	80.53	72.69	95.61	79.45
Third	78.45	72.18	101.92	93.58
Fourth	79.49	73.17	104.50	97.14

Dividends (per common share)

By Quarter	2012	2013
First	\$ 0.45	\$ 0.495
Second	0.45	0.495
Third	0.45	0.495
Fourth	0.45	0.495

Issuer Purchases of Equity Securities

The table below sets forth certain information regarding BD's purchases of its common stock during the fiscal quarter ended September 30, 2013.

Period	Total Number of Shares Purchased(1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(2)	Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs(3)
July 1-31, 2013	390	\$ 103.75		3,164,085
August 1-31, 2013	285,000	\$ 98.14	285,000	2,879,085
September 1-30, 2013	160,489	\$ 98.41	158,008	12,721,077
Total	445,879	\$ 98.24	443,008	12,721,077

(1) Includes 2,871 shares purchased during the quarter in open market transactions by the trust relating to BD's Deferred Compensation and Retirement Benefit Restoration Plan and 1996 Directors' Deferral Plan.

(2) The repurchases were made pursuant to a repurchase program covering 18 million shares authorized by the Board of Directors on July 26, 2011, for which there is no expiration date.

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- (3) The Board of Directors authorized the repurchase of an additional 10 million shares on September 24, 2013, for which there is no expiration date.

Table of Contents**Item 6. Selected Financial Data.****FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA****Becton, Dickinson and Company**

	Years Ended September 30				
	2013	2012	2011	2010	2009
	Dollars in millions, except share and per share amounts				
Operations					
Revenues	\$ 8,054	\$ 7,708	\$ 7,584	\$ 7,124	\$ 6,747
Gross Margin	4,171	3,953	3,959	3,696	3,555
Research and Development Expense	494	472	470	423	396
Operating Income	1,254	1,558	1,666	1,582	1,508
Interest Expense, Net	98	84	41	16	7
Income From Continuing Operations Before Income Taxes	1,165	1,472	1,618	1,567	1,497
Income Tax Provision	236	363	417	452	383
Income from Continuing Operations	929	1,110	1,201	1,115	1,115
Net Income	1,293	1,170	1,271	1,318	1,232
Basic Earnings Per Share from Continuing Operations	4.76	5.40	5.43	4.76	4.63
Diluted Earnings Per Share from Continuing Operations	4.67	5.30	5.31	4.64	4.52
Dividends Per Common Share	1.98	1.80	1.64	1.48	1.32
Financial Position					
Total Current Assets	\$ 5,873	\$ 5,322	\$ 4,668	\$ 4,505	\$ 4,647
Total Current Liabilities	2,130	1,978	1,823	1,672	1,777
Total PPE, Net	3,476	3,304	3,211	3,101	2,967
Total Assets	12,149	11,361	10,430	9,651	9,305
Total Long-Term Debt	3,763	3,761	2,485	1,495	1,489
Total Shareholders' Equity	5,043	4,136	4,828	5,435	5,143
Book Value Per Common Share	25.99	21.00	22.48	23.65	21.69
Financial Relationships					
Gross Profit Margin	51.8%	51.3%	52.2%	51.9%	52.7%
Return on Revenues(A)	11.5%	14.4%	15.8%	15.6%	16.5%
Return on Total Assets(A)(B)	11.1%	14.7%	17.0%	17.1%	17.9%
Return on Equity(A)	20.2%	24.8%	23.4%	21.1%	22.1%
Debt to Capitalization(A)(C)	43.1%	49.7%	35.8%	23.7%	26.8%
Additional Data					
Number of Employees	30,000	29,600	29,400	28,800	29,100
Number of Shareholders	8,412	8,696	8,713	8,887	8,930
Average Common and Common Equivalent Shares					
Outstanding Assuming Dilution (millions)	199.2	209.2	226.3	240.1	246.8
Depreciation and Amortization	\$ 546	\$ 511	\$ 494	\$ 491	\$ 455
Capital Expenditures	522	487	509	531	575

(A) Excludes discontinued operations.

(B) Earnings before interest expense and taxes as a percent of average total assets.

(C) Total debt as a percent of the sum of total debt, shareholders' equity and non-current deferred income tax liabilities.

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Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations.*

The following commentary should be read in conjunction with the consolidated financial statements and accompanying notes. Within the tables presented throughout this discussion, certain columns may not add due to the use of rounded numbers for disclosure purposes. Percentages and earnings per share amounts presented are calculated from the underlying whole-dollar amounts. References to years throughout this discussion relate to our fiscal years, which end on September 30.

Company Overview

Description of the Company and Business Segments

Becton, Dickinson and Company (**BD**) is a global medical technology company engaged principally in the development, manufacture and sale of medical devices, instrument systems and reagents used by healthcare institutions, life science researchers, clinical laboratories, the pharmaceutical industry and the general public. Our business consists of three worldwide business segments – **BD Medical** (**Medical**), **BD Diagnostics** (**Diagnostics**) and **BD Biosciences** (**Biosciences**). Our products are marketed in the United States and internationally through independent distribution channels and directly to end-users by **BD** and independent sales representatives.

Strategic Objectives

BD remains focused on delivering sustainable growth and shareholder value, while making appropriate investments for the future. **BD** management operates the business consistent with the following core strategies:

To increase revenue growth by focusing on our core products that deliver greater benefits to patients, healthcare workers and researchers;

To increase investment in research and development for platform extensions and innovative new products;

To make significant investments in growing our operations in emerging markets;

To improve operating effectiveness and balance sheet productivity;

To drive an efficient capital structure and strong shareholder returns.
Our strategy focuses on four specific areas within healthcare and life sciences:

Enabling safer, simpler and more effective parenteral drug delivery;

Improving clinical outcomes through new, accurate and faster diagnostics;

Providing tools and technologies to the research community that facilitates the understanding of the cell, cellular diagnostics and cell therapy;

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Enhancing disease management in diabetes, women's health and cancer, and infection control. We continue to strive to improve the efficiency of our capital structure and follow these guiding principles:

To maintain an investment grade rating;

To ensure access to the debt market for strategic opportunities;

To optimize the cost of capital based on market conditions.

In assessing the outcomes of these strategies as well as BD's financial condition and operating performance, management generally reviews quarterly forecast data, monthly actual results, segment sales and other similar information. We also consider trends related to certain key financial data, including gross profit margin, selling and administrative expense, investment in research and development, return on invested capital, and cash flows.

Summary of Financial Results

Worldwide revenues in 2013 of \$8.1 billion increased 4.5% from the prior year and reflected estimated volume increases of 5.5%, including growth from acquisitions of 0.8%, which were partially offset by estimated unfavorable foreign exchange translation of 0.9% and by estimated unfavorable price impacts, including product mix, of 0.1%. Solid growth from our Medical and Diagnostics segments was primarily driven by new product sales, growth from acquisitions, sales of safety-engineered products and geographic expansion. Biosciences

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revenue growth was primarily driven by instrument and reagent sales in emerging markets, partially offset by declines in Western Europe. Revenues in the United States in 2013 of \$3.4 billion increased 2.0% over the prior year and reflected growth from all segments. Ongoing weaker demand in the Diagnostics segment's Women's Health and Cancer platform continued to unfavorably impact U.S. revenue growth in 2013. International revenues in 2013 of \$4.7 billion increased 6.3%, which reflected an estimated impact of unfavorable foreign currency translation of 1.7%. International revenues for 2013 reflected growth from all segments, including growth attributable to emerging markets, as well as strong sales of safety-engineered products. Sales in the United States of safety-engineered devices grew 2.9% to \$1.18 billion in 2013 from \$1.15 billion in 2012. International sales of safety-engineered devices grew 10% to \$917 million in 2013 compared with \$834 million in 2012, which included an estimated 1.9% negative impact due to unfavorable foreign currency translation. International safety-engineered device revenue growth continues to be driven by strong sales in the Medical Segment, with the largest growth in emerging markets.

We continue to invest in research and development spending, geographic expansion, and new product promotions to drive further revenue and profit growth. Our ability to sustain our long-term growth will depend on a number of factors, including our ability to expand our core business (including geographical expansion), develop innovative new products, and continue to improve operating efficiency and organizational effectiveness. The healthcare industry continues to face a challenging economic environment. The current economic conditions and other circumstances have resulted in pricing pressures for some of our products. Continued uncertainty in the research spending environment could adversely impact our Biosciences segment. In other areas of our U.S. business, healthcare utilization is stable but constrained. Additionally, we have experienced constrained healthcare utilization in Europe due to continued macroeconomic challenges in that region, although we currently view the environment as stable.

In addition to the economic conditions in the United States and elsewhere, numerous other factors can affect our ability to achieve our goals including, without limitation, increased competition and healthcare reform initiatives. For example, the U.S. Patient Protection Affordable Care Act contains the medical device excise tax that, effective January 1, 2013, imposes a 2.3% tax on certain U.S. sales of medical devices. The impact of this tax on our 2013 results is further discussed below.

Our financial position remains strong, with cash flows from operating activities totaling \$1.7 billion in 2013. At September 30, 2013, we had \$2.6 billion in cash and equivalents and short-term investments. Cash outflows relating to acquisitions primarily represented the purchase of Safety Syringes, Inc. (Safety Syringes), a privately held California-based company that specializes in the development of anti-needlestick devices for prefilled syringes for \$124 million, net of cash acquired. Cash flows relating to acquisitions also included the purchase of Cato Software Solutions (Cato), a privately held Austria-based manufacturer of a suite of comprehensive medication safety software solutions, for \$14 million, net of cash acquired. Net cash inflows from divestitures of \$736 million represented the sale of Biosciences' Discovery Labware unit, excluding its Advanced Bioprocessing platform. Also, we continued to return value to our shareholders in the form of share repurchases and dividends. During 2013, we repurchased \$450 million of our common stock and paid cash dividends of \$386 million.

We face currency exposure each reporting period that arises from translating the results of our worldwide operations to the U.S. dollar at exchange rates that fluctuate from the beginning of such period. We evaluate our results of operations on both an as reported and a foreign currency-neutral basis, which excludes the impact of fluctuations in foreign currency exchange rates. We calculate foreign currency-neutral percentages by converting our current-period local currency financial results using the prior-period foreign currency exchange rates and comparing these adjusted amounts to our current-period reported results. From time to time, we may purchase forward contracts and options to partially protect against adverse foreign exchange rate movements. Gains or losses on our derivative instruments are largely offset by the gains or losses on the underlying hedged transactions. We do not enter into derivative instruments for trading or speculative purposes. For further discussion refer to Note 12 to consolidated financial statements contained in Item 8. Financial Statements and Supplementary Data.

Table of Contents**Results of Continuing Operations**

Comparisons of income from continuing operations between 2013 and 2012 are affected by the following items that are reflected in our financial results:

During the fourth quarter of fiscal 2013, we recorded a pre-tax charge of \$341 million, or \$1.06 diluted earnings per share from continuing operations, in selling and administrative expense relating to an unfavorable verdict in the lawsuit filed against BD by Retractable Technologies, Inc. (RTI) as disclosed in Note 5 to the consolidated financial statements contained in Item 8. Financial Statements and Supplementary Data.

During the fourth quarter of fiscal 2013, we recorded a pre-tax pension settlement charge of \$6 million, or \$0.02 diluted earnings per share from continuing operations, associated with a non-cash charge due to lump sum benefit payments made from BD's U.S. supplemental pension plan. For further discussion refer to Note 8 to the consolidated financial statements contained in Item 8. Financial Statements and Supplementary Data.

During the third quarter of fiscal year 2013, we recorded a pre-tax charge of \$22 million, or \$0.07 diluted earnings per share from continuing operations, in selling and administrative expense for the pending litigation settlement related to the indirect purchaser antitrust class action cases as disclosed in Note 5 to the consolidated financial statements contained in Item 8. Financial Statements and Supplementary Data.

In fiscal 2013, we recorded a pre-tax charge of \$40 million, or \$0.13 diluted earnings per share from continuing operations, in selling and administrative expense, relating to the medical device excise tax which was effective January 1, 2013 and therefore impacted our operations for only three quarters of the year.

During the fourth quarter of 2012, we recorded a pre-tax pension settlement charge of \$20 million, or \$0.06 diluted earnings per share from continuing operations, primarily associated with a non-cash charge due to lump sum benefit payments made from BD's U.S. supplemental pension plan. The charge also included settlement losses associated with certain foreign pension plans. For further discussion refer to Note 8 to the consolidated financial statements contained in Item 8. Financial Statements and Supplementary Data.

Medical Segment

Medical revenue in 2013 of \$4.3 billion increased 5.3% over 2012, which reflected an estimated unfavorable foreign currency translation impact of 0.7%.

The following is a summary of Medical revenues by organizational unit:

	2013	2012	Total Change (Millions of dollars)	Estimated Foreign Exchange Impact
Medical Surgical Systems	\$ 2,196	\$ 2,105	4.3%	(0.9)%
Diabetes Care	969	911	6.3%	(1.5)%
Pharmaceutical Systems	1,142	1,074	6.3%	0.1%
Total Revenues	\$ 4,306	\$ 4,091	5.3%	(0.7)%

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Medical segment revenue growth was driven by solid growth in all units. Medical Surgical Systems revenue growth was largely attributable to sales in emerging markets and strong international sales of safety-engineered products. Revenue growth in the Diabetes Care unit reflected strong sales of pen needles, including the *BD Ultra-Fine Nano* and *BD PentaPoint* products, as well as the *BD AutoShield Duo Pen Needle*. Revenue growth in the Pharmaceutical Systems unit primarily benefitted from the acquisition of Safety Syringes in the first quarter of fiscal year 2013. Global sales of safety-engineered products were \$1.0 billion, compared with \$966 million in the prior year, and included an estimated \$8 million unfavorable impact due to foreign currency translation.

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Medical operating income in 2013 was \$1.23 billion, or 28.6% of Medical revenues, compared with \$1.16 billion, or 28.4% of segment revenues in 2012. Gross profit margin was higher in 2013 as compared to 2012, primarily due to lower manufacturing costs resulting from Project ReLoCo, a global, cross-functional business initiative to drive sustained low-cost capability primarily benefitting Medical Surgical Systems, as well as lower raw material costs, partially offset by manufacturing start-up costs. Gross profit margin was also favorably impacted by a change in useful lives of certain machinery and equipment assets, effective January 1, 2012. See further discussion on gross profit margin below. Selling and administrative expense as a percent of Medical revenues in 2013 increased to 18.4% of revenues from 17.7% in 2012. Aggregate expenses in 2013 reflected the medical device excise tax previously discussed, increased spending for expansion in emerging markets and higher expenses associated with the Safety Syringes and Cato acquisitions. These increases were partially offset by favorable foreign currency translation. Research and development expenses in 2013 increased \$17 million, or 11% from 2012, reflecting ongoing investment in new products and platforms.

Diagnostics Segment

Diagnostics revenues in 2013 of \$2.6 billion increased 4.3% over 2012, which reflected an estimated impact of unfavorable foreign currency translation of 0.9%.

The following is a summary of Diagnostics revenues by organizational unit:

	2013	2012	Total Change (Millions of dollars)	Estimated Foreign Exchange Impact
Preanalytical Systems	\$ 1,352	\$ 1,301	3.9%	(0.8%)
Diagnostic Systems	1,294	1,237	4.6%	(1.3%)
Total Revenues	\$ 2,646	\$ 2,538	4.3%	(0.9%)

Diagnostics segment revenue growth was driven by solid growth in both units, particularly in emerging markets. Revenue growth in the Preanalytical Systems unit was driven by sales of safety-engineered products. Sales of safety-engineered products grew 1% in the United States, driven by *BD Vacutainer*TM Push Button Blood Collection Set sales, and 7% internationally, which included an estimated unfavorable foreign exchange impact of 2%. The Diagnostic Systems unit experienced growth in worldwide sales of its automated diagnostic platforms, including *BD Max*TM and *BD Affirm*TM systems, along with solid growth of its *BD BACTEC*TM blood culture and TB systems and the *BD Phoenix*TM ID/AST platform. Diagnostics revenues in 2013 also reflected new product launches and a favorable comparison to the prior year due to a stronger flu season in 2013 as well as from the timing of the Kiestra acquisition. Diagnostics segment revenue growth in the U.S. was unfavorably impacted by continued weaker demand in the Women's Health and Cancer platform due to guidelines providing for increased Pap smear testing intervals.

Diagnostics operating income in 2013 was \$638 million, or 24.1% of Diagnostics revenues, compared with \$653 million, or 25.7% of revenues, in 2012. Gross profit margin in the Diagnostics segment was down as compared to 2012 and reflected legal settlement costs, amortization expense related to the Jaguar Plus Platform, an in-process R&D project acquired with the HandyLab acquisition and completed in the fourth quarter of 2012, and the unfavorable impact of decreased sales of products which have higher gross margins. See further discussion on gross profit margin below. Selling and administrative expense, as a percentage of Diagnostics revenues, increased by 120 basis points in 2013 to 22.8%. Aggregate expenses in 2013 reflected an increase in investments in emerging markets and higher expenses associated with the Kiestra acquisition that occurred in the second quarter of 2012. These increases were partially offset by favorable foreign currency translation. Research and development expense increased \$1 million, or 1% from 2012. R&D spending in 2013 reflected our continued investment in the development of new products and platforms, including the *BD MAX* and new *BD Viper* platforms and test menus.

Table of Contents***Biosciences Segment***

Biosciences revenues of \$1.1 billion in 2013 increased 2.0% over 2012, and reflected an estimated impact of unfavorable foreign currency translation of 1.6%. Biosciences revenue growth was primarily driven by instrument and reagent sales in emerging markets, partially offset by declines in Western Europe.

Biosciences operating income in 2013 was \$269 million, or 24.4% of Biosciences revenues, compared with \$262 million, or 24.2%, in 2012. The Segment's operating income in 2013 reflected a slightly higher gross profit margin as compared to 2012, primarily due to the favorable impact of increased sales of products which have higher gross margins, partially offset by lower pricing on certain product lines. See further discussion on gross profit margin below. Selling and administrative expense as a percentage of Biosciences revenues was 25.0% in 2013 as compared with 24.4% in 2012. Aggregate expenses reflected continued investments in emerging markets, partially offset by favorable foreign currency translation. Research and development spending increased \$6 million, or 6% from 2012 and reflected spending on new products and platforms, including next generation cell sorters and analyzers.

Geographic Revenues

Revenues in the United States in 2013 of \$3.4 billion increased 2.0% over 2012 and reflected growth in all segments. U.S. revenue growth in the Medical segment was primarily driven by Pharmaceutical Systems, which was aided by the acquisition of Safety Syringes in the first quarter of fiscal year 2013. Diagnostics segment revenue growth in the United States was unfavorably impacted by a decline in Women's Health and Cancer platform sales due to guidelines providing for increased Pap smear testing intervals. Biosciences revenue growth in the United States reflected slight growth in instrument placements. We remain cautious about the U.S. environment for this segment given the continued uncertainty around U.S. government research funding due to the impact of automatic U.S. government spending cuts, or sequestration, that went into effect in March 2013.

International revenues in 2013 of \$4.7 billion increased 6.3% over 2012, which reflected an estimated impact of unfavorable foreign currency translation of 1.7%. International revenues in 2013 reflected continued strength in emerging market revenues and strong sales of safety-engineered products for the Medical and Diagnostics segments. Growth in the Diagnostics segment also benefitted from the Kiestra acquisition. International Biosciences revenue growth was driven by growth in emerging markets, partially offset by weaker sales in Western Europe due to austerity measures as well as by lower levels of research funding in Japan.

Gross Profit Margin

Gross profit margin was 51.8% in 2013, compared with 51.3% in 2012. The increase primarily reflected operating performance. Gross profit margin was favorably impacted by approximately 80 basis points primarily due to lower manufacturing costs from continuous improvement projects, such as Project ReLoCo, and lower raw material costs. Gross profit margin was also favorably impacted by approximately 20 basis points due to a change in useful lives of certain machinery and equipment assets, effective January 1, 2012, largely within the Medical segment. Gross profit margin was adversely affected by approximately 50 basis points primarily due to amortization of intangibles associated with recent acquisitions, lower pricing on certain product lines and manufacturing start-up costs.

Operating Expenses

Selling and administrative expense in 2013 was \$2.4 billion, or 30.1% of revenues, compared with \$1.9 billion, or 25.0% of revenues in 2012. As discussed earlier, Selling and administrative expense in 2013 included charges of \$363 million relating to litigation matters and \$40 million related to the medical device excise tax. Aggregate expenses for 2013 reflected an increase in core spending of \$118 million, which included \$61 million relating to expansion of our business in emerging markets as well as higher expenses resulting from recent acquisitions. These increases were partially offset by favorable foreign currency translation of \$19 million and a decrease in deferred compensation expense of \$3 million. This change in the deferred compensation liability is further discussed below.

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Research and development expense in 2013 was \$494 million, or 6.1% of revenues, compared with \$472 million, or 6.1% of revenues, in 2012 and reflected increased investment in new products and platforms in all three segments.

Non-Operating Expense and Income

Interest expense in 2013 was \$138 million, compared with \$135 million in 2012. The increase in interest expense in 2013 primarily reflected higher average levels of long-term fixed-rate debt. Interest income was \$40 million in 2013, compared with \$50 million in 2012. The decrease in interest income in 2013 compared with 2012 reflected the impact of lower interest rates on investments outside the U.S. and lower investment gains on assets related to our deferred compensation plan. The offsetting movements in the deferred compensation plan liability were recorded in selling and administrative expense.

Income Taxes

The effective tax rate in 2013 of 20.2% was lower compared with the 2012 rate of 24.6%. The impact of the 2013 charges relating to litigation matters and a pension settlement reduced the effective tax rate in 2013 by 430 basis points. The income tax rate in 2013 also reflected the favorable impact from various tax settlements in multiple jurisdictions and the reinstatement of the U.S. research and development tax credit, partially offset by a lower benefit on foreign earnings. The income tax rate in 2012, which was reduced by 20 basis points due to the 2012 pension settlement charge, reflected the favorable impact of various tax settlements in multiple jurisdictions.

Income and Diluted Earnings per Share from Continuing Operations

Income from continuing operations and diluted earnings per share from continuing operations in 2013 were \$929 million and \$4.67, respectively. The after-tax charges relating to the litigation matters decreased income from continuing operations in 2013 by \$225 million, or \$1.13 per share. The after-tax charge related to pension settlement decreased income from continuing operations in 2013 by \$4 million, or \$0.02 per share. Earnings in 2013 also reflected the unfavorable impact of the medical device excise tax of \$0.13 per share, as well as an estimated net unfavorable impact of foreign currency fluctuations of \$0.06 per share. Income from continuing operations and diluted earnings per share from continuing operations in 2012 were \$1.1 billion and \$5.30, respectively. The after-tax charge related to pension settlements decreased income from continuing operations in 2012 by \$13 million, or \$0.06 per share. Earnings in 2012 also reflected an estimated overall net unfavorable impact of foreign currency fluctuations of \$0.21 per share.

Discontinued Operations

In October 2012, we sold the Biosciences Discovery Labware unit, excluding its Advanced Bioprocessing platform, and received gross proceeds of approximately \$740 million and recognized a pre-tax gain on sale of approximately \$577 million. For further discussion, see Note 10 to the consolidated financial statements contained in Item 8. Financial Statements and Supplementary Data.

Financial Instrument Market Risk

We selectively use financial instruments to manage market risk, primarily foreign currency exchange risk and interest rate risk relating to our ongoing business operations. The counterparties to these contracts are highly rated financial institutions. We do not enter into financial instruments for trading or speculative purposes.

Foreign Exchange Risk

BD and its subsidiaries transact business in various foreign currencies throughout Europe, Asia Pacific, Canada, Japan and Latin America. We face foreign currency exposure from the effect of fluctuating exchange rates on payables and receivables relating to transactions that are denominated in currencies other than our functional currency. These payables and receivables primarily arise from intercompany transactions. We hedge substantially all such exposures, primarily through the use of forward contracts. We also face currency exposure that arises from translating the results of our worldwide operations, including sales, to the U.S. dollar at exchange

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rates that have fluctuated from the beginning of a reporting period. From time to time, we may purchase forward contracts and options to hedge certain forecasted transactions that are denominated in foreign currencies in order to partially protect against a reduction in the value of future earnings resulting from adverse foreign exchange rate movements. Gains or losses on derivative instruments are largely offset by the gains or losses on the underlying hedged transactions. We did not enter into contracts to hedge cash flows in fiscal year 2013.

Derivative financial instruments are recorded on our balance sheet at fair value. For foreign currency derivatives, market risk is determined by calculating the impact on fair value of an assumed change in foreign exchange rates relative to the U.S. dollar. Fair values were estimated based upon observable inputs, specifically spot currency rates and foreign currency prices for similar assets and liabilities. With respect to the derivative instruments outstanding at September 30, 2013, a 10% appreciation of the U.S. dollar over a one-year period would decrease pre-tax earnings by \$31 million, while a 10% depreciation of the U.S. dollar would increase pre-tax earnings by \$31 million. Comparatively, considering our derivative instruments outstanding at September 30, 2012, a 10% appreciation of the U.S. dollar over a one-year period would have decreased pre-tax earnings by \$8 million, while a 10% depreciation of the U.S. dollar would have increased pre-tax earnings by \$8 million. These calculations do not reflect the impact of exchange gains or losses on the underlying transactions that would substantially offset the results of the derivative instruments.

Interest Rate Risk

Our primary interest rate exposure results from changes in short-term U.S. dollar interest rates. Our debt and interest-bearing investments at September 30, 2013 are substantially all U.S. dollar-denominated. Therefore, transaction and translation exposure relating to such instruments is minimal. When managing interest rate exposures, we strive to achieve an appropriate balance between fixed and floating rate instruments. We may enter into interest rate swaps to help maintain this balance and manage debt and interest-bearing investments in tandem, since these items have an offsetting impact on interest rate exposure. For interest rate derivative instruments, fair values are provided by the financial institutions that are counterparties to these arrangements. Market risk for these instruments is determined by calculating the impact to fair value of an assumed change in interest rates across all maturities. A change in interest rates on short-term debt and interest-bearing investments impacts our earnings and cash flow, but not the fair value of these instruments because of their limited duration. A change in interest rates on long-term debt is assumed to impact the fair value of the debt, but not our earnings or cash flow because the interest on such obligations is fixed. Based on our overall interest rate exposure at September 30, 2013 and 2012, a change of 10% in interest rates would not have a material effect on our earnings or cash flows over a one-year period. An increase of 10% in interest rates would decrease the aggregate fair value of our long-term debt and related fair value hedges at September 30, 2013 and 2012 by approximately \$105 million and \$109 million, respectively. A 10% decrease in interest rates would increase the aggregate fair value of these same financial instruments at September 30, 2013 and 2012 by approximately \$111 million and \$115 million, respectively.

Liquidity and Capital Resources***Net Cash Flows from Continuing Operating Activities***

Net cash provided by continuing operating activities in 2013 was \$1.72 billion, compared with \$1.69 billion in 2012 and was primarily attributable to income from continuing operations, as adjusted for depreciation and amortization. The net change in working capital was primarily driven by an increase in accrued payables, reflecting the charge from the RTI litigation verdict, partially offset by higher inventory levels and prepaid expenses. Net cash provided by continuing operating activities in 2013 was reduced by changes in the pension obligation resulting primarily from discretionary cash contributions of \$132 million. An additional discretionary contribution of \$40 million was made to the U.S. pension plan in October 2013.

Table of Contents***Net Cash Flows from Continuing Investing Activities*****Capital Expenditures**

Our investments in capital expenditures are focused on projects that enhance our cost structure and manufacturing capabilities, and support our strategy of geographic expansion with select investments in growing markets. Capital expenditures were \$522 million in 2013, compared with \$487 million in 2012. Capital spending for the Medical, Diagnostics and Biosciences segments in 2013 was \$354 million, \$142 million and \$16 million, respectively, and related primarily to manufacturing capacity expansions.

Acquisitions of Businesses

Cash outflows relating to acquisitions of \$136 million in 2013 included \$124 million relating to the Safety Syringes acquisition and \$14 million associated with the Cato acquisition in the first and second quarters of fiscal year 2013, respectively. Cash outflows relating to acquisitions of \$103 million in 2012 were comprised of \$51 million relating to the Kiestra acquisition and \$52 million associated with the acquisition of Sirigen. For further discussion, refer to Note 9 to consolidated financial statements contained in Item 8, Financial Statements and Supplementary Data.

Net Cash Flows from Continuing Financing Activities**Payments of Obligations and Debt Issuances**

Net cash used for financing activities in 2013 reflected the repayment of \$200 million of 4.55% notes due on April 15, 2013. In 2012, net cash provided by financing activities included the proceeds from \$500 million of 5-year 1.75% notes and \$1 billion of 10-year 3.125% notes issued on November 3, 2011. Short-term debt decreased to 5.2% of total debt at the end of 2013, from 9.7% at the end of 2012 due to the repayment of 4.55% notes referred to above. Our weighted average cost of total debt at the end of 2013 was 3.8%, up from 3.7% at the end of 2012. As of September 30, 2013, total debt of \$4.0 billion represented 43.1% of total capital (shareholders' equity, net non-current deferred income tax liabilities, and debt), compared with 49.7% at September 30, 2012.

Repurchase of Common Stock

We repurchased approximately 5.5 million shares of our common stock for \$450 million in 2013 and 19.9 million shares for \$1.5 billion in 2012. In September 2013, our Board of Directors authorized the repurchase of an additional 10 million of our common shares. When combined with the remaining shares under the Board of Directors' July 2011 repurchase authorization, a total of approximately 12.7 million common shares remain available for purchase at September 30, 2013. We plan on share repurchases of approximately \$450 million in 2014, subject to market conditions.

Cash and Short-term Investments

At September 30, 2013, total worldwide cash and short-term investments were \$2.6 billion, of which \$1.4 billion was held in jurisdictions outside of the United States. We regularly review the amount of cash and short-term investments held outside the United States and currently intend to use most of such amounts to fund our international operations and their growth initiatives. However, if these amounts were moved out of these jurisdictions or repatriated to the United States, there could be tax consequences.

Government Receivables

Accounts receivable balances include sales to government-owned or government-supported healthcare facilities in several countries, some of which are subject to delays. Payment may be dependent upon the financial stability and creditworthiness of those countries' national economies. Deteriorated credit and economic conditions in parts of Western Europe, particularly in Italy and Spain, may continue to increase the average length of time it takes us to collect our accounts receivable in certain regions within these countries. At September 30, 2013 and 2012, outstanding governmental receivable balances, net of reserves, in Italy were \$73 million and \$71 million, respectively and in Spain were \$61 million and \$43 million, respectively.

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We continually evaluate all governmental receivables for potential collection risks associated with the availability of government funding and reimbursement practices. We believe the current reserves related to all governmental receivables are adequate and that this concentration of credit risk will not have a material adverse impact on our financial position or liquidity.

Credit Facilities

We have in place a commercial paper borrowing program that is available to meet our short-term financing needs, including working capital requirements. Borrowings outstanding under this program were \$200 million at September 30, 2013. We have available a \$1 billion syndicated credit facility with an expiration date of May 2017. This credit facility, under which there were no borrowings outstanding at September 30, 2013, provides backup support for our commercial paper program and can also be used for other general corporate purposes. It includes a provision that enables BD, subject to additional commitments made by the lenders, to access up to an additional \$500 million in financing through the facility, for a maximum aggregate commitment of \$1.5 billion. The credit facility includes a single financial covenant that requires BD to maintain an interest expense coverage ratio (ratio of earnings before income taxes, depreciation and amortization to interest expense) of not less than 5-to-1 for the most recent four consecutive fiscal quarters. On the last eight measurement dates, this ratio has ranged from 13.1-to-1 to 16.7-to-1. In addition, we have informal lines of credit outside the United States.

Access to Capital and Credit Ratings

Our ability to generate cash flow from operations, issue debt, enter into other financing arrangements and attract long-term capital on acceptable terms could be adversely affected in the event there was a material decline in the demand for our products, deterioration in our key financial ratios or credit ratings, or other significantly unfavorable changes in conditions.

BD's credit ratings at September 30, 2013 were as follows:

	Standard & Poor's	Moody's
Ratings:		
Senior Unsecured Debt	A	A3
Commercial Paper	A-1	P-2
Outlook	Stable	Stable

While any deterioration in our credit ratings would increase the costs associated with maintaining and borrowing under our existing credit arrangements, such a downgrade would not affect our ability to draw on these credit facilities, nor would it result in an acceleration of the scheduled maturities of any outstanding debt. We believe that given our debt ratings, our conservative financial management policies, our ability to generate cash flow and the non-cyclical, geographically diversified nature of our businesses, we would have access to additional short-term and long-term capital should the need arise.

Contractual Obligations

In the normal course of business, we enter into contracts and commitments that obligate us to make payments in the future. The table below sets forth BD's significant contractual obligations and related scheduled payments:

	Total	2014	2015 to 2016	2017 to 2018	2019 and Thereafter
	(Millions of dollars)				
Short-term debt	\$ 207	\$ 207	\$	\$	\$
Long-term debt(A)	5,533	151	301	980	4,101
Operating leases	200	52	75	46	27
Purchase obligations(B)	546	269	223	52	2
Unrecognized tax benefits(C)					
Total(D)	\$ 6,486	\$ 679	\$ 599	\$ 1,078	\$ 4,130

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- (A) Long-term debt obligations include expected principal and interest obligations.
- (B) Purchase obligations are for purchases made in the normal course of business to meet operational and capital requirements.
- (C) Unrecognized tax benefits at September 30, 2013 of \$136 million were all long-term in nature. Due to the uncertainty related to the timing of the reversal of these tax positions, the related liability has been excluded from the table.
- (D) Required funding obligations for 2014 relating to pension and other postretirement benefit plans are not expected to be material. In October 2013, a discretionary cash contribution of \$40 million was made to the U.S. pension plan.

2012 Compared With 2011

Comparisons of income from continuing operations between 2012 and 2011 are affected by the following items that are reflected in our financial results:

During the fourth quarter of 2012, we recorded a pre-tax pension settlement charge of \$20 million, or \$0.06 diluted earnings per share from continuing operations, primarily associated with a non-cash charge due to lump sum benefit payments made from BD's U.S. supplemental pension plan. The charge also included settlement losses associated with certain foreign pension plans.

During the fourth quarter of 2011, we recorded a pre-tax, non-cash charge of \$9 million, or \$0.03 diluted earnings per share from continuing operations, resulting from the discontinuance of a research program within the Diagnostic Systems unit.

Medical Segment

Medical revenues in 2012 of \$4.1 billion increased 2.1% over 2011, which reflected an estimated impact of unfavorable foreign currency translation of 3.0%.

The following is a summary of Medical revenues by organizational unit:

	2012	2011	Total Change (Millions of dollars)	Estimated Foreign Exchange Impact
Medical Surgical Systems	\$ 2,105	\$ 2,082	1.1%	(2.5)%
Diabetes Care	911	866	5.2%	(2.3)%
Pharmaceutical Systems	1,074	1,059	1.4%	(4.8)%
Total Revenues	\$ 4,091	\$ 4,007	2.1%	(3.0)%

Medical segment revenue growth, on a foreign currency-neutral basis, reflected solid growth in all units. Medical Surgical Systems revenue reflected solid growth of international safety-engineered product sales and growth from sales of the *BD PhaSeal* product resulting from the Carmel Pharma, AB (Carmel) acquisition that occurred in the fourth quarter of 2011. Diabetes Care revenue growth reflected continued strong sales of pen needles, including sales of the *BD Ultra-Fine Nano*. Pharmaceutical Systems revenue reflected the continued strong demand from companies producing biotech drugs and certain heparin products. Global sales of safety-engineered products were \$966 million, compared with

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\$885 million in 2011, and included an estimated \$14 million unfavorable impact due to foreign currency translation.

Medical operating income in 2012 was \$1.2 billion, or 28.4% of Medical revenues, as compared with \$1.2 billion, or 29.5%, of revenues in 2011. Gross profit margin was lower in the current year than in 2011 primarily due to amortization of intangibles associated with the Carmel acquisition, unfavorable pricing impacts on certain product lines and the unfavorable impact of decreased sales of products which have higher gross margins. These unfavorable impacts on gross profit margin were partially offset by favorable foreign currency translation and lower manufacturing costs resulting from Project ReLoCo. See further discussion on gross profit margin below.

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Selling and administrative expense as a percentage of Medical revenues in 2012 increased to 17.7% of revenues from 17.5% of revenues in 2011, primarily due to increased spending for expansion in emerging markets and higher expenses resulting from the Carmel acquisition as compared with the prior year's period, partially offset by continued spending controls and favorable foreign currency translation. Research and development expenses in 2012 increased \$11 million, or 8%, over 2011 and reflected continued investment in the development of new products and platforms, including new diabetes care and closed system transfer devices.

Diagnostics Segment

Diagnostics revenues in 2012 of \$2.5 billion increased 2.3% over 2011, which reflected an estimated impact of unfavorable foreign currency translation of 2.2%.

The following is a summary of Diagnostics revenues by organizational unit:

	2012	2011	Total Change	Estimated Foreign Exchange Impact
	(Millions of dollars)			
Preanalytical Systems	\$ 1,301	\$ 1,278	1.8%	(2.5%)
Diagnostic Systems	1,237	1,203	2.9%	(1.8%)
Total Revenues	\$ 2,538	\$ 2,480	2.3%	(2.2%)

Revenue growth in the Preanalytical Systems unit, on a foreign currency-neutral basis, was driven by sales of safety-engineered products. Sales of safety-engineered products grew 2% in the United States, driven by *BD Vacutainer*TM Push Button Blood Collection Set sales, and 4% internationally, which included an estimated unfavorable foreign exchange impact of 5%. The Diagnostic Systems unit experienced growth in worldwide sales of its automated diagnostic platforms, including the molecular *BD ProbeTec*TM, *BD Viper*TM and *BD Affirm*TM systems, along with solid growth of its *BD BACTEC*TM blood culture and TB systems and the *BD Phoenix*TM ID/AST platform and its SurePath products. Diagnostics revenues in 2012 also reflected a favorable comparison to 2011 due to new product launches and the Kiestra acquisition.

Diagnostics operating income in 2012 was \$653 million, or 25.7% of Diagnostics revenues, compared with \$636 million, or 25.7% of revenues, in 2011. Gross profit margin in the Diagnostics segment was down as compared to 2011 and reflected unfavorable foreign currency translation, higher raw material costs, and the unfavorable impact of decreased sales of products which have higher gross margins. See further discussion on gross profit margin below. Selling and administrative expense as a percentage of Diagnostics revenues increased by 10 basis points in 2012 to 21.6%, primarily due to investments in emerging markets, partially offset by continued spending controls and favorable foreign currency translation. Research and development expense decreased \$9 million, or 5% from 2011 reflecting a program termination in 2011. R&D spending in 2012 reflected our continued investment in the development of new products and platforms, including the *BD MAX* and new *BD Viper* platforms and test menus.

Biosciences Segment

Biosciences revenues, which include the Cell Analysis unit and the Advanced Bioprocessing platform, of \$1.1 billion in 2012 decreased 1.5% from 2011, and reflected an estimated impact of unfavorable foreign currency translation of 2.2%. Biosciences revenue growth, on a foreign currency-neutral basis, was primarily driven by instrument and reagent sales in emerging markets, partially offset by declines in the U.S. due to constrained research spending.

Biosciences operating income in 2012 was \$262 million, or 24.2% of Biosciences revenues, compared with \$278 million, or 25.4%, in 2011. The Segment's operating income in 2012 reflected a lower gross profit margin than 2011 primarily due to the unfavorable impact of foreign currency translation and amortization of capitalized software as well as intangibles associated with the 2011 acquisition of Accuri Cytometers, Inc. (Accuri). The Segment's gross profit margin was also unfavorably impacted by increases in certain raw material costs. See further discussion on gross profit margin below. Selling and administrative expense as a percentage of

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Biosciences revenues was 24.4% in 2012 as compared with 24.5% in 2011 and reflected continued spending controls partially offset by unfavorable foreign currency translation. Research and development spending was relatively flat to 2011 and reflects spending on new products and platforms, including next generation cell sorters and analyzers.

Geographic Revenues

Revenues in the United States in 2012 of \$3.3 billion increased 1%. Growth in U.S. Medical revenues reflected strong sales of Pharmaceutical Systems and Diabetes Care products, which were partially offset by pricing pressures for certain Medical Surgical Systems products. Diagnostic Systems revenue growth in the U.S. was unfavorably affected by an increasingly competitive market for microbiology products and weak sales from our *GeneOhm* healthcare-associated infections (HAI) platform, also due to a challenging competitive environment. Biosciences revenue in the U.S. declined in 2012 compared with 2011 due to reduced research funding, as we continue to experience constrained demand for high-end instruments due to continued funding concerns in the pharmaceutical and biotech research markets as well as in the academic markets.

International revenues in 2012 of \$4.4 billion increased 2%, which reflected an estimated impact of unfavorable foreign currency translation of 5%. International revenues for 2012 reflected growth from all segments, including growth attributable to emerging markets, as well as strong sales of safety-engineered products.

Gross Profit Margin

Gross profit margin was 51.3% in 2012, compared with 52.2% in 2011. The decrease in gross profit margin reflected the estimated net unfavorable impact of 70 basis points relating to operating performance, an estimated 10 basis points relating to unfavorable foreign currency translation and an estimated 10 basis points relating to pension settlements. Operating performance was adversely affected by an estimated 50 basis points due to the impact of decreased sales of products which have higher gross margins. Operating performance also reflected the estimated impacts of 50 basis points due to unfavorable pricing impacts on certain product lines as well as 20 basis points due to increases in certain raw material costs. Operating performance was also adversely impacted by approximately 10 basis points due to amortization of intangibles associated with recent acquisitions, approximately 20 basis points due to Biosciences software amortization and approximately 30 basis points due to other unfavorable one-time impacts. The unfavorable impacts on operating performance for the current year were partially offset by an estimated 80 basis points due to lower manufacturing costs from continuous improvement projects, such as Project ReLoCo, and lower pension costs. Operating performance was also favorably impacted by approximately 30 basis points due to a change in useful lives of certain machinery and equipment assets, effective January 1, 2012.

Operating Expenses

Selling and administrative expense in 2012 was \$1.9 billion, or 25% of revenues, compared with \$1.8 billion, or 24% of revenues in 2011. Aggregate expenses for 2012 reflected an increase in core spending of \$105 million, primarily relating to expansion of our business in emerging markets, transactions costs relating to the Kiestra acquisition and higher expenses resulting from the Carmel and Kiestra acquisitions. Aggregate expenses for 2012 also included increased spending of \$23 million related to our global enterprise resource planning initiative to update our business information systems and \$8 million related to pension settlements. Additionally, aggregate expenses in 2012 included a \$16 million increase in the deferred compensation plan liability, as further discussed below. These increases were partially offset by favorable foreign currency translation of \$41 million and lower pension expense of \$11 million.

Research and development expense in 2012 was \$472 million, or 6.1% of revenues, compared with \$470 million, or 6.2% of revenues, in 2011. The increase in R&D expenditures includes spending for new products and platforms in each of our segments, as previously discussed. R&D expense in 2012 also included \$2 million associated with pension settlements. R&D expense in 2011 included a non-cash impairment charge of \$9 million resulting from the discontinuance of a research program within the Diagnostic Systems unit.

Table of Contents***Non-Operating Expense and Income***

Interest expense in 2012 was \$135 million, compared with \$84 million in 2011. The increase reflected higher levels of long-term fixed-rate debt, partially offset by lower average interest rates on this debt, as well as a reduction in the amount of capitalized interest. The reduction in capitalized interest was attributable to a lower average interest rate on the overall debt portfolio. Interest income was \$50 million in 2012, compared with \$43 million in 2011. The increase was largely the result of investment gains on assets related to our deferred compensation plan, offset partially by the impact of lower interest rates and lower investment levels in certain non-U.S. locations. The offsetting movements in the deferred compensation plan liability were recorded in selling and administrative expenses.

Income Taxes

The effective tax rate in 2012 of 24.6% was lower compared with the 2011 rate of 25.8%. The 2012 rate reflected the favorable impact of various tax settlements in multiple jurisdictions, while 2011 reflected the favorable impact due to the timing of certain tax benefits resulting from the retroactive extension of the U.S. research tax credit and a European restructuring transaction.

Income and Diluted Earnings per Share from Continuing Operations

Income from continuing operations and diluted earnings per share from continuing operations in 2012 were \$1.1 billion and \$5.30, respectively. The after-tax charge related to pension settlements decreased income from continuing operations in 2012 by \$13 million, or \$0.06 per share. Earnings in 2012 also reflected an estimated overall net unfavorable impact of foreign currency fluctuations of \$0.21 per share. Income from continuing operations and diluted earnings per share from continuing operations in 2011 were \$1.2 billion and \$5.31, respectively. The after-tax charge related to the discontinuance of a research program decreased income from continuing operations in 2011 by \$6 million, or \$0.03 per share.

Liquidity and Capital Resources***Net Cash Flows from Continuing Operating Activities***

Net cash provided by continuing operating activities in 2012 was \$1.7 billion, compared with \$1.6 billion in 2011. The change in operating assets and liabilities in 2012 resulted in a net use of cash and primarily reflected higher levels of inventory and accounts receivables, substantially offset by lower levels of prepaid expenses. Net cash provided by continuing operating activities in 2012 was reduced by changes in the pension obligation resulting primarily from a discretionary cash contribution of \$100 million.

Net Cash Flows from Continuing Investing Activities**Capital Expenditures**

Capital expenditures were \$487 million in 2012, compared with \$509 million in 2011. Capital spending for the Medical, Diagnostics and Biosciences segments in 2012 was \$363 million, \$101 million and \$14 million, respectively, and related primarily to manufacturing capacity expansions.

Acquisitions of Businesses

Cash outflows relating to acquisitions of \$103 million in 2012 were comprised of \$51 million relating to the KIESTRA acquisition and \$52 million associated with the acquisition of Sirigen. Acquisitions of businesses of \$492 million in 2011 were comprised of \$287 million associated with Carmel and \$205 million relating to Accuri. For further discussion, refer to Note 9 to consolidated financial statements contained in Item 8, Financial Statements and Supplementary Data.

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Net Cash Flows from Continuing Financing Activities

Debt Issuances and Payments of Obligations

On November 3, 2011, we issued \$500 million of 5-year 1.75% Notes and \$1 billion of 10-year 3.125% Notes. Short-term debt increased to 9.7% of total debt at the end of 2012, from 8.6% at the end of 2011. Floating rate debt was 9.7% of total debt at the end of 2012 and 16% at the end of 2011. Our weighted average cost of total debt at the end of 2012 was 3.7%, down from 4.9% at the end of 2011. As of September 30, 2012, total debt represented 49.7% of total capital (shareholders' equity, net non-current deferred income tax liabilities and debt) compared with 35.8% at September 30, 2011.

Critical Accounting Policies

The preparation of the consolidated financial statements requires management to use estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Some of those judgments can be subjective and complex and, consequently, actual results could differ from those estimates. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. For any given estimate or assumption made by management, it is possible that other people applying reasonable judgment to the same facts and circumstances could develop different estimates. Actual results that differ from management's estimates could have an unfavorable effect on our consolidated financial statements. Management believes the following critical accounting policies reflect the more significant judgments and estimates used in the preparation of the consolidated financial statements:

Revenue Recognition

Revenue from product sales is typically recognized when all of the following criteria have been met: persuasive evidence of an arrangement exists; delivery has occurred or services have been rendered; product price is fixed or determinable; and collection of the resulting receivable is reasonably assured.

For certain instruments sold from the Biosciences segment, we recognize revenue upon installation at a customer's site, as installation of these instruments is considered a significant post-delivery obligation. For certain sales arrangements, primarily in the U.S., with multiple deliverables, revenue and cost of products sold are recognized at the completion of each deliverable: shipment, installation and training. These sales agreements are divided into separate units of accounting and revenue is recognized upon the completion of each deliverable based on its relative selling price. The relative selling prices of installation and training are determined based on the prices at which these deliverables would be regularly sold on a standalone basis. The relative selling prices of instruments are based on estimated selling prices. These estimates represent the quoted sales contract price in each arrangement.

BD's domestic businesses sell products primarily to distributors who resell the products to end-user customers. We provide rebates to distributors that sell to end-user customers at prices determined under a contract between BD and the end-user customer. Provisions for rebates, which are based on historical information for all rebates that have not yet been processed, as well as sales discounts and returns, are accounted for as a reduction of revenues when revenue is recognized.

Impairment of Assets

Goodwill and in-process research and development assets are subject to impairment reviews at least annually, or whenever indicators of impairment arise. Intangible assets with finite lives, including core and developed technology, and other long-lived assets, are periodically reviewed for impairment when impairment indicators are present.

We assess goodwill for impairment at the reporting unit level, which is defined as an operating segment or one level below an operating segment, referred to as a component. Our reporting units generally represent one level below reporting segments and we aggregate components within an operating segment that have similar

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economic characteristics. Potential impairment of goodwill is identified by comparing the fair value of a reporting unit with its carrying value. Our annual goodwill impairment test for 2013 did not result in any impairment charges, as the fair value of each reporting unit exceeded its carrying value.

We generally use the income approach to derive the fair value for impairment assessments. This approach calculates fair value by estimating future cash flows attributable to the assets and then discounting these cash flows to a present value using a risk-adjusted discount rate. We selected this method because we believe the income approach most appropriately measures our income producing assets. This approach requires significant management judgment with respect to future volume, revenue and expense growth rates, changes in working capital use, appropriate discount rates and other assumptions and estimates. The estimates and assumptions used are consistent with BD's business plans. The use of alternative estimates and assumptions could increase or decrease the estimated fair value of the asset, and potentially result in different impacts to BD's results of operations. Actual results may differ from management's estimates.

Income Taxes

BD maintains valuation allowances where it is more likely than not that all or a portion of a deferred tax asset will not be realized. Changes in valuation allowances are included in our tax provision in the period of change. In determining whether a valuation allowance is warranted, management evaluates factors such as prior earnings history, expected future earnings, carry back and carry forward periods, and tax strategies that could potentially enhance the likelihood of realization of a deferred tax asset.

BD conducts business and files tax returns in numerous countries and currently has tax audits in progress in a number of tax jurisdictions. In evaluating the exposure associated with various tax filing positions, we record accruals for uncertain tax positions based on the technical support for the positions, our past audit experience with similar situations, and the potential interest and penalties related to the matters. BD's effective tax rate in any given period could be impacted if, upon resolution with taxing authorities, we prevailed in positions for which reserves have been established, or we were required to pay amounts in excess of established reserves.

BD has reviewed its needs in the U.S. for possible repatriation of undistributed earnings of its foreign subsidiaries and, with exception for certain countries, continues to invest foreign subsidiaries earnings outside of the U.S. to fund foreign investments or meet foreign working capital and property, plant and equipment expenditure needs. Deferred taxes are not provided on undistributed earnings of foreign subsidiaries that are indefinitely reinvested. At September 30, 2013, the cumulative amount of such undistributed earnings indefinitely reinvested outside the United States was \$4.4 billion. The determination of the amount of the unrecognized deferred tax liability related to the undistributed earnings is not practicable because of the complexities associated with its hypothetical calculation.

Contingencies

We are involved, both as a plaintiff and a defendant, in various legal proceedings that arise in the ordinary course of business, including, without limitation, product liability, antitrust and environmental matters, as further discussed in Note 5 to the consolidated financial statements contained in Item 8, Financial Statements and Supplementary Data. We assess the likelihood of any adverse judgments or outcomes to these matters as well as potential ranges of probable losses. We establish accruals to the extent probable future losses are estimable (in the case of environmental matters, without considering possible third-party recoveries). A determination of the amount of accruals, if any, for these contingencies is made after careful analysis of each individual issue and, when appropriate, is developed after consultation with outside counsel. The accruals may change in the future due to new developments in each matter or changes in our strategy in dealing with these matters.

Given the uncertain nature of litigation generally, we are not able in all cases to estimate the amount or range of loss that could result from an unfavorable outcome of the litigation to which we are a party. In view of these uncertainties, we could incur charges in excess of any currently established accruals and, to the extent available, excess liability insurance. In the opinion of management, any such future charges, individually or in the aggregate, could have a material adverse effect on BD's consolidated results of operations and consolidated net cash flows.

Table of Contents***Benefit Plans***

We have significant net pension and other postretirement and postemployment benefit costs that are measured using actuarial valuations. These benefit costs include assumptions for the discount rate. Pension benefit costs also include an assumption for the expected return on plan assets. These assumptions have a significant effect on the amounts reported. In addition to the analysis below, see Note 8 to the consolidated financial statements contained in Item 8, Financial Statements and Supplementary Data for additional discussion.

The discount rate is selected each year based on investment grade bonds and other factors as of the measurement date (September 30). Specifically for the U.S. pension plan, we will use a discount rate of 4.95% for 2014, which was based on an actuarially-determined, company-specific yield curve. The rate selected is used to measure liabilities as of the measurement date and for calculating the following year's pension expense. The expected long-term rate of return on plan assets assumption, although reviewed each year, changes less frequently due to the long-term nature of the assumption. This assumption does not impact the measurement of assets or liabilities as of the measurement date; rather, it is used only in the calculation of pension expense. To determine the expected long-term rate of return on pension plan assets, we consider many factors, including our historical assumptions compared with actual results; benchmark data; expected returns on various plan asset classes, as well as current and expected asset allocations. We will use a long-term expected rate of return on plan assets assumption of 7.75% for the U.S. pension plan in 2014. We believe our discount rate and expected long-term rate of return on plan assets assumptions are appropriate based upon the above factors.

Sensitivity to changes in key assumptions for our U.S. pension and other postretirement and postemployment plans are as follows:

Discount rate A change of plus (minus) 25 basis points, with other assumptions held constant, would have an estimated \$4 million favorable (unfavorable) impact on the total U.S. net pension and other postretirement and postemployment benefit plan costs.

Expected return on plan assets A change of plus (minus) 25 basis points, with other assumptions held constant, would have an estimated \$3 million favorable (unfavorable) impact on U.S. pension plan costs.

Share-Based Compensation

Compensation cost relating to share-based payment transactions is recognized in net income using a fair value measurement method. All share-based payments to employees, including grants of employee stock options, are recognized in the statement of operations as compensation expense (based on their fair values) over the vesting period of the awards. We determine the fair value of certain share-based awards using a lattice-based binomial option valuation model that incorporates certain assumptions, such as the risk-free interest rate, expected volatility, expected dividend yield and expected life of the options. See Note 7 to the consolidated financial statements contained in Item 8, Financial Statements and Supplementary Data for additional discussion.

Cautionary Statement Regarding Forward-Looking Statements

BD and its representatives may from time to time make certain forward-looking statements in publicly released materials, both written and oral, including statements contained in filings with the Securities and Exchange Commission, press releases, and our reports to shareholders. Forward-looking statements may be identified by the use of words such as plan, expect, believe, intend, will, anticipate, estimate and other words of similar meaning in conjunction with, among other things, discussions of future operations and financial performance, as well as our strategy for growth, product development, regulatory approvals, market position and expenditures. All statements that address operating performance or events or developments that we expect or anticipate will occur in the future including statements relating to volume growth, sales and earnings per share growth, cash flows or uses, and statements expressing views about future operating results are forward-looking statements.

Forward-looking statements are based on current expectations of future events. The forward-looking statements are, and will be, based on management's then-current views and assumptions regarding future events and operating performance, and speak only as of their dates. Investors should realize that if underlying assumptions prove inaccurate or unknown risks or uncertainties materialize, actual results could vary materially

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from our expectations and projections. Investors are therefore cautioned not to place undue reliance on any forward-looking statements. Furthermore, we undertake no obligation to update or revise any forward-looking statements after the date they are made, whether as a result of new information, future events and developments or otherwise, except as required by applicable law or regulations.

The following are some important factors that could cause our actual results to differ from our expectations in any forward-looking statements. For further discussion of certain of these factors, see Item 1A. Risk Factors.

Continued weakness in the global economy and financial markets, and the potential adverse effect on the cost of operating our business, the demand for our products and services, prices for our products and services due to increases in pricing pressure, or our ability to produce our products, including the impact on developing countries.

Deficit reduction efforts or other adverse changes in the availability of government funding for healthcare and research, particularly in the U.S. and Europe, that could further weaken demand for our products and result in additional pricing pressures, as well as create potential collection risks associated with such sales, including, in the U.S., automatic spending cuts, or sequestration that went into effect in March 2013, and any future federal government shutdown.

The consequences of the Patient Protection and Affordable Care Act in the United States, which implemented an excise tax on U.S. sales of certain medical devices, and which could result in reduced demand for our products, increased pricing pressures or otherwise adversely affect BD's business.

Future healthcare reform in the countries in which we do business may also involve changes in government pricing and reimbursement policies or other cost containment reforms.

Changes in domestic and foreign healthcare industry practices that result in a reduction in procedures using our products or increased pricing pressures, including the continued consolidation among healthcare providers and trends toward managed care and healthcare cost containment.

Changes in reimbursement practices of third-party payers.

Our ability to penetrate developing and emerging markets, which depends on local economic and political conditions and how well we are able to acquire or form strategic business alliances with local companies and make necessary infrastructure enhancements to production facilities, distribution networks, sales equipment and technology. Our international operations also increase our compliance risks under the Foreign Corrupt Practices Act and other anti-corruption laws.

Regional, national and foreign economic factors, including inflation, deflation, fluctuations in interest rates and, in particular, foreign currency exchange rates, and the potential effect on our revenues, expenses, margins and credit ratings.

New or changing laws and regulations affecting our domestic and foreign operations, or changes in enforcement practices, including laws relating to trade, monetary and fiscal policies, taxation (including tax reforms that could adversely impact multinational corporations), sales practices, environmental protection, price controls and licensing and regulatory requirements for new products and products in the postmarketing phase. In particular, the U.S. and other countries may impose new requirements regarding registration, labeling or prohibited materials that may require us to re-register products already on the market or otherwise impact our ability to market our products. Environmental laws, particularly with respect to the emission of greenhouse gases, are also becoming more stringent throughout the world, which may increase our costs of operations or necessitate changes in our manufacturing plants or

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processes or those of our suppliers, or result in liability to BD.

Product efficacy or safety concerns regarding our products resulting in product recalls, regulatory action on the part of the U.S. Food and Drug Administration (FDA) or foreign counterparts, declining sales and product liability claims, particularly in light of the current regulatory environment, including increased enforcement activity by the FDA.

Competitive factors that could adversely affect our operations, including new product introductions (for example, new forms of drug delivery) by our current or future competitors, increased pricing pressure due

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to the impact of low-cost manufacturers as certain competitors have established manufacturing sites or have contracted with suppliers in low-cost manufacturing locations as a means to lower their costs, patents attained by competitors (particularly as patents on our products expire), and new entrants into our markets.

The effects of events that adversely impact our ability to manufacture our products (particularly where production of a product line is concentrated in one or more plants) or our ability to source materials or components from suppliers (including sole-source suppliers) that are needed for such manufacturing, including pandemics, natural disasters, or environmental factors.

Fluctuations in the cost and availability of oil-based resins and other raw materials, as well as certain sub-assemblies and finished goods, the ability to maintain favorable supplier arrangements and relationships (particularly with respect to sole-source suppliers), and the potential adverse effects of any disruption in the availability of such items.

Difficulties inherent in product development, including the potential inability to successfully continue technological innovation, complete clinical trials, obtain regulatory approvals in the United States and abroad, obtain intellectual property protection for our products, obtain coverage and adequate reimbursement for new products, or gain and maintain market approval of products, as well as the possibility of infringement claims by competitors with respect to patents or other intellectual property rights, all of which can preclude or delay commercialization of a product. Delays in obtaining necessary approvals or clearances from the FDA or other regulatory agencies or changes in the regulatory process may also delay product launches and increase development costs.

Fluctuations in the demand for products we sell to pharmaceutical companies that are used to manufacture, or are sold with, the products of such companies, as a result of funding constraints, consolidation or otherwise.

Fluctuations in university or U.S. and international governmental funding and policies for life sciences research.

Our ability to achieve our projected level or mix of product sales, as our earnings forecasts are based on projected volumes and sales of many product types, some of which are more profitable than others.

Our ability to implement our ongoing upgrade of our enterprise resource planning system, as any delays or deficiencies in the design and implementation of our upgrade could adversely affect our business.

Security breaches of our computer and communications systems, including computer viruses, hacking and cyber-attacks, which could impair our ability to conduct business, or result in the loss of BD trade secrets or otherwise compromise sensitive information of BD or its customers, suppliers and other business partners.

Pending and potential future litigation or other proceedings adverse to BD, including antitrust claims, product liability claims, environmental claims and patent infringement claims, and the availability or collectability of insurance relating to any such claims.

The effect of adverse media exposure or other publicity regarding BD's business or operations, including the effect on BD's reputation or demand for its products.

The effects, if any, of governmental and media activities regarding the business practices of group purchasing organizations, which negotiate product prices on behalf of their member hospitals with BD and other suppliers.

The effect of market fluctuations on the value of assets in BD's pension plans and on actuarial interest rate and asset return assumptions, which could require BD to make additional contributions to the plans or increase our pension plan expense.

Political conditions in international markets, including civil unrest, terrorist activity, governmental changes, restrictions on the ability to transfer capital across borders and expropriation of assets by a government, including the recent civil unrest in parts of the Middle East.

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The impact of business combinations, including any volatility in earnings relating to acquired in-process research and development assets, and our ability to successfully integrate any business we may acquire.

Our ability to obtain the anticipated benefits of restructuring programs, if any, that we may undertake.

Issuance of new or revised accounting standards by the Financial Accounting Standards Board or the Securities and Exchange Commission.

The foregoing list sets forth many, but not all, of the factors that could impact our ability to achieve results described in any forward-looking statements. Investors should understand that it is not possible to predict or identify all such factors and should not consider this list to be a complete statement of all potential risks and uncertainties.

Item 7A. *Quantitative and Qualitative Disclosures About Market Risk.*

The information required by this item is included in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, and in Notes 1, 12 and 13 to the consolidated financial statements contained in Item 8, Financial Statements and Supplementary Data, and is incorporated herein by reference.

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Item 8. *Financial Statements and Supplementary Data.*

Reports of Management

Management's Responsibilities

The following financial statements have been prepared by management in conformity with U.S. generally accepted accounting principles and include, where required, amounts based on the best estimates and judgments of management. The integrity and objectivity of data in the financial statements and elsewhere in this Annual Report are the responsibility of management.

In fulfilling its responsibilities for the integrity of the data presented and to safeguard the Company's assets, management employs a system of internal accounting controls designed to provide reasonable assurance, at appropriate cost, that the Company's assets are protected and that transactions are appropriately authorized, recorded and summarized. This system of control is supported by the selection of qualified personnel, by organizational assignments that provide appropriate delegation of authority and division of responsibilities, and by the dissemination of written policies and procedures. This control structure is further reinforced by a program of internal audits, including a policy that requires responsive action by management.

The Board of Directors monitors the internal control system, including internal accounting and financial reporting controls, through its Audit Committee, which consists of eight independent Directors. The Audit Committee meets periodically with the independent registered public accounting firm, the internal auditors and management to review the work of each and to satisfy itself that they are properly discharging their responsibilities. The independent registered public accounting firm and the internal auditors have full and free access to the Audit Committee and meet with its members, with and without management present, to discuss the scope and results of their audits including internal control, auditing and financial reporting matters.

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) under the Securities Act of 1934. Management conducted an assessment of the effectiveness of internal control over financial reporting based on the criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework). Based on this assessment and those criteria, management concluded that internal control over financial reporting was effective as of September 30, 2013.

The financial statements and internal control over financial reporting have been audited by Ernst & Young LLP, an independent registered public accounting firm. Ernst & Young's reports with respect to fairness of the presentation of the financial statements, and the effectiveness of internal control over financial reporting, are included herein.

/s/ Vincent A. Forlenza
Vincent A. Forlenza
*Chairman, Chief Executive Officer and
President*

/s/ Christopher Reidy
Christopher Reidy
*Chief Financial Officer and Executive
Vice President of Administration*

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Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of

Becton, Dickinson and Company

We have audited the accompanying consolidated balance sheets of Becton, Dickinson and Company as of September 30, 2013 and 2012, and the related consolidated statements of income, comprehensive income and cash flows for each of the three years in the period ended September 30, 2013. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Becton, Dickinson and Company at September 30, 2013 and 2012, and the consolidated results of its operations and its cash flows for each of the three years in the period ended September 30, 2013, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Becton, Dickinson and Company's internal control over financial reporting as of September 30, 2013, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) and our report dated November 27, 2013 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

New York, New York

November 27, 2013

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Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of

Becton, Dickinson and Company

We have audited Becton, Dickinson and Company's internal control over financial reporting as of September 30, 2013, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) (the COSO criteria). Becton, Dickinson and Company's management is responsible 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 the company's internal control over financial reporting based on our audit.

We conducted our audit 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 effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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 its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that 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, Becton, Dickinson and Company maintained, in all material respects, effective internal control over financial reporting as of September 30, 2013, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Becton, Dickinson and Company as of September 30, 2013 and 2012, and the related consolidated statements of income, comprehensive income and cash flows for each of the three years in the period ended September 30, 2013 of Becton, Dickinson and Company, and our report dated November 27, 2013 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

New York, New York

November 27, 2013

Table of Contents**Consolidated Statements of Income****Becton, Dickinson and Company****Years Ended September 30**

Millions of dollars, except per share amounts	2013	2012	2011
Operations			
Revenues	\$ 8,054	\$ 7,708	\$ 7,584
Cost of products sold	3,883	3,755	3,625
Selling and administrative expense	2,422	1,923	1,824
Research and development expense	494	472	470
Total Operating Costs and Expenses	6,800	6,150	5,918
Operating Income	1,254	1,558	1,666
Interest expense	(138)	(135)	(84)
Interest income	40	50	43
Other income (expense), net	9	(1)	(7)
Income From Continuing Operations			
Before Income Taxes	1,165	1,472	1,618
Income tax provision	236	363	417
Income from Continuing Operations	929	1,110	1,201
Income from Discontinued Operations			
Net of income tax provision of \$222 in 2013, \$31 in 2012 and \$35 in 2011	364	60	70
Net Income	\$ 1,293	\$ 1,170	\$ 1,271
Basic Earnings per Share			
Income from Continuing Operations	\$ 4.76	\$ 5.40	\$ 5.43
Income from Discontinued Operations	\$ 1.86	\$ 0.29	\$ 0.32
Basic Earnings per Share	\$ 6.63	\$ 5.69	\$ 5.75
Diluted Earnings per Share			
Income from Continuing Operations	\$ 4.67	\$ 5.30	\$ 5.31
Income from Discontinued Operations	\$ 1.83	\$ 0.29	\$ 0.31
Diluted Earnings per Share	\$ 6.49	\$ 5.59	\$ 5.62

Amounts may not add due to rounding.

See notes to consolidated financial statements.

Table of Contents**Consolidated Statements of Comprehensive Income****Becton, Dickinson and Company****Years Ended September 30**

Millions of dollars	2013	2012	2011
Net Income	\$ 1,293	\$ 1,170	\$ 1,271
Other Comprehensive Income (Loss), Net of Tax			
Foreign currency translation adjustments	23	(18)	(117)
Defined benefit pension and postretirement plans	257	(118)	(62)
Unrealized gains (losses) on cash flow hedges, net of amounts realized	7	5	(33)
Other Comprehensive Income (Loss), Net of Tax	286	(132)	(212)
Comprehensive Income	\$ 1,579	\$ 1,038	\$ 1,059

Amounts may not add due to rounding.

See notes to consolidated financial statements.

Table of Contents**Consolidated Balance Sheets****Becton, Dickinson and Company****September 30**

Millions of dollars, except per share amounts and numbers of shares	2013	2012
Assets		
Current Assets		
Cash and equivalents	\$ 1,890	\$ 1,671
Short-term investments	718	510
Trade receivables, net	1,240	1,250
Inventories	1,402	1,241
Prepaid expenses, deferred taxes and other	623	515
Assets held for sale		136
Total Current Assets	5,873	5,322
Property, Plant and Equipment, Net	3,476	3,304
Goodwill	1,109	1,076
Core and Developed Technology, Net	541	512
Other Intangibles, Net	293	301
Capitalized Software, Net	371	346
Other Assets	487	500
Total Assets	\$ 12,149	\$ 11,361
Liabilities and Shareholders' Equity		
Current Liabilities		
Short-term debt	\$ 207	\$ 405
Accounts payable	333	350
Accrued expenses	1,067	741
Salaries, wages and related items	504	478
Income taxes	19	4
Total Current Liabilities	2,130	1,978
Long-Term Debt	3,763	3,761
Long-Term Employee Benefit Obligations	805	1,224
Deferred Income Taxes and Other	408	262
Commitments and Contingencies		
Shareholders' Equity		
Common stock \$1 par value: authorized 640,000,000 shares; issued 332,662,160 shares in 2013 and 2012	333	333
Capital in excess of par value	2,068	1,920
Retained earnings	11,342	10,435
Deferred compensation	19	19
Common stock in treasury at cost 138,663,113 shares in 2013 and 135,751,039 shares in 2012	(8,204)	(7,769)
Accumulated other comprehensive loss	(516)	(802)
Total Shareholders' Equity	5,043	4,136
Total Liabilities and Shareholders' Equity	\$ 12,149	\$ 11,361

Amounts may not add due to rounding.

See notes to consolidated financial statements.

Table of Contents**Consolidated Statements of Cash Flows****Becton, Dickinson and Company****Years Ended September 30**

Millions of dollars	2013	2012	2011
Operating Activities			
Net income	\$ 1,293	\$ 1,170	\$ 1,271
Less: Income from discontinued operations, net	364	60	70
Income from continuing operations, net	929	1,110	1,201
Adjustments to income from continuing operations to derive net cash provided by continuing operating activities, net of amounts acquired:			
Depreciation and amortization	546	511	494
Share-based compensation	100	89	73
Deferred income taxes	36	22	30
Change in operating assets and liabilities:			
Trade receivables, net	(1)	(30)	(27)
Inventories	(145)	(92)	(117)
Prepaid expenses, deferred taxes and other	(60)	102	(239)
Accounts payable, income taxes and other liabilities	366	17	129
Pension obligation	(51)	(38)	81
Other, net	(1)	4	13
Net Cash Provided by Continuing Operating Activities	1,717	1,693	1,638
Investing Activities			
Capital expenditures	(522)	(487)	(509)
Capitalized software	(66)	(66)	(90)
Change in short-term investments	(225)	(138)	122
Acquisitions of businesses, net of cash acquired	(136)	(103)	(492)
Divestiture of businesses	736		
Other, net	(99)	(99)	(64)
Net Cash Used for Continuing Investing Activities	(311)	(894)	(1,033)
Financing Activities			
Change in short-term debt	(199)	2	34
Proceeds from long-term debt		1,488	991
Payments of debt		(42)	
Repurchase of common stock	(450)	(1,500)	(1,500)
Issuance of common stock and other, net	44	35	84
Excess tax benefit from payments under share-based compensation plans	23	15	37
Dividends paid	(386)	(368)	(361)
Net Cash Used for Continuing Financing Activities	(968)	(370)	(714)
Discontinued Operations:			
Net cash (used for) provided by operating activities	(212)	67	78
Net cash used for investing activities		(6)	(7)
Net Cash Provided by Discontinued Operations	(212)	61	71

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Effect of exchange rate changes on cash and equivalents	(7)	6	(3)
Net Increase (Decrease) in Cash and Equivalents	219	496	(41)
Opening Cash and Equivalents	1,671	1,175	1,216
Closing Cash and Equivalents	\$ 1,890	\$ 1,671	\$ 1,175

Amounts may not add due to rounding.

See notes to consolidated financial statements.

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Notes to Consolidated Financial Statements

Becton, Dickinson and Company

Millions of dollars, except per share amounts and numbers of shares

Note 1 Summary of Significant Accounting Policies

Basis of Presentation

The accompanying Consolidated Financial Statements and Notes to Consolidated Financial Statements of Becton, Dickinson and Company (the Company) have been prepared in accordance with U.S. generally accepted accounting principles. Within the financial statements and tables presented, certain columns and rows may not add due to the use of rounded numbers for disclosure purposes. Percentages and earnings per share amounts presented are calculated from the underlying whole-dollar amounts.

Principles of Consolidation

The consolidated financial statements include the Company's accounts and those of its majority-owned subsidiaries after the elimination of intercompany transactions. The Company has no material interests in variable interest entities.

Cash Equivalents

Cash equivalents consist of all highly liquid investments with a maturity of three months or less at time of purchase.

Short-Term Investments

Short-term investments consist of time deposits with maturities greater than three months and less than one year when purchased.

Inventories

Inventories are stated at the lower of first-in, first-out cost or market.

Property, Plant and Equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are principally provided on the straight-line basis over estimated useful lives, which range from 20 to 45 years for buildings, four to 13 years for machinery and equipment and one to 12 years for leasehold improvements. Depreciation and amortization expense was \$338 million, \$321 million and \$340 million in fiscal years 2013, 2012 and 2011, respectively.

Goodwill and Other Intangible Assets

The Company's unamortized intangible assets include goodwill and in-process research and development assets which arise from acquisitions. The Company currently reviews all indefinite-lived assets, including goodwill, for impairment using quantitative models. Goodwill is reviewed at least annually for impairment at the reporting unit level, which is defined as an operating segment or one level below an operating segment, referred to as a component. The Company's reporting units generally represent one level below reporting segments, and components within an operating segment that have similar economic characteristics are aggregated. Potential impairment of goodwill is identified by comparing the fair value of a reporting unit, estimated using an income approach, with its carrying value. The annual impairment review performed in fiscal year 2013 indicated that all identified reporting units' fair values exceeded their respective carrying values.

The review for impairment of in-process research and development assets is performed by comparing the fair value of the technology or project assets, estimated using an income approach, with their carrying value. In-process research and development assets are considered indefinite-lived assets and are reviewed at least annually.

Table of Contents**Notes to Consolidated Financial Statements (Continued)****Becton, Dickinson and Company**

for impairment until projects are completed or abandoned. Certain trademarks that are considered to generate cash flows indefinitely are also considered to be indefinite-lived intangible assets and these assets are also reviewed at least annually for impairment.

Amortized intangible assets include core and developed technology assets which arise from acquisitions. These assets represent acquired intellectual property that is already technologically feasible upon the acquisition date or acquired in-process research and development assets that are completed subsequent to acquisition. Core and developed technology assets are generally amortized over periods ranging from 15 to 20 years, using the straight-line method. Other intangibles with finite useful lives, which include patents, are amortized over periods principally ranging from one to 40 years, using the straight-line method. Finite-lived intangible assets, including core and developed technology assets, are periodically reviewed when impairment indicators are present to assess recoverability from future operations using undiscounted cash flows. The carrying values of these finite-lived assets are compared to the undiscounted cash flows they are expected to generate and an impairment loss is recognized in operating results to the extent any finite-lived intangible asset's carrying value exceeds its calculated fair value.

Capitalized Software

Capitalized software, including costs for software developed or obtained for internal use, is stated at cost, less accumulated amortization. Amortization expense is principally provided on the straight-line basis over estimated useful lives, which do not exceed 10 years. The current balance largely includes capital software investments related to a global enterprise resource planning initiative to upgrade the Company's business information systems. Amortization for this project commenced in the third quarter of fiscal year 2012. Amortization expense related to capitalized software was \$38 million, \$36 million and \$23 million for 2013, 2012 and 2011, respectively.

Foreign Currency Translation

Generally, foreign subsidiaries' functional currency is the local currency of operations and the net assets of foreign operations are translated into U.S. dollars using current exchange rates. The U.S. dollar results that arise from such translation, as well as exchange gains and losses on intercompany balances of a long-term investment nature, are included in the foreign currency translation adjustments in *Accumulated other comprehensive (loss) income*.

Revenue Recognition

Revenue from product sales is typically recognized when all of the following criteria have been met: persuasive evidence of an arrangement exists; delivery has occurred or services have been rendered; product price is fixed or determinable; collection of the resulting receivable is reasonably assured. The Company recognizes revenue for certain instruments sold from the Biosciences segment upon installation at a customer's site, as installation of these instruments is considered a significant post-delivery obligation. For certain instrument sales arrangements, primarily in the U.S., with multiple deliverables, revenue and cost of products sold are recognized at the completion of each deliverable: instrument shipment, installation and training. Installation and training typically occur within one month after an instrument is shipped. These sales agreements are divided into separate units of accounting and revenue is recognized upon the completion of each deliverable based on its relative selling price. The relative selling prices of installation and training are determined based on the prices at which these deliverables would be regularly sold on a standalone basis. The relative selling prices of instruments are based on estimated selling prices. These estimates represent the quoted sales contract price in each arrangement.

The Company's domestic businesses sell products primarily to distributors that resell the products to end-user customers. Rebates are provided to distributors that sell to end-user customers at prices determined under a contract between the Company and the end-user customer. Provisions for rebates, as well as sales discounts and returns, are based upon estimates and are accounted for as a reduction of revenues when revenue is recognized.

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Notes to Consolidated Financial Statements (Continued)

Becton, Dickinson and Company

Shipping and Handling Costs

Shipping and handling costs are included in *Selling and administrative expense*. Shipping expense was \$285 million, \$281 million and \$269 million in 2013, 2012 and 2011, respectively.

Derivative Financial Instruments

All derivatives are recorded in the balance sheet at fair value and changes in fair value are recognized currently in earnings unless specific hedge accounting criteria are met.

From time to time, derivative financial instruments are utilized by the Company in the management of its foreign currency, interest rate and commodity price exposures. The Company periodically purchases forward contracts and options to hedge certain forecasted transactions that are denominated in foreign currencies in order to partially protect against a reduction in the value of future earnings resulting from adverse foreign exchange rate movements. The Company also periodically utilizes interest rate swaps to maintain a balance between fixed and floating rate instruments. Additionally, the Company has managed price risks associated with resin purchase costs through commodity derivative forward contracts. The Company does not enter into derivative financial instruments for trading or speculative purposes.

Any deferred gains or losses associated with derivative instruments are recognized in income in the period in which the underlying hedged transaction is recognized. In the event a designated hedged item is sold, extinguished or matures prior to the termination of the related derivative instrument, such instrument would be closed and the resultant gain or loss would be recognized in income.

Income Taxes

United States income taxes are not provided on undistributed earnings of foreign subsidiaries where such undistributed earnings are indefinitely reinvested outside the United States. Deferred taxes are provided for earnings of foreign subsidiaries when those earnings are not considered indefinitely reinvested. Income taxes are provided and tax credits are recognized based on tax laws enacted at the dates of the financial statements.

The Company conducts business and files tax returns in numerous countries and currently has tax audits in progress in a number of tax jurisdictions. In evaluating the exposure associated with various tax filing positions, the Company records accruals for uncertain tax positions, based on the technical support for the positions, past audit experience with similar situations, and the potential interest and penalties related to the matters.

The Company maintains valuation allowances where it is more likely than not that all or a portion of a deferred tax asset will not be realized. Changes in valuation allowances are included in the tax provision in the period of change. In determining whether a valuation allowance is warranted, management evaluates factors such as prior earnings history, expected future earnings, carryback and carryforward periods and tax strategies that could potentially enhance the likelihood of the realization of a deferred tax asset.

Earnings per Share

Basic earnings per share are computed based on the weighted average number of common shares outstanding. Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions. These estimates or assumptions affect reported assets, liabilities, revenues and expenses as reflected in the consolidated financial statements. Actual results could differ from these estimates.

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Notes to Consolidated Financial Statements (Continued)

Becton, Dickinson and Company

Share-Based Compensation

The Company recognizes the fair value of share-based compensation in net income. Compensation expense is recognized on a straight-line basis over the requisite service period, which is generally the vesting period.

Note 2 Accounting Changes

Change in Accounting Principles

In July 2012, the FASB amended the impairment testing requirements for indefinite-lived intangible assets to allow entities the option to qualitatively assess indefinite-lived intangible assets for impairment. Further testing of indefinite-lived intangible assets for impairment under the traditional quantitative model is only required if an entity determines, through the qualitative assessment, that it is more likely than not that the carrying amount of an indefinite-lived intangible asset exceeds its fair value. The revised impairment testing requirements are effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. The Company adopted the revised requirements, which did not impact its consolidated financial statements, for its fiscal year 2013 indefinite-lived intangible asset impairment review processes.

In February 2013, the Financial Accounting Standards Board issued guidance to expand the reporting requirements for amounts reclassified out of accumulated other comprehensive income. These requirements are effective, on a prospective basis, for all reporting periods beginning after December 15, 2012. The Company adopted the revised presentation requirements, which did not impact the recognition of items in its consolidated financial statements, on March 31, 2013.

Table of Contents**Notes to Consolidated Financial Statements (Continued)****Becton, Dickinson and Company****Note 3 Shareholders Equity**

Changes in certain components of shareholders equity were as follows:

	Common Stock Issued at Par Value	Capital in Excess of Par Value	Retained Earnings	Deferred Compensation	Treasury Stock Shares (in thousands)	Amount
Balance at September 30, 2010	\$ 333	\$ 1,625	\$ 8,724	\$ 17	(102,846)	\$ (4,806)
Net income			1,271			
Cash dividends:						
Common (\$1.64 per share)			(362)			
Common stock issued for:						
Share-based compensation plans, net		95			3,432	28
Share-based compensation		73				
Common stock held in trusts, net				2	3	(2)
Repurchase of common stock					(18,434)	(1,500)
Balance at September 30, 2011	\$ 333	\$ 1,793	\$ 9,634	\$ 19	(117,844)	\$ (6,280)
Net income			1,170			
Cash dividends:						
Common (\$1.80 per share)			(368)			
Common stock issued for:						
Share-based compensation plans, net		39			1,973	11
Share-based compensation		88				
Common stock held in trusts, net					66	
Repurchase of common stock					(19,945)	(1,500)
Balance at September 30, 2012	\$ 333	\$ 1,920	\$ 10,435	\$ 19	(135,751)	\$ (7,769)
Net income			1,293			
Cash dividends:						
Common (\$1.98 per share)			(386)			
Common stock issued for:						
Share-based compensation plans, net		50			2,537	15
Share-based compensation		98				
Common stock held in trusts, net					36	
Repurchase of common stock					(5,485)	(450)
Balance at September 30, 2013	\$ 333	\$ 2,068	\$ 11,342	\$ 19	(138,663)	\$ (8,204)

Common stock held in trusts represents rabbi trusts in connection with deferred compensation under the Company's employee salary and bonus deferral plan and directors' deferral plan.

The components and changes of Accumulated other comprehensive (loss) income were as follows:

Total

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		Foreign Currency Translation Adjustments	Benefit Plans Adjustments(A)	Unrealized Losses on Cash Flow Hedges(B)
Balance at September 30, 2012	\$ (802)	\$ 51	\$ (815)	\$ (38)
Other comprehensive income before reclassifications	228	23	203	2
Amounts reclassified into income(C)	59		54	4
Balance at September 30, 2013	\$ (516)	\$ 74	\$ (558)	\$ (31)

Table of Contents**Notes to Consolidated Financial Statements (Continued)****Becton, Dickinson and Company**

(A) The reclassifications from accumulated other comprehensive income (loss) are included in the computation of net periodic pension cost and additional details are provided in Note 8. The reclassification amounts for the fiscal years ended September 30, 2012 and 2011 were \$40 million and \$43 million, respectively. Amounts are net of taxes.

(B) The reclassification amounts for the fiscal years ended September 30, 2012 and 2011 were \$5 million and \$1 million, respectively. Additional details regarding the reclassifications from accumulated other comprehensive income (loss) related to cash flow hedges are provided in Note 12. Amounts are net of taxes.

(C) The benefit plan-related amount is not reclassified into income in its entirety. The reclassification amount for cash flow hedges consists of \$5 million related to interest rate swaps that was recorded in *Interest expense* and \$(1) million related to commodity forward contracts that was recorded in *Costs of products sold*.

The gain in foreign currency translation adjustments for the fiscal year ended September 30, 2013 was primarily attributable to the strengthening of the Euro against the U.S. dollar, partially offset by the weakening of currencies in Latin America and Asia Pacific, as well as the weakening of the Yen, against the U.S. dollar during the period. Foreign currency translation adjustments that were attributable to goodwill in fiscal years 2013 and 2012 were \$6 million and \$14 million, respectively. The adjustments primarily affected goodwill reported within the Medical segment.

The income tax provision (benefit) for net gains (losses) recorded in other comprehensive income for defined benefit pension, postretirement plans and postemployment plans in fiscal years 2013, 2012 and 2011 was \$121 million, \$(151) million and \$(71) million, respectively. The income tax benefit associated with the benefit plan-related reclassification adjustments for amortization of prior service credit and amortization of net actuarial losses for the fiscal years ended September 30, 2013, 2012 and 2011 were \$30 million, \$23 million and \$24 million, respectively.

The income tax provision recorded in fiscal year 2013 for net unrealized gains on cash flow hedges was \$1 million and the income tax benefit recorded for unrealized losses on cash flow hedges was \$21 million in fiscal year 2011. The income tax impact related to net unrealized losses in fiscal year 2012 was immaterial. The tax benefit associated with the reclassification adjustments for realized hedge losses in fiscal years 2013, 2012 and 2011 was \$3 million, \$3 million and \$1 million, respectively.

Note 4 Earnings per Share

The weighted average common shares used in the computations of basic and diluted earnings per share (shares in thousands) for the years ended September 30 were as follows:

	2013	2012	2011
Average common shares outstanding	195,157	205,460	221,175
Dilutive share equivalents from share-based plans	4,036	3,721	5,105
Average common and common equivalent shares outstanding assuming dilution	199,193	209,181	226,280

Options to purchase shares of common stock are excluded from the calculation of diluted earnings per share when their inclusion would have an anti-dilutive effect on the calculation. For the year ended September 30, 2013, there were no options to purchase shares of common stock, which were excluded from the diluted earnings per share calculation. Options to purchase 4.8 million shares and 1.2 million shares of the Company's common stock were excluded from the calculation of diluted earnings per share in 2012 and 2011, respectively.

Table of Contents**Notes to Consolidated Financial Statements (Continued)****Becton, Dickinson and Company****Note 5 Commitments and Contingencies****Commitments**

Rental expense for all operating leases amounted to \$70 million in 2013, \$66 million in 2012 and \$69 million in 2011. Future minimum rental commitments on noncancelable leases are as follows: 2014 \$52 million; 2015 \$43 million; 2016 \$32 million; 2017 \$23 million; 2018 \$23 million and an aggregate of \$27 million thereafter.

As of September 30, 2013, the Company has certain future purchase commitments aggregating to approximately \$546 million, which will be expended over the next several years.

Contingencies

Given the uncertain nature of litigation generally, the Company is not able in all cases to estimate the amount or range of loss that could result from an unfavorable outcome of the litigation to which the Company is a party. In accordance with U.S. generally accepted accounting principles, the Company establishes accruals to the extent probable future losses are estimable (in the case of environmental matters, without considering possible third-party recoveries). In view of the uncertainties discussed below, the Company could incur charges in excess of any currently established accruals and, to the extent available, excess liability insurance. In the opinion of management, any such future charges, individually or in the aggregate, could have a material adverse effect on the Company's consolidated results of operations and consolidated cash flows.

The Company was named as a defendant in five purported class action suits brought on behalf of distributors and other entities that purchase the Company's products (the Distributor Plaintiffs), alleging that the Company violated federal antitrust laws, resulting in the charging of higher prices for the Company's products to the plaintiffs and other purported class members. These actions were consolidated under the caption *In re Hypodermic Products Antitrust Litigation*. Pursuant to a settlement agreement the Company entered into with the Distributor Plaintiffs in these actions on April 27, 2009 and following approval by the District Court (on a preliminarily basis in November 2012 and on a final basis in April 2013), the Company has paid \$45 million in exchange for a release by all potential class members of the direct purchaser claims under federal antitrust laws related to the products and acts enumerated in the complaint, and a dismissal of the case with prejudice, insofar as it relates to direct purchaser claims.

The Company is also named as a defendant in the following purported class action suits brought on behalf of indirect purchasers of the Company's products, such as hospitals and retailers (the Hospital Plaintiffs), alleging that the Company violated federal and state antitrust laws, resulting in the charging of higher prices for the Company's products to the plaintiffs and other purported class members.

Case	Court	Date Filed
<i>Jabos Pharmacy, Inc., et. al. v. Becton Dickinson & Company</i>	U.S. District Court, Greenville, Tennessee	June 3, 2005
<i>Drug Mart Tallman, Inc., et. al. v. Becton Dickinson and Company</i>	U.S. District Court, Newark, New Jersey	January 17, 2006
<i>Medstar v. Becton Dickinson</i>	U.S. District Court, Newark, New Jersey	May 18, 2006
<i>The Hebrew Home for the Aged at Riverdale v. Becton Dickinson and Company</i>	U.S. District Court, Southern District of New York	March 28, 2007

The plaintiffs in each of the above antitrust class action lawsuits seek monetary damages. These antitrust class action lawsuits have been consolidated for pre-trial purposes in a Multi-District Litigation in Federal court in New Jersey.

On July 30, 2013, the Company entered into an agreement with the Hospital Plaintiffs to settle their claims in these actions, which agreement has been preliminarily approved and is subject to final approval by the court following notice to potential class members. The settlement agreement

provides for the Company to pay

Table of Contents**Notes to Consolidated Financial Statements (Continued)****Becton, Dickinson and Company**

\$22 million into a fund in exchange for a release by all potential class members of the indirect purchaser claims related to the products and acts enumerated in the complaint, and a dismissal of the case with prejudice. The release will not cover potential class members that opt out of the settlement. The Company currently cannot estimate the range of reasonably possible losses with respect to these class action matters beyond the \$22 million settlement.

In June 2007, Retractable Technologies, Inc. (RTI) filed a complaint against the Company under the caption Retractable Technologies, Inc. vs. Becton Dickinson and Company (Civil Action No. 2:07-cv-250, U.S. District Court, Eastern District of Texas). RTI alleges that the BD Integra™ syringes infringe patents licensed exclusively to RTI. In its complaint, RTI also alleges that the Company engaged in false advertising with respect to certain of the Company's safety-engineered products in violation of the Lanham Act; acted to exclude RTI from various product markets and to maintain its market share through, among other things, exclusionary contracts in violation of state and federal antitrust laws; and engaged in unfair competition. In January 2008, the court severed the patent and non-patent claims into separate cases, and stayed the non-patent claims during the pendency of the patent claims at the trial court level. RTI seeks money damages and injunctive relief. On April 1, 2008, RTI filed a complaint against BD under the caption Retractable Technologies, Inc. and Thomas J. Shaw v. Becton Dickinson and Company (Civil Action No.2:08-cv-141, U.S. District Court, Eastern District of Texas). RTI alleges that the BD Integra™ syringes infringe another patent licensed exclusively to RTI. RTI seeks money damages and injunctive relief. On August 29, 2008, the court ordered the consolidation of the patent cases. On November 9, 2009, at a trial of these consolidated cases, the jury rendered a verdict in favor of RTI on all but one of its infringement claims, but did not find any willful infringement, and awarded RTI \$5 million in damages. On May 19, 2010, the court granted RTI's motion for a permanent injunction against the continued sale by the Company of its BD Integra™ products in their current form, but stayed the injunction for the duration of the Company's appeal. At the same time, the court lifted a stay of RTI's non-patent claims. On July 8, 2011, the Court of Appeals for the Federal Circuit reversed the District Court judgment that the Company's 3ml BD Integra products infringed the asserted RTI patents and affirmed the District Court judgment of infringement against the Company's discontinued 1ml BD Integra products. On October 31, 2011, the Federal Circuit Court of Appeals denied RTI's request for an en banc rehearing. In January 2013, RTI's petition for review with the U.S. Supreme Court was denied. BD's motion for further proceedings on damages was denied by the District Court on the grounds that the Court did not have authority to modify the \$5 million damage award. BD has appealed this ruling to the Federal Circuit Court of Appeals.

On September 19, 2013, a jury returned a verdict against BD with respect to certain of RTI's non-patent claims. The verdict was unfavorable to BD with respect to RTI's Lanham Act claim and claim for attempted monopolization based on deception in the safety syringe market. The jury awarded RTI \$113.5 million for its attempted monopolization claim (which will be trebled and attorneys' fees added to under the antitrust statute). The Court will determine whether to award equitable relief under the Lanham Act including disgorgement. The jury's verdict rejected RTI's monopolization claims in the markets for safety syringes, conventional syringes and safety IV catheters; its attempted monopolization claims in the markets for conventional syringes and safety IV catheters; and its claims for contractual restraint of trade and exclusive dealing in the markets for safety syringes, conventional syringes and safety IV catheters. In connection with the verdict, the Company recorded a pre-tax charge of approximately \$341 million in the fourth quarter of fiscal year 2013. The Company plans to appeal the jury's verdict.

On November 4, 2013, the Secretariat of Foreign Trade (SECEX) of the Federal Republic of Brazil, initiated an administrative anti-dumping investigation of imports of vacuum plastic tubes for blood collection into Brazil from the United States of America, the United Kingdom of Great Britain and Northern Ireland, the Federal Republic of Germany and the People's Republic of China during the period from January 2012 through December 2012. BD, through its United States and international subsidiaries, exports vacuum plastic tubes for blood collection into Brazil and is cooperating with the investigation. The investigation is expected to be completed by November 2014, but could extend longer. During the course of the investigation (on a provisional

Table of Contents**Notes to Consolidated Financial Statements (Continued)****Becton, Dickinson and Company**

basis) and upon completion of the investigation (on a final basis), the SECEX will issue a decision on whether grounds exist to apply anti-dumping measures (including, without limitation, the imposition of duties on such vacuum plastic tubes imported into Brazil). Once applied, anti-dumping measures will last for as long as the measures are deemed necessary, which, in most cases, is for five years. The Company does not expect that the outcome of the investigation will materially affect results of operations.

The Company believes that it has meritorious defenses to each of the above-mentioned suits pending against the Company and is engaged in a vigorous defense of each of these matters.

The Company is also involved both as a plaintiff and a defendant in other legal proceedings and claims that arise in the ordinary course of business.

On October 19, 2009, Gen-Probe Incorporated (Gen-Probe) filed a patent infringement action against BD in the U.S. District Court for the Southern District of California. The complaint alleges that the BD Viper and BD Viper XTR systems and BD ProbeTec specimen collection products infringe certain U.S. patents of Gen-Probe. On March 23, 2010, Gen-Probe filed a complaint, also in the U.S. District Court for the Southern District of California, alleging that the BD Max™ instrument infringes Gen-Probe patents. The patents alleged to be infringed are a subset of the Gen-Probe patents asserted against the Company in the October 2009 suit. On June 8, 2010, the court consolidated these cases. On December 1, 2012, the Company entered into a settlement agreement with Gen-Probe, under which the Company is granted a license to make, use and sell products accused of infringing Gen-Probe patents in the action. The payments that the Company made to Gen-Probe under the settlement, which include a settlement payment, a licensing fee and ongoing royalties, are not material to the Company's consolidated results of operations and consolidated cash flows. Following the settlement, the case was dismissed with prejudice.

The Company is a party to a number of Federal proceedings in the United States brought under the Comprehensive Environment Response, Compensation and Liability Act, also known as Superfund, and similar state laws. The affected sites are in varying stages of development. In some instances, the remedy has been completed, while in others, environmental studies are commencing. For all sites, there are other potentially responsible parties that may be jointly or severally liable to pay all cleanup costs.

Note 6 Segment Data

The Company's organizational structure is based upon its three principal business segments: BD Medical (Medical), BD Diagnostics (Diagnostics) and BD Biosciences (Biosciences). These segments are strategic businesses that are managed separately because each one develops, manufactures and markets distinct products and services.

The Medical segment produces a broad array of medical devices that are used in a wide range of healthcare settings. The principal product lines in the Medical segment include needles, syringes and intravenous catheters for medication delivery (including safety-engineered and auto-disable devices); prefilled IV flush syringes; syringes and pen needles for the self-injection of insulin and other drugs used in the treatment of diabetes; prefilled drug delivery systems provided to pharmaceutical companies and sold to end-users as drug/device combinations; regional anesthesia needles and trays; sharps disposal containers; closed-system transfer devices; and generic prefilled injectables.

The Diagnostics segment produces products for the safe collection and transport of diagnostics specimens, as well as instruments and reagent systems to detect a broad range of infectious diseases, healthcare-associated infections (HAIs) and cancers. The principal products and services in the Diagnostics segment include integrated systems for specimen collection; safety-engineered blood collection products and systems; automated blood culturing systems; molecular testing systems for infectious diseases and women's health; microorganism identification and drug susceptibility systems; liquid-based cytology systems for cervical cancer screening; rapid diagnostic assays; microbiology laboratory automation; and plated media.

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Notes to Consolidated Financial Statements (Continued)

Becton, Dickinson and Company

The Biosciences segment produces research and clinical tools that facilitate the study of cells, and the components of cells, to gain a better understanding of normal and disease processes. The principal product lines in the Biosciences segment include fluorescence-activated cell sorters and analyzers; monoclonal antibodies and kits for performing cell analysis; reagent systems for life science research; cell imaging systems; diagnostic assays; and cell culture media supplements for biopharmaceutical manufacturing.

The Company evaluates performance of its business segments and allocates resources to them primarily based upon operating income. Segment operating income represents revenues reduced by product costs and operating expenses.

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Distribution of products is primarily through independent distribution channels, and directly to end-users by BD and independent sales representatives. No customer accounted for 10% or more of revenues in any of the three years presented.

	2013	2012	2011
Revenues(A)			
Medical	\$ 4,306	\$ 4,091	\$ 4,007
Diagnostics	2,646	2,538	2,480
Biosciences	1,102	1,080	1,096
	\$ 8,054	\$ 7,708	\$ 7,584
Segment Operating Income			
Medical	\$ 1,233	\$ 1,162	\$ 1,181
Diagnostics	638	653	636
Biosciences	269	262	278
Total Segment Operating Income	2,140	2,077	2,096
Unallocated Expenses(B)	(976)(D)	(605)	(478)
Income From Continuing Operations Before Income Taxes	\$ 1,165	\$ 1,472	\$ 1,618
Segment Assets			
Medical	\$ 4,582	\$ 4,245	\$ 3,928
Diagnostics	2,571	2,462	2,270
Biosciences	1,205	1,407	1,332
Total Segment Assets	8,357	8,114	7,530
Corporate and All Other(C)	3,792	3,247	2,900
	\$ 12,149	\$ 11,361	\$ 10,430
Capital Expenditures			
Medical	\$ 354	\$ 363	\$ 367
Diagnostics	142	101	93
Biosciences	16	14	31
Corporate and All Other	9	10	18
	\$ 522	\$ 487	\$ 509
Depreciation and Amortization			
Medical	\$ 259	\$ 240	\$ 248
Diagnostics	190	175	163
Biosciences	77	79	67
Corporate and All Other	19	18	16
	\$ 546	\$ 511	\$ 494

(A) Intersegment revenues are not material.

(B) Includes primarily interest, net; foreign exchange; corporate expenses; and share-based compensation expense.

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- (C) Includes cash and investments and corporate assets.
- (D) Includes the \$341 million charge associated with the unfavorable verdict returned in the antitrust and false advertising lawsuit filed against the Company by RTI as well as the \$22 million charge associated with the pending litigation settlement related to indirect purchaser antitrust class action cases. Additional disclosures regarding these matters are provided in Note 5.

Revenues by Organizational Units	2013	2012	2011
BD Medical			
Medical Surgical Systems	\$ 2,196	\$ 2,105	\$ 2,082
Diabetes Care	969	911	866
Pharmaceutical Systems	1,142	1,074	1,059
	4,306	4,091	4,007
BD Diagnostics			
Preanalytical Systems	1,352	1,301	1,278
Diagnostic Systems	1,294	1,237	1,203
	2,646	2,538	2,480
BD Biosciences	1,102	1,080	1,096
	\$ 8,054	\$ 7,708	\$ 7,584

Geographic Information

The countries in which the Company has local revenue-generating operations have been combined into the following geographic areas: the United States (including Puerto Rico), Europe, Asia Pacific and Other, which is comprised of Latin America, Canada and Japan.

Revenues to unaffiliated customers are based upon the source of the product shipment. Long-lived assets, which include net property, plant and equipment, are based upon physical location.

	2013	2012	2011
Revenues			
United States	\$ 3,353	\$ 3,288	\$ 3,248
Europe	2,512	2,379	2,431
Asia Pacific	1,006	883	793
Other	1,183	1,159	1,113
	\$ 8,054	\$ 7,708	\$ 7,584
Long-Lived Assets			
United States	\$ 3,251	\$ 3,156	\$ 3,140

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Europe	1,667	1,559	1,461
Asia Pacific	442	397	300
Other	565	624	591
Corporate	350	303	270
	\$ 6,276	\$ 6,039	\$ 5,762

Table of Contents**Notes to Consolidated Financial Statements (Continued)****Becton, Dickinson and Company****Note 7 Share-Based Compensation**

The Company grants share-based awards under the 2004 Employee and Director Equity-Based Compensation Plan (2004 Plan), which provides long-term incentive compensation to employees and directors consisting of: stock appreciation rights (SARs), stock options, performance-based restricted stock units, time-vested restricted stock units and other stock awards.

The amounts and location of compensation cost relating to share-based payments included in consolidated statements of income is as follows:

	2013	2012	2011
Cost of products sold	\$ 20	\$ 18	\$ 14
Selling and administrative expense	66	59	50
Research and development expense	14	12	9
	\$ 100	\$ 89	\$ 73

The associated income tax benefit recognized was \$35 million, \$32 million and \$26 million in fiscal years 2013, 2012 and 2011, respectively. Share-based compensation attributable to discontinued operations was not material.

Stock Appreciation Rights

SARs represent the right to receive, upon exercise, shares of common stock having a value equal to the difference between the market price of common stock on the date of exercise and the exercise price on the date of grant. SARs vest over a four-year period and have a ten-year term. The fair value was estimated on the date of grant using a lattice-based binomial option valuation model that uses the following weighted-average assumptions:

	2013	2012	2011
Risk-free interest rate	1.33%	1.67%	2.40%
Expected volatility	21.0%	22.0%	24.0%
Expected dividend yield	2.60%	2.50%	2.14%
Expected life	8.0 years	7.9 years	7.8 years
Fair value derived	\$12.08	\$12.61	\$16.80

Expected volatility is based upon historical volatility for the Company's common stock and other factors. The expected life of SARs granted is derived from the output of the lattice-based model, using assumed exercise rates based on historical exercise and termination patterns, and represents the period of time that SARs granted are expected to be outstanding. The risk-free interest rate used is based upon the published U.S. Treasury yield curve in effect at the time of grant for instruments with a similar life. The dividend yield is based upon the most recently declared quarterly dividend as of the grant date. The total intrinsic value of SARs exercised during 2013, 2012 and 2011 was \$54 million, \$4 million and \$9 million, respectively. The Company issued 576 thousand shares during 2013 to satisfy the SARs exercised. The actual tax benefit realized during 2013, 2012 and 2011 for tax deductions from SAR exercises totaled \$19 million, \$3 million and \$3 million, respectively. The total fair value of SARs vested during 2013, 2012 and 2011 was \$30 million, \$37 million and \$32 million, respectively.

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A summary of SARs outstanding as of September 30, 2013 and changes during the year then ended is as follows:

	SARs (in thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Balance at October 1	9,782	\$ 72.28		
Granted	1,524	76.18		
Exercised	(2,351)	69.82		
Forfeited, canceled or expired	(361)	75.08		
Balance at September 30	8,594	\$ 73.52	6.37	\$ 228
Vested and expected to vest at September 30	8,268	\$ 73.46	6.30	\$ 220
Exercisable at September 30	5,331	\$ 72.51	5.26	\$ 147

Stock Options

The Company has not granted stock options since 2005. All outstanding stock option grants are fully vested and have a ten-year term.

A summary of stock options outstanding as of September 30, 2013 and changes during the year then ended is as follows:

	Stock Options (in thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Balance at October 1	1,969	\$ 44.06		
Exercised	(1,507)	42.65		
Forfeited, canceled or expired	(27)	30.87		
Balance at September 30	435	\$ 49.74	0.84	\$ 22
Vested at September 30	435	\$ 49.74	0.84	\$ 22
Exercisable at September 30	435	\$ 49.74	0.84	\$ 22

Cash received from the exercising of stock options in 2013, 2012 and 2011 was \$64 million, \$52 million and \$103 million, respectively. The actual tax benefit realized for tax deductions from stock option exercises totaled \$21 million, \$12 million and \$46 million, respectively. The total intrinsic value of stock options exercised during the years 2013, 2012 and 2011 was \$65 million, \$58 million and \$138 million, respectively.

Performance-Based Restricted Stock Units

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Performance-based restricted stock units cliff vest three years after the date of grant. These units are tied to the Company's performance against pre-established targets over a three-year performance period. The performance measures for fiscal years 2011 and 2012 were average growth rate of consolidated revenues and average annual return on invested capital while the performance measures in fiscal year 2013 were relative total shareholder return (measures the Company's stock performance during the performance period against that of peer companies) and average annual return on invested capital. Under the Company's long-term incentive

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program, the actual payout under these awards may vary from zero to 200% of an employee's target payout, based on the Company's actual performance over the three-year performance period. The fair value is based on the market price of the Company's stock on the date of grant. Compensation cost initially recognized assumes that the target payout level will be achieved and is adjusted for subsequent changes in the expected outcome of performance-related conditions.

A summary of performance-based restricted stock units outstanding as of September 30, 2013 and changes during the year then ended is as follows:

	Stock Units (in thousands)	Weighted Average Grant Date Fair Value
Balance at October 1	2,185	\$ 75.24
Granted	523	72.14
Distributed		
Forfeited or canceled	(1,057)	75.41
Balance at September 30(A)	1,651	\$ 74.15
Expected to vest at September 30(B)	573	\$ 73.06

(A) Based on 200% of target payout.

(B) Net of expected forfeited units and units in excess of the expected performance payout of 91 thousand and 987 thousand shares, respectively.

The weighted average grant date fair value of performance-based restricted stock units granted during the years 2012 and 2011 was \$72.12 and \$76.64, respectively. The total fair value of performance-based restricted stock units vested during 2012 and 2011 was \$7 million and \$15 million, respectively. Based on the Company's results during the performance period, compared with the established performance targets for payout, there was no payout of performance-based restricted stock units in fiscal year 2013. At September 30, 2013, the weighted average remaining vesting term of performance-based restricted stock units is .99 years.

Time-Vested Restricted Stock Units

Time-vested restricted stock units generally cliff vest three years after the date of grant, except for certain key executives of the Company, including the executive officers, for which such units generally vest one year following the employee's retirement. The related share-based compensation expense is recorded over the requisite service period, which is the vesting period or in the case of certain key executives is based on retirement eligibility. The fair value of all time-vested restricted stock units is based on the market value of the Company's stock on the date of grant.

A summary of time-vested restricted stock units outstanding as of September 30, 2013 and changes during the year then ended is as follows:

	Stock Units (in thousands)	Weighted Average Grant Date Fair Value
Balance at October 1	2,390	\$ 72.79
Granted	1,210	70.99
Distributed	(457)	73.85
Forfeited or canceled	(355)	72.97
Balance at September 30	2,787	\$ 71.81
Expected to vest at September 30	2,509	\$ 71.81

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Notes to Consolidated Financial Statements (Continued)

Becton, Dickinson and Company

The weighted average grant date fair value of time-vested restricted stock units granted during the years 2012 and 2011 was \$72.27 and \$76.97, respectively. The total fair value of time-vested restricted stock units vested during 2013, 2012 and 2011 was \$52 million, \$38 million and \$36 million, respectively. At September 30, 2013, the weighted average remaining vesting term of the time-vested restricted stock units is 1.40 years.

The amount of unrecognized compensation expense for all non-vested share-based awards as of September 30, 2013, is approximately \$101 million, which is expected to be recognized over a weighted-average remaining life of approximately 1.86 years. At September 30, 2013, 12,139 thousand shares were authorized for future grants under the 2004 Plan.

The Company has a policy of satisfying share-based payments through either open market purchases or shares held in treasury. At September 30, 2013, the Company has sufficient shares held in treasury to satisfy these payments in 2013.

Other Stock Plans

The Company has a Stock Award Plan, which allows for grants of common shares to certain key employees. Distribution of 25% or more of each award is deferred until after retirement or involuntary termination, upon which the deferred portion of the award is distributable in five equal annual installments. The balance of the award is distributable over five years from the grant date, subject to certain conditions. In February 2004, this plan was terminated with respect to future grants upon the adoption of the 2004 Plan. At September 30, 2013 and 2012, awards for 73 thousand and 89 thousand shares, respectively, were outstanding.

The Company has a Directors' Deferral Plan, which provides a means to defer director compensation, from time to time, on a deferred stock or cash basis. As of September 30, 2013, 104 thousand shares were held in trust, of which 4 thousand shares represented Directors' compensation in 2013, in accordance with the provisions of the plan. Under this plan, which is unfunded, directors have an unsecured contractual commitment from the Company.

The Company also has a Deferred Compensation Plan that allows certain highly-compensated employees, including executive officers, to defer salary, annual incentive awards and certain equity-based compensation. As of September 30, 2013, 401 thousand shares were issuable under this plan.

Note 8 Benefit Plans

The Company has defined benefit pension plans covering substantially all of its employees in the United States and certain foreign locations. The Company also provides certain postretirement healthcare and life insurance benefits to qualifying domestic retirees. Postretirement healthcare and life insurance benefit plans in foreign countries are not material. The measurement date used for the Company's employee benefit plans is September 30.

Effective January 1, 2013, all plan participants' benefits in the U.S. defined benefit traditional pension plan, which provided benefits to participants based upon a final average pay formula, were converted to a defined benefit cash balance pension plan. Upon conversion, each individual plan participant received an opening balance equal to the actuarial equivalent of individual benefits accrued under the defined benefit traditional pension plan through December 31, 2012. Following conversion, a participant will subsequently accrue benefits under the cash balance plan through monthly pay credits based upon the plan participant's age and length of service. Upon approval and communication of this benefit plan amendment to affected employees during the first quarter of fiscal year 2012, the Company remeasured its U.S. defined pension on November 30, 2011 and this interim remeasurement reduced the net pension cost for fiscal year 2012 by \$40 million.

The Company's November 30, 2011 benefit plan remeasurement was based upon a discount rate of 5.1%, compared with the discount rate of 4.9% used on the September 30, 2011 measurement date. The increase in the

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discount rate reduced total fiscal year 2012 net pension cost by \$5 million and this change in the projected benefit obligation was recognized in *Other comprehensive income (loss)* as an actuarial gain. An increase in plan assets held as of November 30, 2011 compared with assets held as of September 30, 2011 also reduced total fiscal year 2012 net pension cost by \$6 million. The change in the projected benefit obligation attributable to the plan amendment was recognized in *Other comprehensive income (loss)* as negative prior service cost and reduced fiscal year 2012 net pension cost by \$29 million.

Net pension and other postretirement cost for the years ended September 30 included the following components:

	Pension Plans			Other Postretirement Benefits		
	2013	2012	2011	2013	2012	2011
Service cost	\$ 84	\$ 75	\$ 89	\$ 6	\$ 6	\$ 6
Interest cost	87	91	93	10	13	13
Expected return on plan assets	(116)	(104)	(103)			
Amortization of prior service credit	(13)	(11)	(1)	(1)	(1)	(1)
Amortization of loss	75	56	56	4	5	4
Curtailement/settlement loss	6	20	1		(1)	
Net pension and postretirement cost	\$ 123	\$ 128	\$ 134	\$ 19	\$ 21	\$ 23

Net pension cost attributable to foreign plans included in the preceding table was \$33 million, \$31 million and \$34 million in 2013, 2012 and 2011, respectively.

The settlement losses recorded in 2013 and 2012 included lump sum benefit payments associated with the Company's U.S. supplemental pension plan. The Company recognizes pension settlements when payments from the supplemental plan exceed the sum of service and interest cost components of net periodic pension cost associated with this plan for the fiscal year. The settlement losses recorded in 2013 and 2012 also included settlements associated with certain foreign plans.

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The change in benefit obligation, change in fair value of plan assets, funded status and amounts recognized in the Consolidated Balance Sheets for these plans were as follows:

	Pension Plans		Other Postretirement Benefits	
	2013	2012	2013	2012
Change in benefit obligation:				
Beginning obligation	\$ 2,308	\$ 1,996	\$ 267	\$ 269
Service cost	84	75	6	6
Interest cost	87	91	10	13
Plan amendments	(23)	(124)		(5)
Benefits paid	(153)	(124)	(28)	(27)
Actuarial (gain) loss	(217)	439	(21)	5
Settlements	(13)	(45)		
Other, includes translation	5		8	6
Benefit obligation at September 30	\$ 2,076	\$ 2,308	\$ 243	\$ 267
Change in fair value of plan assets:				
Beginning fair value	\$ 1,573	\$ 1,353	\$	\$
Actual return on plan assets	200	223		
Employer contribution	174	166		
Benefits paid	(153)	(124)		
Settlements	(13)	(45)		
Other, includes translation	3	1		
Plan assets at September 30	\$ 1,785	\$ 1,573	\$	\$
Funded Status at September 30:				
Unfunded benefit obligation	\$ (292)	\$ (734)	\$ (243)	\$ (267)
Amounts recognized in the Consolidated Balance Sheets at September 30:				
Other	\$ 12	\$	\$	\$
Salaries, wages and related items	(6)	(6)	(18)	(18)
Long-term Employee Benefit Obligations	(299)	(728)	(225)	(250)
Net amount recognized	\$ (292)	\$ (734)	\$ (243)	\$ (267)
Amounts recognized in Accumulated other comprehensive (loss) income before income taxes at September 30:				
Net transition asset	\$	\$	\$	\$
Prior service credit	133	122	9	10
Net actuarial loss	(774)	(1,153)	(46)	(71)
Net amount recognized	\$ (641)	\$ (1,030)	\$ (37)	\$ (61)

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Foreign pension plan assets at fair value included in the preceding table were \$549 million and \$466 million at September 30, 2013 and 2012, respectively. The foreign pension plan projected benefit obligations were \$658 million and \$632 million at September 30, 2013 and 2012, respectively.

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Pension plans with accumulated benefit obligations in excess of plan assets and plans with projected benefit obligations in excess of plan assets consist of the following at September 30:

	Accumulated Benefit Obligation Exceeds the Fair Value of Plan Assets		Projected Benefit Obligation Exceeds the Fair Value of Plan Assets	
	2013	2012	2013	2012
Projected benefit obligation	\$ 1,551	\$ 2,055	\$ 1,855	\$ 2,307
Accumulated benefit obligation	\$ 1,525	\$ 2,000		
Fair value of plan assets	\$ 1,285	\$ 1,364	\$ 1,551	\$ 1,573

The estimated net actuarial loss and prior service credit for pension benefits that will be amortized from Accumulated other comprehensive (loss) income into net pension costs over the next fiscal year are expected to be \$(48) million and \$15 million, respectively. The estimated net actuarial loss and prior service credit for other postretirement benefits that will be amortized from Accumulated other comprehensive (loss) income into net other postretirement costs over the next fiscal year are expected to be \$(2) million and \$1 million, respectively.

The weighted average assumptions used in determining pension plan information were as follows:

	2013	2012	2011
Net Cost			
Discount rate:			
U.S. plans(A)	3.90%	4.90%(B)	5.20%
Foreign plans	3.94	5.26	4.68
Expected return on plan assets:			
U.S. plans	7.75	7.75	8.00
Foreign plans	5.68	6.06	6.31
Rate of compensation increase:			
U.S. plans(A)	4.25	4.25	4.50
Foreign plans	3.28	3.61	3.56
Benefit Obligation			
Discount rate:			
U.S. plans	4.95(C)	3.90(A)	4.90(A)
Foreign plans	3.87	3.94	5.26
Rate of compensation increase:			
U.S. plans(A)	4.25	4.25	4.25
Foreign plans	2.46	3.28	3.61

(A) Also used to determine other postretirement and postemployment benefit plan information.

(B) On November 30, 2011, the Company remeasured its U.S. defined benefit pension plan based upon a 5.10% discount rate compared to the discount rate of 4.90% used on September 30, 2011. All other U.S. plans remained at 4.90%.

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(C) The discount rates used to determine other postretirement and postemployment benefit plan information were 4.40% and 4.00%, respectively.

At September 30, 2013 the assumed healthcare trend rates were 7.2% pre and post age 65, gradually decreasing to an ultimate rate of 5.0% beginning in 2024. At September 30, 2012 the assumed healthcare trend rates were 7.5% pre and post age 65, gradually decreasing to an ultimate rate of 5.0% beginning in 2024. A one percentage point increase in assumed healthcare cost trend rates in each year would increase the accumulated

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postretirement benefit obligation as of September 30, 2013 by \$9 million and the aggregate of the service cost and interest cost components of 2013 annual expense by \$1 million. A one percentage point decrease in the assumed healthcare cost trend rates in each year would decrease the accumulated postretirement benefit obligation as of September 30, 2013 by \$8 million and the aggregate of the 2013 service cost and interest cost by \$1 million.

Expected Rate of Return on Plan Assets

The expected rate of return on plan assets is based upon expectations of long-term average rates of return to be achieved by the underlying investment portfolios. In establishing this assumption, the Company considers many factors, including historical assumptions compared with actual results; benchmark data; expected returns on various plan asset classes, as well as current and expected asset allocations.

Expected Funding

The Company's funding policy for its defined benefit pension plans is to contribute amounts sufficient to meet legal funding requirements, plus any additional amounts that may be appropriate considering the funded status of the plans, tax consequences, the cash flow generated by the Company and other factors. While the Company does not anticipate any significant required contributions to its pension plans in 2014, the Company made a discretionary contribution of \$40 million to its U.S. pension plan in October 2013.

Expected benefit payments are as follows:

	Pension Plans	Other Postretirement Benefits
2014	\$ 134	\$ 18
2015	142	18
2016	146	18
2017	150	18
2018	155	18
2019-2023	840	90

Expected receipts of the subsidy under the Medicare Prescription Drug Improvement and Modernization Act of 2003, which are not reflected in the expected other postretirement benefit payments included in the preceding table, will be approximately \$1 million each year for fiscal years 2014 through 2023.

Investments

The Company's primary objective is to achieve returns sufficient to meet future benefit obligations. It seeks to generate above market returns by investing in more volatile asset classes such as equities while at the same time controlling risk through diversification in non-correlated asset classes and through allocations to more stable asset classes like fixed income.

U.S. Plans

The Company's U.S. pension plans comprise 69% of total benefit plan investments, based on September 30, 2013 market values. The target allocations implemented on August 1, 2013 are 35% fixed income, 34% diversifying investments and 31% equities, compared with target allocations applied earlier in fiscal year 2013 and in fiscal year 2012 of 65% equities and 35% fixed income. The asset allocations to diversifying investments include high-yield bonds, hedge funds, real estate, infrastructure, commodities, leveraged loans and emerging markets bonds. While the U.S. pension plan asset portfolio included primarily direct investments in securities on

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September 30, 2012, plan assets on September 30, 2013 were comprised primarily of investment funds. The revised target allocations implemented in fiscal year 2013 were established based on an analysis of projected benefit payments and estimates of long-term returns, volatilities and correlations for various asset classes.

The actual portfolio investment mix may, from time to time, deviate from the established target mix due to various factors such as normal market fluctuations, the reliance on estimates in connection with the determination of allocations and normal portfolio activity such as additions and withdrawals. Rebalancing of the asset portfolio on a quarterly basis is required to address any allocations that deviate from the established target allocations in excess of defined allowable ranges. The target allocations are subject to periodic review, including a review of the asset portfolio's performance, by the named fiduciary of the plans. Any tactical deviations from the established asset mix require the approval of the named fiduciary.

The U.S. plans may enter into both exchange traded and non-exchange traded derivative transactions in order to manage interest rate exposure, volatility, term structure of interest rates, and sector and currency exposures within the fixed income portfolios. The Company has established minimum credit quality standards for counterparties in such transactions.

The following table provides the fair value measurements of U.S. plan assets, as well as the measurement techniques and inputs utilized to measure fair value of these assets, at September 30, 2013 and 2012. The categorization of fund investments is based upon the categorization of these funds' underlying assets.

	Total U.S. Plan Asset Balances at September 30, 2013	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fixed Income:				
Mortgage and asset-backed securities	\$ 174	\$	\$ 174	\$
Corporate bonds	217	102	115	
Government and agency-U.S.	142	97	46	
Government and agency-Foreign	122	74	49	
Equity securities	384	62	322	
Cash and cash equivalents	3	3		
Other	193	97	84	12
Fair value of plan assets	\$ 1,235	\$ 435	\$ 788	\$ 12

	Total U.S. Plan Asset Balances at September 30, 2012	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fixed Income:				
Mortgage and asset-backed securities	\$ 137	\$	\$ 137	\$
Corporate bonds	107		107	
Government and agency-U.S.	75	57	17	

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Government and agency-Foreign	6		6
Other	9		9
Equity securities	724	640	85
Cash and cash equivalents	49	49	
Fair value of plan assets	\$ 1,107	\$ 746	\$ 361 \$

Table of Contents**Notes to Consolidated Financial Statements (Continued)****Becton, Dickinson and Company****Fixed Income Securities**

U.S. pension plan assets categorized above as fixed income securities include fund investments comprised of mortgage-backed, corporate, government and agency and asset-backed instruments. Mortgage-backed securities consist of residential mortgage pass-through certificates. Investments in corporate bonds are diversified across industry and sector and consist of investment-grade, as well as high-yield debt instruments. U.S. government investments consist of obligations of the U.S. Treasury, other U.S. government agencies, state governments and local municipalities. Assets categorized as foreign government and agency debt securities included investments in developed and emerging markets. In fiscal year 2012, plan assets categorized as other fixed income securities included immaterial investments, such as derivatives.

The values of fixed income investments classified within Level 1 are based on the closing price reported on the major market on which the investments are traded. A portion of the fixed income instruments classified within Level 2 are valued based upon estimated prices from independent vendors pricing models and these prices are derived from market observable sources including: benchmark yields, reported trades, broker/dealer quotes, issuer spreads, benchmark securities, bids, offers and other market-related data. Values of other instruments classified within Level 2 are based on the corroborated net asset value provided by the fund administrator, which is based on the value of the underlying assets owned by the fund, less its liabilities and then divided by the number of fund units outstanding.

Equity Securities

U.S. pension plan assets categorized as equity securities consist of fund investments in publicly-traded U.S. and non-U.S. equity securities. In order to achieve appropriate diversification, these portfolios are invested across market sectors, investment styles, capitalization weights and geographic regions. The values of equity securities classified within Level 1 are based on the closing price reported on the major market on which the investments are traded. The values of equity security investments classified within Level 2 are based on the corroborated net asset value provided by the fund administrator.

Cash and Cash Equivalents

A portion of the U.S. plans assets consists of investments in cash and cash equivalents, primarily to accommodate liquidity requirements relating to trade settlement and benefit payment activity, and the values of these assets are based upon quoted market prices.

Other Securities

Other U.S. pension plan assets include fund investments comprised of underlying assets of real estate, infrastructure, commodities and hedge funds. The values of such instruments classified within Level 1 are based on the closing price reported on the major market on which the investments are traded. Investments classified within Level 2 are valued based on the net asset value provided by the fund administrator when such net asset value represents the price at which the pension plan assets could be redeemed at period end. Investments classified within Level 3 are valued based on the net asset value provided by the fund administrator when the pension plan assets could not be redeemed at period end (for example, if the assets are subject to a lock-up period).

Table of Contents**Notes to Consolidated Financial Statements (Continued)****Becton, Dickinson and Company**

The U.S. pension plan assets did not include any assets measured using Level 3 inputs for the year ended September 30, 2012. The following table summarizes the changes, for the year ended September 30, 2013, in the fair value of U.S. pension assets measured using Level 3 inputs:

	Other (Hedge Funds)
Balance at September 30, 2012	\$
Purchases, sales and settlements, net	12
Balance at September 30, 2013	\$ 12

Foreign Plans

Foreign plan assets comprise 31% of the Company's total benefit plan assets, based on market value at September 30, 2013. Such plans have local independent fiduciary committees, with responsibility for development and oversight of investment policy, including asset allocation decisions. In making such decisions, consideration is given to local regulations, investment practices and funding rules.

The following table provides the fair value measurements of foreign plan assets, as well as the measurement techniques and inputs utilized to measure fair value of these assets, at September 30, 2013 and 2012.

	Total Foreign Plan Asset Balances at September 30, 2013	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fixed Income:				
Corporate bonds	\$ 46	\$	\$ 46	\$
Government and agency-U.S.	3	3		
Government and agency-Foreign	82	47	36	
Equity securities	309	294	14	
Cash and cash equivalents	17	17		
Real estate	11		9	1
Insurance contracts	81			81
Fair value of plan assets	\$ 549	\$ 361	\$ 105	\$ 83

	Total Foreign Plan Asset Balances at September 30, 2012	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fixed Income:				

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Corporate bonds	\$	37	\$		\$	37	\$
Government and agency-U.S.		3		3			
Government and agency-Foreign		76		35		40	
Equity securities		244		230		15	
Cash and cash equivalents		17		17			
Real estate		9				6	3
Insurance contracts		80					80
Fair value of plan assets	\$	466	\$	286	\$	98	\$ 83

Table of Contents**Notes to Consolidated Financial Statements (Continued)****Becton, Dickinson and Company****Fixed Income Securities**

Fixed income investments held by foreign pension plans include corporate, U.S. government and non-U.S. government securities. The values of fixed income securities classified within Level 1 are based on the closing price reported on the major market on which the investments are traded. Values of investments classified within Level 2 are based upon estimated prices from independent vendors pricing models and these prices are derived from market observable sources.

Equity Securities

Equity securities included in the foreign plan assets consist of publicly-traded U.S. and non-U.S. equity securities. The values of equity securities classified within Level 1 are based on the closing price reported on the major market on which the investments are traded. The values of equity security investments classified within Level 2 are based on the corroborated net asset value provided by the fund administrator.

Other Securities (Cash and Cash Equivalents, Real Estate and Insurance Contracts)

The foreign plans hold a portion of assets in cash and cash equivalents, in order to accommodate liquidity requirements and the values are based upon quoted market prices. Real estate investments consist of investments in funds holding an interest in real properties and the corresponding values represent the estimated fair value based on the fair value of the underlying investment value or cost, adjusted for any accumulated earnings or losses. The values of insurance contracts approximately represent cash surrender value.

The following table summarizes the changes, for the years ended September 30, 2013 and 2012, in the fair value of foreign pension assets measured using Level 3 inputs:

	Real Estate	Insurance Contracts	Total Assets
Balance at September 30, 2011	\$ 11	\$ 78	\$ 89
Actual return on plan assets:			
Relating to assets held at September 30, 2011		3	3
Purchases, sales and settlements, net	(2)	1	
Transfers in (out) from other categories	(6)		(6)
Exchange rate changes		(3)	(3)
Balance at September 30, 2012	\$ 3	\$ 80	\$ 83
Actual return on plan assets:			
Relating to assets held at September 30, 2012		(1)	(1)
Purchases, sales and settlements, net	(2)	6	4
Transfers in (out) from other categories		(5)	(5)
Exchange rate changes		1	1
Balance at September 30, 2013	\$ 1	\$ 81	\$ 83

Postemployment Benefits

The Company utilizes a service-based approach in accounting for most of its postemployment benefits. Under this approach, the costs of benefits are recognized over the eligible employees service period. The Company has elected to delay recognition of actuarial gains and losses that result from changes in assumptions.

Table of Contents**Notes to Consolidated Financial Statements (Continued)****Becton, Dickinson and Company**

Postemployment benefit costs for the years ended September 30 included the following components:

	2013	2012	2011
Service cost	\$ 22	\$ 16	\$ 13
Interest cost	6	6	5
Amortization of prior service credit	(2)	(2)	(2)
Amortization of loss	21	16	10
Net postemployment benefit cost	\$ 47	\$ 36	\$ 27

The changes in benefit obligation for these postemployment benefits were as follows:

	Postemployment benefits	
	2013	2012
Change in benefit obligation:		
Beginning obligation	\$ 163	\$ 138
Service cost	22	16
Interest cost	6	6
Benefits paid	(29)	(52)
Actuarial loss	25	55
Benefit obligation at September 30	\$ 186	\$ 163

The postemployment benefit plan obligations as of September 30, 2013 and 2012 were unfunded. The amounts recognized in Accumulated other comprehensive (loss) income before income taxes for the net actuarial loss was \$163 million and \$158 million at September 30, 2013 and 2012, respectively. The estimated net actuarial loss that will be amortized from the *Accumulated other comprehensive (loss) income* into postemployment benefit cost over the next fiscal year is \$19 million.

Savings Incentive Plan

The Company has a voluntary defined contribution plan (Savings Incentive Plan) covering eligible employees in the United States. The Company matches contributions for eligible employees to 75% of employees' contributions, up to a maximum of 4.5% of each employee's eligible compensation. The cost of the Savings Incentive Plan was \$36 million in 2013, \$36 million in 2012 and \$37 million in 2011. The Company guarantees employees' contributions to the fixed income fund of the Savings Incentive Plan, which consists of diversified money market instruments. The amount guaranteed was \$246 million at September 30, 2013.

Note 9 Acquisitions**Cato**

On March 11, 2013, the Company acquired a 100% interest in Cato Software Solutions (Cato), a privately held Austria-based manufacturer of cato® and chemocato® software, a suite of comprehensive medication safety solutions for pharmacy intravenous medication preparation, physician therapy planning and nurse bedside documentation. This acquisition is an important element of the Company's strategy to help customers eliminate medication errors and streamline workflows, and it expands the Company's presence in the hospital pharmacy space.

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The fair value of consideration transferred was \$23 million, which included \$14 million in cash, net of cash acquired, as well as \$9 million in contingent consideration that will be paid based upon the achievement of certain revenue milestones. The fair value of the contingent consideration was estimated using a probability-weighted discounted cash flow model that was based upon the probabilities assigned to the contingent events.

Table of Contents**Notes to Consolidated Financial Statements (Continued)****Becton, Dickinson and Company**

The acquisition was accounted for under the acquisition method of accounting for business combinations, and Cato's results of operations were included in the Medical segment's results from the acquisition date. Pro forma information is not provided as the acquisition did not have a material effect on the Company's consolidated results. The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the acquisition date. These fair values are based upon the information available as of September 30, 2013 and may be adjusted should further information regarding events or circumstances existing at the acquisition date become available.

Developed technology	\$ 9
Other intangibles	4
Other assets	1
Total identifiable assets acquired	14
Liabilities assumed	(2)
Net identifiable assets acquired	12
Goodwill	11
Net assets acquired	\$ 23

The developed technology asset of \$9 million represents Cato's developed automated data sharing and creation system that is used in medication preparation and delivery. The technology's fair value was determined based on the present value of projected cash flows utilizing an income approach which reflected a risk-adjusted discount rate of 14.5%. The technology will be amortized over an expected useful life of 15 years, the period over which the technology is expected to generate substantial cash flows.

The \$11 million of goodwill was allocated to the Medical segment. Goodwill typically results through expected synergies from combining operations of an acquiree and an acquirer, as well as from intangible assets that do not qualify for separate recognition. The goodwill recognized as a result of this acquisition included, among other things, the Company's ability to accelerate growth of the early-stage market for comprehensive pharmacy workflow solutions. Also, synergies are expected from complementing the Company's existing safety-engineered products with Cato's medication safety solution. No portion of this goodwill is currently expected to be deductible for tax purposes. The Company recognized \$1 million of acquisition-related costs that were expensed in fiscal year 2013 and reported in the Consolidated Statements of Income as *Selling and administrative expense*.

Safety Syringes

On December 24, 2012, the Company acquired a 100% interest in Safety Syringes, Inc. (Safety Syringes), a privately held California-based company that specializes in the development of anti-needlestick devices for prefilled syringes. The intent of this acquisition was to broaden the Company's existing healthcare worker safety offerings to include passive safety technologies.

The fair value of consideration transferred was \$124 million, which included \$124 million in cash, net of \$1 million in cash acquired. The fair value of consideration transferred also included \$0.4 million for the effective settlement of an intangible asset associated with a preexisting licensing arrangement the Company entered into with Safety Syringes in fiscal year 2005. The terms of the licensing arrangement were determined to represent fair value at the acquisition date, and as such, the Company did not record any gain or loss separately from the acquisition.

The acquisition was accounted for under the acquisition method of accounting for business combinations, and Safety Syringes' results of operations were included in the Medical segment's results from the acquisition date. Pro forma information is not provided as the acquisition did not have a material effect on the Company's

Table of Contents**Notes to Consolidated Financial Statements (Continued)****Becton, Dickinson and Company**

consolidated results. The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the acquisition date. These fair values are based upon the information available as of September 30, 2013 and may be adjusted should further information regarding events or circumstances existing at the acquisition date become available.

Developed technology	\$ 69
Other intangibles	5
Property, plant and equipment, net	7
Trade receivables, net	7
Other	7
 Total identifiable assets acquired	 93
 Liabilities assumed	 (4)
 Net identifiable assets acquired	 90
Goodwill	34
 Net assets acquired	 \$ 124

The developed technology asset of \$69 million represents Safety Syringes' developed anti-needlestick technology. The technology's fair value was determined based on the present value of projected cash flows utilizing an income approach which reflected a risk-adjusted discount rate of 16%. The technology will be amortized over an expected useful life of 15 years, the period over which the technology is expected to generate substantial cash flows.

The \$34 million of goodwill was allocated to the Medical segment. Goodwill typically results through expected synergies from combining operations of an acquiree and an acquirer, as well as from intangible assets that do not qualify for separate recognition. The goodwill recognized as a result of this acquisition included, among other things, the synergies expected from complementing the Company's existing healthcare safety offerings with passive anti-needlestick technologies. Additionally, synergies are expected to result from expanding the market for the passive anti-needlestick offerings through the Company's broader global sales organization and customer relationships. This goodwill is expected to be deductible for tax purposes. The Company recognized \$2 million of acquisition-related costs that were expensed in fiscal year 2013 and reported in the Consolidated Statements of Income as *Selling and administrative expense*.

Sirigen

On August 24, 2012, the Company acquired a 100% interest in Sirigen Group Limited (Sirigen), a developer of unique polymer dyes that are used in flow cytometry. The fair value of consideration transferred was \$64 million which consisted of \$53 million in cash, net of \$1 million in cash acquired, as well as \$12 million in contingent consideration that will be paid based upon the achievement of certain development milestones. The fair value of the contingent consideration was estimated using a probability-weighted discounted cash flow model that was based upon the probabilities assigned to the contingent events. The intent of this acquisition was to complement the Company's existing instrument platforms and reagent portfolio and allow the Company to differentiate its life science research reagent portfolio and add value for customers.

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The acquisition was accounted for under the acquisition method of accounting for business combinations and Sirigen's results of operations were included in the Biosciences segment's results from the acquisition date. Pro forma information is not provided as the acquisition did not have a material effect on the Company's consolidated results. The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the acquisition date.

Patent	\$ 11
Developed technology	19
Acquired in-process research and development	12
Deferred tax assets	3
Other	1
 Total identifiable assets acquired	 45
Deferred tax liabilities	(14)
Other	(1)
 Total liabilities assumed	 (15)
 Net identifiable assets acquired	 30
Goodwill	34
 Net assets acquired	 \$ 64

The patent asset of \$11 million represented Sirigen's enabling technology that underlies both developed technology and in-process research and development projects. The patent's fair value was determined based on the present value of projected cash flows utilizing an income approach which reflected a risk-adjusted discount rate of 20%. The patent will be amortized over an expected useful life of 14 years. The developed technology asset of \$19 million represented Sirigen's developed polymer technology. The developed technology's fair value was determined based on the present value of projected cash flows utilizing an income approach which reflected a risk-adjusted discount rate of 22%. The developed technology will be amortized over an expected useful life of 16 years, the period over which the developed technology is expected to generate substantial cash flows.

The acquired in-process research and development asset of \$12 million represented development projects of additional polymer dyes. The probability of success associated with the projects, based upon the applicable technological and commercial risk, was assumed to be 80% or more, depending upon the project. The projects' fair value was determined based on the present value of projected cash flows utilizing an income approach and a risk-adjusted discount rate of 24% to 26%, depending upon the project. During the fourth quarter of fiscal year 2013, one of the polymer dye projects was completed, and, as a result, the \$8 million associated with this project was reclassified from *Other Intangibles, Net to Core and Developed Technology, Net* and is being amortized over its estimated useful life of 16 years. Substantially all of the cash flows expected to be generated from the technology will occur over this period.

The \$34 million of goodwill was allocated to the Biosciences segment. Goodwill typically results through expected synergies from combining operations of an acquiree and an acquirer as well as from intangible assets that do not qualify for separate recognition. The goodwill recognized as a result of this acquisition included, among other things, the synergies expected from complementing the Company's instrument and reagent portfolio with the capabilities of Sirigen's advanced polymer technology. Additionally, synergies are expected to result from expanding the market for the polymer technology through the Company's broader global sales organization and customer relationships. No portion of this goodwill will be deductible for tax purposes. The Company recognized \$1 million of acquisition-related costs that were expensed in fiscal year 2012 and reported in the Consolidated Statements of Income as *Selling and administrative expense*.

KIESTRA

On February 9, 2012, the Company acquired a 100% interest in Kiestra Lab Automation BV (Kiestra), a Netherlands-based company that manufactures and sells innovative lab automation solutions for

Table of Contents**Notes to Consolidated Financial Statements (Continued)****Becton, Dickinson and Company**

the microbiology lab. The fair value of consideration transferred was \$58 million which consisted of \$49 million in cash, net of \$5 million in cash acquired, as well as \$9 million in contingent consideration that will be paid based upon the achievement of certain development milestones and performance targets. A purchase price adjustment of approximately \$2 million was recorded in fiscal year 2013 to reflect the seller's payment of a post-closing adjustment to net working capital. The fair value of the contingent consideration was estimated using a probability-weighted discounted cash flow model that was based upon the probabilities assigned to the contingent events. The intent of this acquisition was to complement the Company's existing portfolio of microbiology platforms, reagents and supplies and allow the Company to offer innovative full lab automation solutions to hospitals and laboratories worldwide.

The acquisition was accounted for under the acquisition method of accounting for business combinations and Kiestra's results of operations were included in the Diagnostic segment's results from the acquisition date. Pro forma information is not provided as the acquisition did not have a material effect on the Company's consolidated results. The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the acquisition date.

Developed technology	\$ 13
Acquired in-process research and development	7
Other intangibles	5
Property, plant and equipment	5
Other	10
Total identifiable assets acquired	40
Deferred tax liabilities	(6)
Other	(12)
Total liabilities assumed	(18)
Net identifiable assets acquired	22
Goodwill	35
Net assets acquired	\$ 58

The developed technology asset of \$13 million represented Kiestra's developed lab automation solutions. The technology's fair value was determined based on the present value of projected cash flows utilizing an income approach which reflected a risk-adjusted discount rate of 14.5%. The technology will be amortized over an expected useful life of 10 years, the period over which the technology is expected to generate substantial cash flows.

The acquired in-process research and development asset of \$7 million represented development projects of the existing lab automation technology for use in diagnostic applications. The probability of success associated with the projects, based upon the applicable technological and commercial risk, was assumed to be 100%. The projects' fair value was determined based on the present value of projected cash flows utilizing an income approach and a risk-adjusted discount rate of 15.5%. The projects are expected to be completed in fiscal year 2014.

The \$35 million of goodwill was allocated to the Diagnostics segment. Goodwill typically results through expected synergies from combining operations of an acquiree and an acquirer as well as from intangible assets that do not qualify for separate recognition. The goodwill recognized as a result of this acquisition included, among other things, the value of integrating the Company's broad clinical microbiology portfolio through automation for maximum workflow efficiency. Synergies are expected to result from the alignment of Kiestra's automated instrumentation technologies with the Company's existing portfolio of microbiology

Table of Contents**Notes to Consolidated Financial Statements (Continued)****Becton, Dickinson and Company**

platforms, reagents and supplies. Additionally, synergies are expected to result from expanding the market for full lab automation solutions into new geographic regions through the Company's broader global sales organization and customer relationships. No portion of this goodwill will be deductible for tax purposes. The Company recognized \$2 million of acquisition-related costs that were expensed in fiscal year 2012 and reported in the Consolidated Statements of Income as *Selling and administrative expense*.

Carmel Pharma

During the fourth quarter of fiscal year 2011, the Company acquired 100% of the outstanding shares of Carmel Pharma, AB (Carmel), a Swedish company that manufactures the BD PhaSeal System, a closed-system drug transfer device for the safe handling of hazardous drugs that are packaged in vials. The fair value of consideration transferred totaled \$287 million, net of \$5 million in cash acquired. The intent of this acquisition was to expand the scope of its healthcare worker safety emphasis, especially in the area of parenteral medication delivery.

The acquisition was accounted for under the acquisition method of accounting for business combinations and Carmel's results of operations were included in the Medical segment's results from the acquisition date. Pro forma information is not provided as the acquisition did not have a material effect on the Company's consolidated results. The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the acquisition date.

Product rights	\$ 162
Customer relationships	4
Deferred tax assets	2
Other	32
Total identifiable assets acquired	200
Deferred tax liabilities	(45)
Other	(13)
Total liabilities assumed	(58)
Net identifiable assets acquired	142
Goodwill	145
Net assets acquired	\$ 287

The \$145 million of goodwill was allocated to the Medical segment. Goodwill typically results through expected synergies from combining operations of an acquiree and an acquirer as well as from intangible assets that do not qualify for separate recognition. The goodwill recognized as a result of this acquisition included, among other things, the value of expanding the Company's market for healthcare worker safety products. Synergies are expected to result from the alignment of Carmel's product offerings in the closed-system drug transfer device market segment with the Company's existing healthcare worker safety focus, global customer reach, and operational structure. No portion of this goodwill will be deductible for tax purposes. The Company recognized \$5 million of acquisition-related costs that were expensed in fiscal year 2011 and reported in the Consolidated Statements of Income as *Selling and administrative expense*.

Accuri

On March 17, 2011, the Company acquired 100% of the outstanding shares of Accuri Cytometers, Inc. (Accuri), a company that develops and manufactures personal flow cytometers for researchers. The fair value of consideration transferred totaled \$205 million, net of \$3 million in cash

acquired.

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The intent of this acquisition was to expand its presence into the emerging affordable personal flow cytometer space. The acquisition was also intended to help expand the use of flow technology by researchers in developing regions where ease of use is critical, as well as by researchers in scientific disciplines that have not traditionally used flow cytometry, such as environmental studies.

The acquisition was accounted for under the acquisition method of accounting for business combinations and Accuris results of operations were included in the Biosciences segment's results from the acquisition date. Pro forma information is not provided as the acquisition did not have a material effect on the Company's consolidated results. The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the acquisition date.

Developed technology	\$ 112
Acquired in-process research and development	42
Other intangibles	3
Deferred tax assets	11
Other	8
Total identifiable assets acquired	175
Deferred tax liabilities	(59)
Other	(5)
Total liabilities assumed	(64)
Net identifiable assets acquired	112
Goodwill	93
Net assets acquired	\$ 205

The acquired in-process research and development asset of \$42 million represented development of the personal flow cytometry technology that will enable its use in the clinical market. The fair value of this project was determined based on the present value of projected cash flows utilizing an income approach reflecting an appropriate risk-adjusted discount rate based on the applicable technological and commercial risk of the project. The launch of the personal flow cytometer for use in the clinical market is expected to occur in fiscal year 2015, subject to regulatory approvals.

The \$93 million of goodwill was allocated to the Biosciences segment. The goodwill recognized as a result of this acquisition included, among other things, the value of broadening the Company's potential market for flow cytometry technology. No portion of this goodwill will be deductible for tax purposes. The Company recognized \$1 million of acquisition-related costs that were expensed in fiscal year 2011 and reported in the Consolidated Statements of Income as *Selling and administrative expense*.

Note 10 Divestitures

On October 31, 2012, the Company completed the sale of its BD Biosciences Discovery Labware unit, excluding its Advanced Bioprocessing platform, to Corning Incorporated. Gross cash proceeds from the sale were approximately \$740 million, and the Company recognized a pre-tax gain on sale from this divestiture of \$577 million. The after-tax gain recognized from this divestiture was \$355 million. As a result of this divestiture, the Company derecognized \$17 million of goodwill, allocated based upon the relative fair values of the disposed assets.

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The Company agreed to perform some contract manufacturing and other transition services for a defined period after the sale; however, the Company will not have the ability to exert significant influence over the

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Becton, Dickinson and Company

Discovery Labware disposal group after the sale, and cash flows associated with these activities are not expected to be material. The net cash flows from these activities are reported in the Consolidated Statements of Income as *Other income (expense)*.

In connection with the sale of the Discovery Labware disposal group, the Company received an additional payment of approximately \$16 million from the buyer in the third quarter of fiscal year 2013. In accordance with the terms of the Asset Purchase Agreement, the Company was entitled to receive this payment as reimbursement for additional tax costs to be incurred by the Company resulting from the joint election under Internal Revenue Code Section 338(h)(10) for the buyer to treat the acquisition as an asset purchase for federal tax purposes. The Company recorded the payment as additional proceeds from the sale and the resulting gain was recorded in discontinued operations in the third quarter of fiscal year 2013.

The results of operations associated with the Discovery Labware disposal group are reported as discontinued operations for all periods presented in the accompanying Consolidated Statements of Income and Cash Flows and related disclosures.

Results of discontinued operations were as follows:

	2013	2012	2,152			
Total	\$ 9,538	\$ 9,289	\$ 8,800	\$ 6,237	\$5,946	\$4,484

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The following tables summarize changes in total AUM for each of Apollo's three segments for years ended December 31, 2014, 2013 and 2012:

	For the Year Ended December 31,		
	2014	2013	2012
Change in Total AUM:			
Beginning of Period	\$161,177	(1) \$113,379	(1) \$75,222
Income	2,473	15,150	12,038
Subscriptions/Capital raised	9,862	(2) 22,142	9,688
Other inflows/Acquisitions	—	43,832	23,629
Distributions	(16,382)	(22,641)	(10,858)
Redemptions	(718)	(1,508)	(1,221)
Leverage/Other ⁽³⁾	3,385	(9,177)	4,881
End of Period	\$159,797	(1) \$161,177	(1) \$113,379
Change in Private Equity AUM:			
Beginning of Period	\$49,908	\$37,832	\$35,384
Income	561	10,656	8,108
Subscriptions/Capital raised	3,041	(2) 17,613	662
Distributions	(11,372)	(15,620)	(6,537)
Redemptions ⁽⁴⁾	—	(176)	—
Net segment transfers	(1,216)	2,133	317
Leverage	127	(2,530)	(102)
End of Period	\$41,049	\$49,908	\$37,832
Change in Credit AUM:			
Beginning of Period	\$100,886	\$64,406	\$31,867
Income	1,747	4,082	3,274
Subscriptions/Capital raised	6,128	(2) 3,439	5,504
Other inflows/Acquisitions	—	43,832	23,629
Distributions	(3,457)	(5,458)	(3,197)
Redemptions	(583)	(1,042)	(948)
Net segment transfers	216	(2,056)	(1,023)
Leverage/Other ⁽³⁾	3,508	(6,317)	5,300
End of Period	\$108,445	\$100,886	\$64,406
Change in Real Estate AUM:			
Beginning of Period	\$9,289	\$8,800	\$7,971
Income	244	399	656
Subscriptions/Capital raised	693	1,090	475
Distributions	(1,553)	(1,559)	(1,124)
Redemptions ⁽⁴⁾	(135)	(290)	(273)
Net segment transfers	1,250	1,179	1,412
Leverage	(250)	(330)	(317)
End of Period	\$9,538	\$9,289	\$8,800

(1) As of December 31, 2014, 2013 and 2012, includes \$0.8 billion, \$1.1 billion, and \$2.3 billion of commitments, respectively, that have yet to be deployed to an Apollo fund within Apollo's three segments.

(2) For the year ended December 31, 2014, includes \$2.5 billion of AUM from co-investment vehicles that was raised in prior periods.

- (3) Represents changes in used and available leverage, and includes the changes in NAV on AUM managed by Athene Asset Management that is not sub-advised by Apollo.
- (4) Represents release of unfunded commitments primarily related to Fund III in our private equity segment and two legacy CPI real estate funds in our real estate segment that were past their investment periods.

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Private Equity

During the year ended December 31, 2014, total AUM in our private equity segment decreased by \$8.9 billion, or 17.8%. This decrease was a result of distributions of \$11.4 billion primarily attributable to Fund VII and Apollo Investment Fund VI, L.P. ("Fund VI") of \$6.4 billion and \$3.7 billion, respectively. In addition there were transfers out of \$1.2 billion. These decreases were offset by \$0.6 billion of income that was primarily attributable to unrealized gains in Fund VII of \$1.6 billion offset by unrealized losses in Fund VI and co-investment vehicles, of \$0.6 billion and \$0.6 billion, respectively, and an increase in subscriptions of \$3.0 billion primarily attributable to co-investment vehicles that were raised in prior periods.

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.

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.

Credit

During the year ended December 31, 2014, total AUM in our credit segment increased by \$7.6 billion, or 7.5%. This increase was a result of subscriptions of \$6.1 billion, \$3.5 billion of leverage, \$1.7 billion of income and \$0.2 billion in net segment transfers. Included in subscriptions was \$2.5 billion in COF III, \$0.5 billion in FCI II, \$0.4 billion in Apollo Structured Credit Recovery Master Fund III, L.P. ("ACRF III") and \$0.4 billion from Apollo Investment Europe III, L.P. ("AIE III"). These increases were offset by \$3.5 billion of distributions including \$1.1 billion and \$0.4 billion from Apollo European Principal Finance Fund, L.P. ("EPF I") and Apollo Credit Opportunity Fund I, L.P. ("COF I"), respectively and \$0.6 billion in redemptions.

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, \$4.1 billion in unrealized gains, subscriptions of \$3.4 billion, including \$0.9 billion in 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 the U.S. performing credit strategy from net CLO vehicle wind-downs, \$1.3 billion in Apollo Credit Opportunity Fund II, L.P. ("COF II"), and \$0.8 billion in AMTG, and \$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.

Real Estate

During the year ended December 31, 2014, total AUM in our real estate segment increased by \$0.2 billion, or 2.7%, this was the result of \$1.3 billion of net segment transfers in primarily related to the Athene Accounts, \$0.7 billion of subscriptions, including \$0.4 billion related to AGRE Debt Fund I, L.P. and \$0.2 billion related to ARI, and \$0.2 billion of income. These increases were partially offset by \$1.6 billion of distributions, of which \$0.4 billion was attributable to the Athene Accounts, \$0.3 billion was attributable to CPI Capital Partners Europe, L.P., and \$0.2 billion was attributable to AGRE 2011 A-4 Fund, LP ("CMBS II"), and a \$0.3 billion decrease in leverage.

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 real 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, L.P. and \$0.3 billion in 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.

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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. 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.

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The following tables summarize changes in total Fee-Generating AUM for each of Apollo's three segments for the years ended December 31, 2014, 2013, and 2012 :

	For the Year Ended December 31,		
	2014	2013	2012
Change in Total Fee-Generating AUM:			
Beginning of Period	\$128,368	\$81,934	58,121
Income	350	2,100	1,390
Subscriptions/Capital raised	3,352	21,104	5,873
Other inflows/Acquisitions	—	43,832	—21,277
Distributions	(6,184)	(7,517)	(3,728)
Redemptions	(475)	(946)	(909)
Net movements between Fee-Generating and Non-Fee Generating Leverage/Other ⁽¹⁾	609	(6,215)	(564)
End of Period	\$128,714	\$128,368	\$81,934
Change in Private Equity Fee-Generating AUM:			
Beginning of Period	\$34,173	\$27,932	\$28,031
Income (Loss)	(1)	398	285
Subscriptions/Capital raised	455	17,582	644
Distributions	(2,457)	(3,430)	(1,256)
Redemptions	—	(19)	—
Net segment transfers	(1,277)	482	50
Net movements between Fee-Generating and Non-Fee Generating Leverage	(514)	(6,858)	515
End of Period	\$30,285	\$34,173	\$27,932
Change in Credit Fee-Generating AUM:			
Beginning of Period	\$88,249	\$49,518	\$26,553
Income	377	1,630	988
Subscriptions/Capital raised	2,261	2,504	4,953
Other inflows/Acquisitions	—	43,832	21,277
Distributions	(2,258)	(3,118)	(2,029)
Redemptions	(475)	(927)	(909)
Net segment transfers	129	(1,611)	(1,096)
Net movements between Fee-Generating and Non-Fee Generating Leverage/Other ⁽¹⁾	1,121	431	(1,030)
End of Period	\$92,192	\$88,249	\$49,518
Change in Real Estate Fee-Generating AUM:			
Beginning of Period	\$5,946	\$4,484	\$3,537
Income (Loss)	(26)	72	117
Subscriptions/Capital raised	636	1,018	276
Distributions	(1,469)	(969)	(443)
Net segment transfers	1,148	1,129	1,045
Net movements between Fee-Generating and Non-Fee Generating Leverage/Other ⁽¹⁾	2	212	(48)
End of Period	\$6,237	\$5,946	\$4,484

(1) Represents changes in used and available leverage, and includes the changes in NAV on AUM managed by Athene Asset Management that is not sub-advised by Apollo.

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Private Equity

During the year ended December 31, 2014, Fee-Generating AUM in our private equity segment decreased by \$3.9 billion, or 11.4%. This decrease was a result of distributions of \$2.5 billion from Fund VII, Fund VI and co-investment vehicles. In addition there were net segment transfers out of \$1.3 billion attributable to Fund VI and Fund VII, and \$0.5 billion of net transfers from fee generating AUM to Non-Fee Generating AUM from Fund V and Fund VII. Offsetting these decreases were subscriptions of \$0.5 billion.

During the year ended December 31, 2013, Fee-Generating AUM in our private equity segment increased by \$6.2 billion, or 22.3%. This increase was a result of \$17.6 billion of subscriptions, primarily from Fund VIII. Offsetting this increase was \$6.9 billion of net transfers from Fee-Generating AUM to Non-Fee Generating AUM primarily attributable to Fund VII, \$3.4 billion of distributions primarily attributable to Fund VII and Fund VI of \$1.0 billion and \$2.0 billion, respectively and \$1.9 billion decrease in leverage primarily attributable to Fund VII.

During the year ended December 31, 2012, Fee-Generating AUM in our private equity segment decreased by \$0.1 billion, or 0.4%. This decrease was a result of \$1.3 billion of distributions from Fee-Generating AUM primarily attributable to Fund VI and Fund V of \$0.8 billion and \$0.3 billion, respectively. Offsetting this decrease was \$0.6 billion of subscriptions in ANRP and AION of \$0.5 billion and \$0.2 billion, respectively and \$0.3 billion of unrealized gains.

Credit

During the year ended December 31, 2014, Fee-Generating AUM in our credit segment increased by \$3.9 billion, or 4.5%. This increase was a result of \$2.8 billion of leverage, subscriptions of \$2.3 billion attributable to FCI II of \$0.5 billion and COF III of \$0.4 billion, \$1.1 billion of net transfers in from Non-Fee Generating AUM, including \$0.8 billion attributable to COF III and \$0.4 billion of income. These increases were offset by \$2.3 billion of distributions, including \$0.4 billion from EPF I and \$0.5 billion in redemptions, primarily from Apollo Credit Master Fund Ltd. ("ACF") of \$0.3 billion.

During the year ended December 31, 2013, Fee-Generating AUM in our credit segment increased by \$38.7 billion, or 78.2%. This increase consisted of \$43.8 billion in acquisitions related to the acquisition of Aviva USA by Athene Holding, a \$2.5 billion increase in subscriptions attributable to FCI II and ACF of \$0.9 billion and \$0.3 billion, respectively, and unrealized gains of \$1.6 billion. Offsetting this increase was \$3.1 billion of distributions, attributable to COF I and COF II of \$0.5 billion and \$0.8 billion, respectively, a decrease in leverage of \$4.0 billion and \$1.6 billion of transfers out to Non-Fee Generating AUM.

During the year ended December 31, 2012, Fee-Generating AUM in our credit segment increased by \$22.9 billion, or 86.4%. This increase was a result of \$16.2 billion in acquisitions related to Stone Tower, \$5.1 billion in other inflows related to Athene, and \$5.0 billion of additional subscriptions, including \$3.3 billion in EPF II and \$0.3 billion in AMTG. Offsetting this increase was \$2.0 billion of distributions, including \$0.7 billion collectively from COF I and COF II and \$0.9 billion of redemptions.

Real Estate

During the year ended December 31, 2014, Fee-Generating AUM in our real estate segment increased by \$0.3 billion, or 4.9%, which was primarily the result of \$1.1 billion of segment transfers in attributable to the Athene Accounts and \$0.6 billion of subscriptions, including \$0.4 billion attributable to AGRE Debt Fund I, L.P.. Offsetting these increases were \$1.5 billion of distributions primarily attributable to the Athene Accounts, CPI Capital Partners Europe, L.P. and CPI Capital Partners Asia Pacific, L.P. of \$0.4 billion, \$0.2 billion and \$0.2 billion, respectively.

During the year ended December 31, 2013, Fee-Generating AUM in our real estate segment increased by \$1.5 billion, or 32.6%, which was primarily the result of \$0.7 billion of capital invested by AGRE Debt Fund I, \$0.3 billion of capital raised and invested by ARI, net segment transfers of \$1.1 billion attributable to the Athene Accounts and \$0.2 billion of transfers in from Non-Fee Generating AUM. These increases were partially offset by \$1.0 billion of distributions of which \$0.5 billion were attributable to the Athene Accounts.

During the year ended December 31, 2012, Fee-Generating AUM in our real estate segment increased by \$0.9 billion, or 26.7%, which was primarily the result of transfers of \$0.9 billion attributable to the Athene Accounts and \$0.3 billion of subscriptions. These increases were partially offset by \$0.4 billion of distributions.

Table of Contents**Dollars Invested and Uncalled Commitments**

Dollars invested is the aggregate amount of capital that has been invested by our multi-year drawdown, commitment-based funds and SIAs that have a defined maturity date and for funds and SIAs in our real estate debt strategy. Uncalled commitments, by contrast, represents unfunded capital commitments that certain of Apollo's funds and SIAs have received from fund investors to fund future or current investments and expenses.

Dollars invested and uncalled 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 to the extent fee generating. Dollars invested and uncalled 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 dollars invested and uncalled commitments as key operating metrics since we believe the results measure our investment activities.

Dollars Invested

The following table summarizes by segment the dollars invested for funds and SIAs with a defined maturity date and certain funds and SIAs in Apollo's real estate debt strategy during the specified reporting periods:

	For the Year Ended		
	December 31,		
	2014	2013	2012
	(in millions)		
Private equity	\$2,163	\$2,561	\$3,191
Credit	5,174	2,865	1,835
Real Estate ⁽¹⁾	2,686	2,534	1,627
Total dollars invested	\$10,023	\$7,960	\$6,653

⁽¹⁾ Included in dollars invested is \$2,319.9 million, \$2,177.3 million and \$1,230.1 million for the years ended December 31, 2014, 2013, and 2012, respectively, for funds in Apollo's real estate debt strategy.

Uncalled Commitments

The following table summarizes the uncalled commitments by segment during the specified reporting periods:

	As of	As of	As of
	December 31, 2014	December 31, 2013	December 31, 2012
	(in millions)		
Private equity	\$22,383	\$23,689	\$7,464
Credit	8,706	7,113	6,171
Real Estate	997	971	1,438
Total uncalled commitments ⁽¹⁾⁽²⁾	\$32,841	\$32,852	\$17,428

⁽¹⁾ As of December 31, 2014, 2013 and 2012, includes \$0.8 billion, \$1.1 billion and \$2.3 billion of commitments, respectively, that have yet to be deployed to an Apollo fund within Apollo's three segments.

⁽²⁾ As of December 31, 2014, 2013 and 2012, \$29.3 billion, \$29.5 billion, and \$16.4 billion, respectively, represents the amount of capital available for investment or reinvestment subject to the provisions of the applicable limited partnership agreements or other governing agreements.

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

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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 of 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;

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, Apollo Investment Fund IV, L.P. ("Fund IV") has generated a 12% gross IRR and a 9% net IRR since its inception through December 31, 2014, while Apollo Investment Fund V, L.P. ("Fund V") has generated a 61% gross IRR and a 44% net IRR since its inception through December 31, 2014. 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."

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Investment Record

The following table summarizes the investment record by segment of Apollo's multi-year drawdown, commitment based funds and SIAs that have a defined maturity date in which investors make a commitment to provide capital at the formation of such funds and deliver capital when called as investment opportunities become available. All amounts are as of December 31, 2014, unless otherwise noted:

								As of December 31, 2014			
	Strategy	Vintage Year	Committed Capital (in millions)	Total Invested Capital	Realized	Unrealized ⁽¹⁾	Total Value	Gross IRR	Net IRR		
Private Equity: ⁽²⁾											
Fund VIII	Traditional Private Equity Funds	2013	\$ 18,377	\$ 1,266	\$ —	\$ 1,456	\$ 1,456	NM ⁽³⁾	NM ⁽³⁾	NM	NM
Fund VII	Traditional Private Equity Funds	2008	14,677	15,199	26,006	6,229	32,235	37 %	28 %	39	39
Fund VI	Traditional Private Equity Funds	2006	10,136	12,457	16,339	5,116	21,455	13	11	15	15
Fund V	Traditional Private Equity Funds	2001	3,742	5,192	12,666	215	12,881	61	44	61	61
Fund IV	Traditional Private Equity Funds	1998	3,600	3,481	6,776	25	6,801	12	9	12	12
Fund III	Traditional Private Equity Funds	1995	1,500	1,499	2,695	—	2,695	18	11	18	18
Fund I, II & MIA ⁽⁴⁾	Traditional Private Equity Funds	1990/ 1992	2,220	3,773	7,924	—	7,924	47	37	47	47
Subtotal			\$ 54,252	\$ 42,867	\$ 72,406	\$ 13,041	\$ 85,447	39 % ⁽⁵⁾	25 % ⁽⁵⁾	39	39
AION	Other	2013	825	134	9	160	169	NM ⁽³⁾	NM ⁽³⁾	NM	NM
ANRP	Natural Resources	2012	1,323	692	191	675	866	18 %	8 %	18	18
Total Private Equity			\$ 56,400	\$ 43,693	\$ 72,606	\$ 13,876	\$ 86,482				
Credit: ⁽⁶⁾											
ACRF III ⁽⁷⁾	Structured Credit	—	\$ 488	\$ 254	\$ 57	\$ 213	\$ 270	NM ⁽³⁾	NM ⁽³⁾	NM	NM
COF III ⁽⁷⁾	Opportunistic Credit	—	3,426	1,579	222	1,222	1,444	NM ⁽³⁾	NM ⁽³⁾	NM	NM
FCI II	Structured Credit	2013	1,555	653	5	802	807	NM ⁽³⁾	NM ⁽³⁾	NM	NM
EPF II ⁽⁸⁾	Non-Performing Loans	2012	3,518	2,520	640	2,381	3,021	24 %	11 %	24	24
FCI	Structured Credit	2012	559	443	190	548	738	14	9	14	14
AEC	European Credit	2012	292	625	532	177	709	12	7	12	12
AIE II ⁽⁸⁾	European Credit	2008	250	805	1,206	79	1,285	20	17	20	20
COF I	U.S. Performing Credit	2008	1,485	1,611	4,285	123	4,408	30	27	30	30
COF II	U.S. Performing Credit	2008	1,583	2,176	2,989	147	3,136	14	11	14	14
EPF I ⁽⁸⁾	Non-Performing Loans	2007	1,567	2,059	2,863	574	3,437	24	17	24	24
ACLF	U.S. Performing Credit	2007	984	1,449	2,448	136	2,584	13	11	13	13
Total Credit			\$ 15,707	\$ 14,174	\$ 15,437	\$ 6,402	\$ 21,839				

Real Estate: ⁽⁶⁾ Apollo U.S. Real Estate Fund II, L.P. ⁽⁷⁾	Equity	—	\$ 158	\$ 39	\$—	\$ 39	\$ 39	NM ⁽³⁾	NM ⁽³⁾	N
AGRE U.S. Real Estate Fund, L.P. ⁽⁹⁾	Equity	2012	864	615	312	488	800	19 %	15 %	17
AGRE Debt Fund I, LP	Debt	2011	1,190	1,185	299	1,021	1,320	9	7	13
CPI Capital Partners North America ⁽¹⁰⁾	Equity	2006	600	453	352	25	377	15	10	17
CPI Capital Partners Asia Pacific ⁽¹⁰⁾	Equity	2006	1,292	1,185	1,470	218	1,688	33	29	37
CPI Capital Partners Europe ⁽⁸⁾⁽¹⁰⁾	Equity	2006	1,406	928	388	318	706	5	3	2
CPI Other ⁽¹¹⁾	Equity	Various	1,959	N/A	N/A	⁽¹¹⁾ N/A	⁽¹¹⁾ N/A	⁽¹¹⁾ NM	⁽¹¹⁾ NM	⁽¹¹⁾ N
Total Real Estate			\$ 7,469	\$ 4,405	\$ 2,821	\$ 2,109	\$ 4,930			

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

(2) Amounts presented are computed based on actual timing of the funds' cash inflows and outflows.

(3) 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.

Fund I and Fund II were structured such that investments were made from either fund depending on which fund had available capital. Apollo does 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.

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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 Apollo's Managing Partners and other investment professionals.

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

(6) The investment record table for the credit and real estate funds and SIAs presented is computed based on the actual dates of capital contributions, distributions and ending limited partners' capital as of the specified date.

(7) COF III, ACRF III and Apollo U.S. Real Estate Fund II were launched prior to December 31, 2014 and have not established their vintage year.

(8) Funds are denominated in Euros and historical figures are translated into U.S. dollars at an exchange rate of €1.00 to \$1.21 as of December 31, 2014.

(9) AGRE U.S. Real Estate Fund, L.P., a closed-end private investment fund has \$149 million of co-invest commitments raised, which are included in the figures in the table above. A co-invest entity within AGRE U.S. Real Estate Fund, L.P. is denominated in GBP and translated into U.S. dollars at an exchange rate of £1.00 to \$1.56 as of December 31, 2014.

(10) 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, 2014 were (7)%, 7% and (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.

(11) CPI Other consists of funds or individual investments of which Apollo is not the general partner or manager and only receives 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 Apollo performs primarily an administrative role.

The following table summarizes the investment record for distressed investments made in our traditional private equity fund portfolios, since the Company's inception. All amounts are as of December 31, 2014:

	Total Invested Capital (in millions)	Total Value	Gross IRR ⁽¹⁾	
Distressed for Control	\$6,308	\$17,601	29	%
Non-Control Distressed	5,733	8,502	71	
Total	12,041	26,103	49	
Buyout Equity, Portfolio Company Debt and Other Credit ⁽²⁾	30,826	59,344	22	
Total	\$42,867	\$85,447	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, 2014:

Fund VIII⁽¹⁾

	Total Invested Capital (in millions)	Total Value
Buyout Equity and Portfolio Company Debt	\$1,266	\$1,456
Total	\$1,266	\$1,456

Fund VII⁽¹⁾

	Total Invested Capital (in millions)	Total Value
Buyout Equity and Portfolio Company Debt	\$ 10,865	\$ 25,106
Other Credit and Classic Distressed ⁽²⁾	4,334	7,129
Total	\$ 15,199	\$ 32,235

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Fund VI

	Total Invested Capital (in millions)	Total Value
Buyout Equity and Portfolio Company Debt	\$10,312	\$17,755
Other Credit and Classic Distressed ⁽²⁾	2,145	3,700
Total	\$12,457	\$21,455

Fund V

	Total Invested Capital (in millions)	Total Value
Buyout Equity	\$4,412	\$11,907
Classic Distressed ⁽²⁾	780	974
Total	\$5,192	\$12,881

Committed capital less unfunded capital commitments for Fund VIII and Fund VII was \$1.6 billion and \$13.1 billion, respectively, which represents capital commitments from limited partners to invest in such funds less capital that is available for investment or reinvestment subject to the provisions of the applicable limited partnership agreement or other governing agreements.

(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 \$13.6 billion primarily in traditional and corporate partner buyouts. During the recessionary periods of 1990 through 1993, 2001 through late 2003 and the recessionary and post recessionary periods beginning the second half of 2007 through December 31, 2014, our private equity funds have invested \$31.3 billion, of which \$16.8 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 VIII, VII, VI and V was 5.6x, 6.1x, 7.7x and 6.6x, respectively, as of the date of the filing of this Annual Report on Form 10-K. The average entry multiple for a private equity fund is the average of the total enterprise value over an applicable earnings before interest, taxes, depreciation and amortization ("EBITDA"), which we believe captures the true economics of our funds' purchases of portfolio companies.

Credit

The following table summarizes the investment record for certain funds and SIAs within Apollo's credit segment with no maturity date. All amounts are as of December 31, 2014, unless otherwise noted:

Strategy	Vintage Year	Net Asset Value as of December 31, 2014 (in millions)	Net Return Since Inception to December 31, 2014	For the Year Ended December 31, 2014	For the Year Ended December 31, 2013	For the Year Ended December 31, 2012		
TRF ⁽¹⁾	U.S. Performing Credit	2014	\$353	NM	(1) NM	(1) N/A	N/A	
ACSF ⁽²⁾		2011	449	23	% ⁽²⁾ 1	% ⁽²⁾ NM	(2) NM	(2)

SOMA ⁽³⁾	Opportunistic Credit	2007	832	59	—	9	%	15	%
ACF ⁽²⁾	U.S. Performing Credit	2005	1,977	35	(2) 6	(2) NM	(2) NM	(2)	(2)
Value Funds ⁽⁴⁾	Opportunistic Credit	2003/2006	217	64	(6)	5		11	
Totals			\$3,828						

(1) Apollo Total Return Fund (“TRF”) 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.

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- As part of the Stone Tower acquisition, Apollo acquired the manager of Apollo Credit Strategies Master Fund Ltd. (“ACSF”) and ACF. The net returns are presented in the investment record table above since acquisition on April 2, (2)2012. As of December 31, 2014, the net returns from inception for ACSF and ACF were 39% and 9%, 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.
- (3) Net asset value and returns are for the primary mandate and excludes Apollo Special Opportunities Managed Account, L.P.’s (“SOMA”) investments in other Apollo funds.
- (4) 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 the publicly traded vehicles that Apollo manages by segment as of December 31, 2014:

Strategy	IPO Year (2)	Raised Capital (3)	Gross Assets	Current NAV	Total Returns ⁽¹⁾			
					Since Inception to December 31, 2014	For the Year Ended December 31, 2014	For the Year Ended December 31, 2013	For the Year Ended December 31, 2012
(in millions)								
Private Equity:								
AAA ⁽⁴⁾ Other	2006	\$1,823	\$2,144	\$2,144	47%	4%	91%	75%
Credit:								
AIF ⁽⁵⁾ U.S. Performing Credit	2013	276	402	264	NM	(6) NM	(6) NM	(6) N/A
AFT ⁽⁵⁾ U.S. Performing Credit	2011	295	434	285	8	(1)	NM	(6) NM
AMTG Structured Credit	2011	791	4,348	786	28	18	(17)	NM
AINV Opportunistic Credit	2004	3,080	3,701	1,997	50	(4)	12	43
Real Estate:								
ARI ⁽⁷⁾ Debt	2009	886	1,744	856	33	11	10	36
Totals		\$7,151	\$12,773	\$6,332				

(1) Total returns are based on the change in closing trading prices during the respective periods presented taking into account dividends and distributions, if any, as if they were reinvested without regard to commissions.

An initial public offering (“IPO”) year represents the year in which the vehicle commenced trading on a national securities exchange. Apollo Tactical Income Fund Inc. (“AIF”), Apollo Senior Floating Rate Fund Inc. (“AFT”), (2)AMTG and ARI are publicly traded vehicles traded on the New York Stock Exchange (“NYSE”). AINV is a public company traded on the National Association of Securities Dealers Automated Quotation. AAA is a publicly traded vehicle traded on NYSE Euronext in Amsterdam.

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

(4) AAA is the sole limited partner in AAA Investments. Athene was AAA Investments’ only investment as of December 31, 2014. During the second quarter of 2014, Athene Holding raised \$1.2 billion of net equity commitments primarily from third-party institutional investors, certain existing investors in Athene, and employees of Athene and its affiliates (the “Athene Private Placement”). For the period December 31, 2013 through December 31, 2014, AAA Investments’ ownership stake in Athene was reduced as a result of the Athene Private Placement, the issuance of shares under the Amended AAA Services Agreement and the issuance of 3.7 million unrestricted common shares of Athene Holding under Athene’s management equity plan and was increased by the conversion to common shares of AAA Investments’ note receivable from Athene, resulting in an approximate 47.7% economic ownership stake (calculated as if the commitments in the Athene Private Placement closed through December 31, 2014 were fully drawn down but without giving effect to (i) restricted common shares issued under Athene’s management equity plan or (ii) common shares to be issued after December 31, 2014 under

the Amended AAA Services Agreement or the Amended Athene Services Agreement) and effectively 45% of the voting power of Athene.

(5) Gross Assets presented for AFT and AIF represents total managed assets of these closed-end funds.

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

Refer to www.apolloreit.com for the most recent financial information on ARI. The information contained on ARI's

(7) website is not part of this Annual Report on Form 10-K. All amounts are as of September 30, 2014 except for total returns.

Athene and SIAs

As of December 31, 2014, Athene Asset Management had \$60.3 billion of total AUM in accounts owned by or related to Athene, of which approximately \$12.6 billion, was either sub-advised by Apollo or invested in Apollo funds and investment vehicles. Of the approximately \$12.6 billion of assets, the vast majority were in sub-advisory managed accounts that manage high grade credit asset classes, such as collateralized loan obligation ("CLO") debt, commercial mortgage backed securities, and insurance-linked securities.

Apollo also manages CLOs within Apollo's credit segment, with such CLOs representing a total AUM of approximately \$13.5 billion as of December 31, 2014. Such CLO performance information is not included in the above investment record tables.

As of December 31, 2014, approximately \$15 billion of total AUM was managed through SIAs, which include certain SIAs in the investment record tables above and capital deployed from certain SIAs across Apollo's private equity, credit

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and real estate funds. The above investment record tables exclude certain funds with an aggregate AUM of approximately \$5.1 billion as of December 31, 2014 because management deemed them to be immaterial.

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 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 consolidated statements of operations, and any receivable from the respective funds is presented in Due from Affiliates on the consolidated statements 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 normally 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, 2014, approximately 66% of the value of our funds' investments on a gross basis was determined using market-based valuation methods (i.e., reliance on broker or listed exchange quotes) and the remaining 34% 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, 2014 was 45%, 78% 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 funds' 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

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real estate funds have various carried interest rates and hurdle rates. Certain of our credit and real estate funds allocate carried interest to the general partner in a similar manner as the private equity funds. In our private equity, certain credit and real estate funds, so long 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 Company recognizes potential repayment of previously received carried interest income as a general partner obligation representing 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 or as otherwise set forth in the respective limited partnership agreement of the fund.

The table below presents an analysis of Apollo's (i) carried interest receivable on an unconsolidated basis and (ii) realized and unrealized carried interest income (loss) for Apollo's combined segments' Incentive Business as of December 31, 2014 and 2013 and for the years ended December, 31 2014, 2013 and 2012:

	As of December 31, 2014	As of December 31, 2013	For the Year Ended December 31, 2014		For the Year Ended December 31, 2013			For the Year Ended December 31, 2012		
	Carried Interest Receivable on an Unconsolidated Basis (in millions)	Carried Interest Receivable on an Unconsolidated Basis	Unrealized Carried Interest Income (Loss)	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 Income (Loss)	Realized Carried Interest Income
Private Equity Funds:										
Fund VII	\$288.2	\$890.8	\$(602.6)	\$902.4	\$299.8	\$(13.6)	\$1,163.6	\$1,150.0	\$435.5	\$472.5
Fund VI	183.4 ⁽¹⁾	697.6	(514.1)	401.4	(112.7)	427.3	760.3	1,187.6 ⁽⁴⁾	345.6	294.5 ⁽⁵⁾
Fund V	3.2	43.0	(39.9)	44.9	5.0	(91.2)	99.1	7.9	9.3	33.4
Fund IV	5.6	7.7	(2.1)	—	(2.1)	(3.2)	1.7	(1.5)	(7.0)	2.9
AAA/Other ⁽²⁾⁽³⁾	191.5	228.7	(37.4)	79.4	42.0	135.4 ⁽⁵⁾	37.9	173.3	71.5	10.2 ⁽⁵⁾
Total Private Equity Funds	671.9	1,867.8	(1,196.1)	1,428.1	232.0	454.7	2,062.6	2,517.3	854.9	812.5
Credit Funds: ⁽⁶⁾										
U.S. Performing Credit	54.1	179.9	(109.3)	119.7	10.4	(164.1)	284.6	120.5	206.3	154.5
Opportunistic Credit	26.6	59.8	(8.5)	6.2	(2.3)	20.4 ⁽⁵⁾	36.7	57.1	7.7	41.5 ⁽⁵⁾
Structured Credit	36.1	54.3	(14.7)	5.9	(8.8)	32.7	11.2	43.9	18.5	13.4
European Credit	8.4	35.6	(11.2)	14.8	3.6	2.1	27.8	29.9	18.0	8.5
Non-Performing Loans	141.6	154.2	(13.0)	134.4	121.4	52.3	33.0	85.3	50.6	—
Total Credit Funds	266.8	483.8	(156.7)	281.0	124.3	(56.6)	393.3	336.7	301.1	217.9
Real Estate Funds:										

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CPI Funds	1.5	5.3	(3.8)	0.6	(3.2)	(5.2)	0.5	(4.7)	10.4	4.7
AGRE U.S. Real Estate Fund, L.P.	11.4	5.6	5.8	2.7	8.5	5.6	—	5.6	—	—
Other	7.2	4.3	3.0	0.7	3.7	4.3	—	4.3	—	—
Total Real Estate Funds	20.1	15.2	5.0	4.0	9.0	4.7	0.5	5.2	10.4	4.7
Total	\$958.8 ⁽⁷⁾	\$2,366.8 ⁽⁷⁾	\$(1,347.8)	\$1,713.1	\$365.3	\$402.8	\$2,456.4	\$2,859.2	\$1,166.4	\$1,0

Fund VI's remaining investments and escrow cash were valued at 104% of the funds unreturned capital, which was below a specified return ratio of 115%. As a result, Fund VI is required to place in escrow current and future (1) carried interest income distributions to the general partner until the specified return ratio of 115% is met (at the time of a future distribution) or upon liquidation of Fund VI. As of December 31, 2014, Fund VI carried interest receivable includes \$165.6 million of carried interest income in escrow.

(2) Includes certain SIAs.

Includes \$121.5 million of carried interest receivable from AAA Investments which will be paid in common shares of Athene Holding (valued at the then fair market value) if there is a distribution in kind of shares of Athene (3) Holding (unless such payment in shares would violate Section 16(b) of the U.S. Securities Exchange Act of 1934, as amended), or paid in cash if AAA sells the shares of Athene Holding.

Includes \$452.3 million for Fund VI related to the catch-up formula whereby the Company earns a (4) 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.

Included in unrealized carried interest income (loss) from affiliates for the year ended December 31, 2014 was a reversal of previously realized carried interest income due to the general partner obligation to return previously distributed carried interest income of \$3.4 million in aggregate for two of our credit funds. 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 (5) with respect 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 with respect to SOMA and APC, respectively.

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As of December 31, 2014, two of our credit funds had an aggregate \$3.4 million general partner obligation to return carried interest income that was previously distributed. The fair value gain on investments and income at the fund level needed to reverse the general partner obligations for these two credit funds was \$7.0 million and \$2.2 million, respectively as of December 31, 2014.

There was a corresponding profit sharing payable of \$434.9 million and \$992.2 million as of December 31, 2014 and 2013, respectively, that resulted in a net carried interest receivable on an unconsolidated basis of \$523.9 million and \$1,374.6 million as of December 31, 2014 and 2013, respectively. Included within profit sharing payable are contingent consideration obligations of \$96.1 million and \$135.5 million as of December 31, 2014 and 2013, respectively, and profit sharing payable related to amounts in escrow.

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, 2014. The investment manager of AINV accrues carried interest in the management 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, which we refer to as "high water marks." These high water marks are applied on an individual investor basis. Certain of our credit funds have investors with various high water marks, the achievement of which are subject to market conditions and investment performance. 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 included in due to affiliates on the consolidated statements of financial condition. As of December 31, 2014, there was a \$3.4 million general partner obligation to return previously distributed carried interest income related to our funds recorded in due to affiliates in the consolidated statement of financial condition. Carried interest receivable is reported on a separate line item within the consolidated statements of financial condition.

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The following table summarizes our carried interest income since inception for our combined segments through December 31, 2014:

	Carried Interest Income Since Inception ⁽¹⁾			General Partner Obligation as of December 31, 2014 ⁽³⁾	Maximum Carried Interest Income Subject to Potential Reversal ⁽⁴⁾
	Undistributed by Fund and Recognized	Distributed by Fund and Recognized (2)	Total Undistributed and Distributed by Fund and Recognized ⁽³⁾		
	(in millions)				
Private Equity Funds:					
Fund VII	\$288.2	\$2,862.1	\$3,150.3	\$—	\$917.7
Fund VI	183.4	1,580.1	1,763.5	—	1,246.1
Fund V	3.2	1,455.0	1,458.2	—	33.0
Fund IV	5.6	597.2	602.8	—	5.6
AAA/Other ⁽⁵⁾	191.5	144.9	336.4	—	194.8
Total Private Equity Funds	671.9	6,639.3	7,311.2	—	2,397.2
Credit Funds:					
U.S. Performing Credit	54.1	756.8	810.9	2.5	149.5
Opportunistic Credit ⁽⁶⁾	16.1	183.7	199.8	0.9	48.4
Structured Credit	36.1	30.8	66.9	—	38.3
European Credit	8.4	67.5	75.9	—	67.9
Non-Performing Loans	141.6	155.1	296.7	—	170.4
Total Credit Funds	256.3	1,193.9	1,450.2	3.4	474.5
Real Estate Funds:					
CPI Funds	1.5	5.8	7.3	—	2.2
AGRE U.S. Real Estate Fund, L.P.	11.4	2.7	14.1	—	11.1
Other	7.2	0.6	7.8	—	7.8
Total Real Estate Funds	20.1	9.1	29.2	—	21.1
Total	\$948.3	\$7,842.3	\$8,790.6	\$3.4	\$2,892.8

(1) Certain funds are denominated in Euros and historical figures are translated into U.S. dollars at an exchange rate of €1.00 to \$1.21 as of December 31, 2014.

(2) 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.

Amounts were computed based on the fair value of fund investments on December 31, 2014. 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, 2014. 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 or as otherwise set forth in the respective limited partnership agreement of the fund.

Represents the amount of carried interest income that would be reversed if remaining fund investments became worthless on December 31, 2014. 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.

- Includes \$121.5 million of carried interest receivable from AAA Investments which will be paid in common shares of Athene Holding (valued at the then fair market value) if there is a distribution in kind of shares of Athene Holding (unless such payment in shares would violate Section 16(b) of the U.S. Securities Exchange Act of 1934, as amended), or paid in cash if AAA sells the shares of Athene Holding.
- (5)
- (6) Amounts exclude AINV, as carried interest income from this entity is not subject to contingent repayment.

Expenses

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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 restricted depository units ("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, AHL Awards (as defined in note 16 to our consolidated financial statements) and other equity-based compensation awards have been granted to the Company and certain employees, which amortize over the respective vesting periods. 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, the 2013 AMH Credit Facilities and the 2024 Senior Notes 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

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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 results of 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 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 (Losses), Net. Other income (losses), 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 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, 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, 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 57.7% and 61.0% 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, 2014 and 2013, respectively, and other ownership interests in consolidated entities, which primarily consist of the approximate 97.5% and 97.4% ownership interests held by limited partners in AAA as of December 31, 2014 and 2013, 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

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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.

Results of Operations

Below is a discussion of our consolidated results of operations for the years ended December 31, 2014, 2013, and 2012. For additional analysis of the factors that affected our results at the segment level, see "—Segment Analysis" below:

	Year Ended December		Amount Change	Percentage Change	Year Ended December		Amount Change	Percentage Change	
	31, 2014	2013			31, 2013	2012			
	(dollars in thousands)				(dollars in thousands)				
Revenues:									
Advisory and transaction fees from affiliates, net	\$315,587	\$196,562	\$119,025	60.6 %	\$196,562	\$149,544	\$47,018	31.4 %	
Management fees from affiliates	850,441	674,634	175,807	26.1	674,634	580,603	94,031	16.2	
Carried interest income from affiliates	394,055	2,862,375	(2,468,320)	(86.2)	2,862,375	2,129,818	732,557	34.4	
Total Revenues	1,560,083	3,733,571	(2,173,488)	(58.2)	3,733,571	2,859,965	873,606	30.5	
Expenses:									
Compensation and benefits:									
Equity-based compensation	126,320	126,227	93	0.1	126,227	598,654	(472,427)	(78.9)	
Salary, bonus and benefits	338,049	294,753	43,296	14.7	294,753	274,574	20,179	7.3	
Profit sharing expense	276,190	1,173,255	(897,065)	(76.5)	1,173,255	872,133	301,122	34.5	
Total Compensation and Benefits	740,559	1,594,235	(853,676)	(53.5)	1,594,235	1,745,361	(151,126)	(8.7)	
Interest expense	22,393	29,260	(6,867)	(23.5)	29,260	37,116	(7,856)	(21.2)	
Professional fees	82,030	83,407	(1,377)	(1.7)	83,407	64,682	18,725	28.9	
General, administrative and other	97,663	98,202	(539)	(0.5)	98,202	87,961	10,241	11.6	
Placement fees	15,422	42,424	(27,002)	(63.6)	42,424	22,271	20,153	90.5	
Occupancy	40,427	39,946	481	1.2	39,946	37,218	2,728	7.3	
Depreciation and amortization	45,069	54,241	(9,172)	(16.9)	54,241	53,236	1,005	1.9	
Total Expenses	1,043,563	1,941,715	(898,152)	(46.3)	1,941,715	2,047,845	(106,130)	(5.2)	
Other Income:									
Net gains from investment activities	213,243	330,235	(116,992)	(35.4)	330,235	288,244	41,991	14.6	
Net gains (losses) from investment activities of consolidated variable interest entities	22,564	199,742	(177,178)	(88.7)	199,742	(71,704)	271,446	NM	

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Income from equity method investments	53,856	107,350	(53,494)	(49.8)	107,350	110,173	(2,823)	(2.6)
Interest income	10,392	12,266	(1,874)	(15.3)	12,266	9,693	2,573	26.5
Other income, net	60,592	40,114	20,478	51.0	40,114	1,964,679	(1,924,565)	(98.0)
Total Other Income	360,647	689,707	(329,060)	(47.7)	689,707	2,301,085	(1,611,378)	(70.0)
Income before income tax provision	877,167	2,481,563	(1,604,396)	(64.7)	2,481,563	3,113,205	(631,642)	(20.3)
Income tax provision	(147,245)	(107,569)	(39,676)	36.9	(107,569)	(65,410)	(42,159)	64.5
Net Income	729,922	2,373,994	(1,644,072)	(69.3)	2,373,994	3,047,795	(673,801)	(22.1)
Net income attributable to Non-controlling Interests	(561,693)	(1,714,603)	1,152,910	(67.2)	(1,714,603)	(2,736,838)	1,022,235	(37.4)
Net Income Attributable to Apollo Global Management, LLC	\$ 168,229	\$ 659,391	\$ (491,162)	(74.5)%	\$ 659,391	\$ 310,957	\$ 348,434	112.1 %

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.

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Revenues

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

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.

Advisory and transaction fees from affiliates, net, increased by \$119.0 million for the year ended December 31, 2014 as compared to the year ended December 31, 2013. This change was attributable to an increase in the credit segment of \$140.5 million offset by a decrease in the private equity segment of \$20.1 million. The increase in the credit segment was primarily attributable to an increase in monitoring fees from Athene of \$118.5 million as a result of Athene's acquisition of Aviva USA. The decrease in the private equity segment was primarily attributable to lower net advisory fees due to the realization of underlying investments, termination fees and waived fees related to debt investment vehicles, Taminco, Realogy and Caesars Entertainment that occurred during the year ended December 31, 2013 and lower net transaction fees earned for the year ended December 31, 2014 compared to 2013. 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 description of how the Management Fee Offsets are calculated.

Management fees from affiliates increased by \$175.8 million for the year ended December 31, 2014 as compared to the year ended December 31, 2013. This change was primarily attributable to an increase in management fees earned by our credit and private equity segments of \$146.3 million and \$30.2 million, respectively. The primary driver of the increase in management fees earned from the credit funds was an increase in management fees earned from Athene of \$126.1 million during the year ended December 31, 2014 as compared to the same period in 2013 as a result of Athene's acquisition of Aviva USA. The primary driver of the increase in management fees earned from the private equity funds was an increase in management fees earned from Fund VIII in the amount of \$126.4 million during the year ended December 31, 2014, partially offset by decreased management fees earned from Fund VII of \$92.9 million as a result of a change in the management fee rate and basis upon which management fees are earned from capital commitments to invested capital, due to the fund coming to the end of the fund's investment period.

Carried interest income from affiliates decreased by \$2.5 billion for the year ended December 31, 2014 as compared to the year ended December 31, 2013. This change was primarily attributable to decreased carried interest income from Fund VI, Fund VII, AAA Investments (Co-Invest VI), L.P. ("AAA Co-Invest VI"), COF I, certain sub-advisory arrangements, SOMA, and EPF I of \$1.3 billion, \$850.1 million, \$121.7 million, \$46.2 million, \$42.3 million, \$38.8 million and \$25.7 million, respectively.

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.

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, 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, certain 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

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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.

Expenses

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Compensation and benefits decreased by \$853.7 million for the year ended December 31, 2014 as compared to the year ended December 31, 2013. This change was primarily attributable to a decrease in profit sharing expense of \$897.1 million due to lower carried interest income during the year ended December 31, 2014 as compared to the year ended December 31, 2013. In any year the blended profit sharing percentage is impacted by the respective profit sharing ratios of the funds that are generating carried interest in the period. During the year ended December 31, 2014, the fair value of Fund VII's underlying fund investments appreciated while Fund VI's underlying fund investments depreciated, which contributed to an increased profit sharing percentage compared to the year ended December 31, 2013. Included within profit sharing expense was \$62.0 million and \$62.4 million related to the Incentive Pool (as defined below) for the year ended December 31, 2014 and 2013, respectively. The Incentive Pool is separate from the fund related profit sharing expense and, as described below, may result in greater variability in compensation and have a variable impact on the blended profit sharing percentage during a particular quarter. The decrease in profit sharing expense was offset by an increase in salary, bonus and benefits of \$43.3 million during the year ended December 31, 2014.

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 \$6.9 million for the year ended December 31, 2014 as compared to the year ended December 31, 2013. This change was primarily attributable to a lower margin rate incurred from the 2013 AMH Credit Facilities as compared to the 2007 AMH Credit Agreement during the year ended December 31, 2014 as compared to the same period in 2013 (see note 14 to our consolidated financial statements).

Placement fees decreased by \$27.0 million for the year ended December 31, 2014 as compared to the year ended December 31, 2013. 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 decreases in placement fees with respect to EPF II and Fund VIII of \$14.1 million and \$13.2 million, respectively, during the year ended December 31, 2014 as compared to the same period in 2013.

Depreciation and amortization expense decreased by \$9.2 million for the year ended December 31, 2014 as compared to the year ended December 31, 2013. This change was primarily attributable to lower amortization of intangible assets during the year ended December 31, 2014 as compared to the year ended December 31, 2013 as certain intangible assets were fully amortized in 2014.

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

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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.

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. 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.

Other Income (Loss)

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Net gains from investment activities decreased by \$117.0 million for the year ended December 31, 2014 as compared to the year ended December 31, 2013. This change was primarily attributable to a \$137.9 million decrease in net unrealized gains related to changes in the fair value of investments held by AAA, offset by a decrease in losses on the investment in HFA Holdings Limited ("HFA") of \$21.4 million (see note 4 to the consolidated financial statements). Net gains from investment activities of consolidated VIEs decreased by \$177.2 million for the year ended December 31, 2014 as compared to the year ended December 31, 2013. The decrease was primarily attributable to a \$238.5 million net loss from investment activities for the year ended December 31, 2014 as compared to a \$54.2 million net gain from investment activities for the year ended December 31, 2013. The decrease was also driven by a \$7.8 million decrease in interest and other income and a \$74.6 million increase in other expenses for the year ended December 31, 2014 as compared to the same period in 2013. These changes were offset by a \$102.5 million net gain from debt for the year ended December 31, 2014 as compared to a \$95.4 million net loss from debt for the year ended December 31, 2013.

Income from equity method investments decreased by \$53.5 million for the year ended December 31, 2014 as compared to the year ended December 31, 2013. This change was primarily driven by lower appreciation in the net asset value of entities in which the Company has a direct interest for the year ended December 31, 2014 as compared to the year ended December 31, 2013. Fund VI and Fund VII had the most significant impact and together had a reduction of \$53.9 million of income from equity method investments during the year ended December 31, 2014 as compared to the same period in 2013.

Interest income decreased by \$1.9 million for the year ended December 31, 2014 as compared to the year ended December 31, 2013 primarily due to the decrease of payment-in-kind interest income as a result of the sale of the Company's investment in HFA during July 2014 as compared to the same period in 2013 (see note 4 to the consolidated financial statements).

Other income, net increased by \$20.5 million for the year ended December 31, 2014 as compared to the year ended December 31, 2013. This change was primarily attributable to a gain from the reduction of the tax receivable agreement liability during the year ended December 31, 2014 resulting from changes in projected income estimates

and in estimated tax rates (see note 17 to our consolidated financial statements) and a gain on extinguishment of a portion of the contingent consideration obligation related to the acquisition of Stone Tower (see note 18 to our consolidated financial statements) during the period. These increases were offset by losses resulting from fluctuations in exchange rates of foreign denominated assets and liabilities of subsidiaries during the year ended December 31, 2014.

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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 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.

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.

Income Tax Provision

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Income tax provision increased by \$39.7 million primarily due to an increase in management business income subject to corporate level taxation. There was also a reduction of the Company's blended state tax rate which caused the Company to reduce its deferred tax assets and increased income tax expense. The Apollo Operating Group and its subsidiaries generally operate as partnerships for U.S. federal income tax purposes. Due to our legal structure, only a portion of the income we earn is subject to corporate-level tax rates in the United States and foreign jurisdictions. The provision for income taxes includes federal, state and local income taxes in the United States and foreign income taxes at an effective tax rate of 16.8% and 4.3% for the years ended December 31, 2014 and 2013, respectively. The reconciling items between our statutory tax rate and our effective tax rate were due to the following: (i) income passed through to Non-Controlling Interests; (ii) income passed through to Class A shareholders; (iii) amortization of AOG Units that are non-deductible for income tax purposes which were fully amortized as of June 30, 2013; and (iv) state and local income taxes including NYC UBT.

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.

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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,		
	2014	2013	2012
	(in thousands)		
AAA ⁽¹⁾	\$(196,964)	\$(331,504)	(278,454)
Interest in management companies and a co-investment vehicle ⁽²⁾	(13,186)	(18,872)	(7,307)
Other consolidated entities	(17,590)	43,357	50,956
Net income attributable to Non-Controlling Interests in consolidated entities	(227,740)	(307,019)	(234,805)
Net (income) loss attributable to Appropriated Partners' Capital ⁽³⁾	70,729	(149,934)	(1,816,676)
Net income attributable to Non-Controlling Interests in the Apollo Operating Group	(404,682)	(1,257,650)	(685,357)
Net Income attributable to Non-Controlling Interests	\$(561,693)	\$(1,714,603)	\$(2,736,838)
Net income (loss) attributable to Appropriated Partners' Capital ⁽⁴⁾	(70,729)	149,934	1,816,676
Other Comprehensive (income) loss attributable to Non-Controlling Interests	591	(41)	(2,010)
Comprehensive Income Attributable to Non-Controlling Interests	\$(631,831)	\$(1,564,710)	\$(922,172)

Reflects the Non-Controlling Interests in the net (income) loss of AAA and is calculated based on the

(1) Non-Controlling Interests' ownership percentage in AAA, which was approximately 97.5%, 97.4% and 97.3% as of December 31, 2014, 2013 and 2012, respectively. As of December 31, 2014, 2013 and 2012, Apollo owned approximately 2.5%, 2.6% and 2.7% of AAA, respectively.

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

(3) Reflects net (income) loss of the consolidated CLOs classified as VIEs.

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

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

	For the Year Ended December 31,			
	2014	2013	2012	
	(in thousands)			
Net income	\$729,922	\$2,373,994	\$3,047,795	
Net income attributable to Non-Controlling Interests in consolidated entities	(157,011)	(456,953)	(2,051,481)	
Net income after Non-Controlling Interests in consolidated entities	572,911	1,917,041	996,314	
Adjustments:				
Income tax provision ⁽¹⁾	147,245	107,569	65,410	
NYC UBT and foreign tax provision ⁽²⁾	(10,995)	(10,334)	(10,889)	
Net (income) loss in non-Apollo Operating Group entities	(31,150)	(11,774)	948	
Total adjustments	105,100	85,461	55,469	
Net income after adjustments	678,011	2,002,502	1,051,783	
Approximate weighted average ownership percentage of Apollo Operating Group	57.8	% 61.0	% 64.9	%
Net income attributable to Non-Controlling Interests in Apollo Operating Group	\$404,682	\$1,257,650	\$685,357	

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 of the Apollo Operating Group (1) before calculating Non-Controlling Interests as the income allocable to the Apollo Operating Group is not subject to such taxes.

Reflects NYC UBT and foreign taxes that are attributable to the Apollo Operating Group and its subsidiaries (2) 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 attributable to the Apollo Operating Group.

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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, Non-Controlling Interests with the exception of allocations of income to certain individuals and non-cash revenue and expense related to equity awards granted by unconsolidated affiliates to employees of the Company.

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 fee 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.

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Private Equity

The following tables set forth our segment statement of operations information and our supplemental performance measure, ENI, for our private equity segment, further broken out by our "management" and "incentive" businesses, for the years ended December 31, 2014, 2013 and 2012, respectively.

	For the Year Ended December 31, 2014			For the Year Ended December 31, 2013			For the Year Ended December 31, 2012		
	Management	Incentive	Total	Management	Incentive	Total	Management	Incentive	Total
(in thousands)									
Private Equity:									
Revenues:									
Advisory and transaction fees from affiliates, net	\$58,241	\$—	\$58,241	\$78,371	\$—	\$78,371	\$121,744	\$—	\$121,744
Management fees from affiliates	315,069	—	315,069	284,833	—	284,833	277,048	—	277,048
Carried interest income (loss) from affiliates:									
Unrealized gains (losses) ⁽¹⁾	—	(1,196,093)	(1,196,093)	—	454,722	454,722	—	854,919	854,919
Realized gains	—	1,428,076	1,428,076	—	2,062,525	2,062,525	—	812,616	812,616
Total Revenues	373,310	231,983	605,293	363,204	2,517,247	2,880,451	398,792	1,667,535	2,066,327
Expenses:									
Compensation and Benefits:									
Equity-based compensation	49,526	—	49,526	31,967	—	31,967	31,213	—	31,213
Salary, bonus and benefits	96,689	—	96,689	109,761	—	109,761	104,068	—	104,068
Profit sharing expense	—	178,373	178,373	—	1,030,404	1,030,404	—	726,874	726,874
Total compensation and benefits	146,215	178,373	324,588	141,728	1,030,404	1,172,132	135,281	726,874	862,155
Other expenses	78,735	—	78,735	112,525	—	112,525	83,311	—	83,311
Total Expenses	224,950	178,373	403,323	254,253	1,030,404	1,284,657	218,592	726,874	945,466
Other Income:									
Income from equity method investments	—	30,418	30,418	—	78,811	78,811	—	74,038	74,038

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Other income, net	12,976	1,617	14,593	13,006	1,695	14,701	4,653	—	4,653
Total Other Income	12,976	32,035	45,011	13,006	80,506	93,512	4,653	74,038	78,691
Economic Net Income	\$ 161,336	\$ 85,645	\$ 246,981	\$ 121,957	\$ 1,567,349	\$ 1,689,306	\$ 184,853	\$ 1,014,699	\$ 1,199,552

(1) 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. 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.

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	For the Year Ended December 31,				For the Year Ended December 31,			
	2014	2013	Amount Change	Percentage Change	2013	2012	Amount Change	Percentage Change
	(dollars in thousands)				(dollars in thousands)			
Private Equity:								
Revenues:								
Advisory and transaction fees from affiliates, net	\$58,241	\$78,371	\$(20,130)	(25.7)%	\$78,371	\$121,744	\$(43,373)	(35.6)%
Management fees from affiliates	315,069	284,833	30,236	10.6	284,833	277,048	7,785	2.8
Carried interest income (loss) from affiliates:								
Unrealized gains (losses) ⁽¹⁾	(1,196,093)	454,722	(1,650,815)	NM	454,722	854,919	(400,197)	(46.8)
Realized gains	1,428,076	2,062,525	(634,449)	(30.8)	2,062,525	812,616	1,249,909	153.8
Total carried interest income from affiliates	231,983	2,517,247	(2,285,264)	(90.8)	2,517,247	1,667,535	849,712	51.0
Total Revenues	605,293	2,880,451	(2,275,158)	(79.0)	2,880,451	2,066,327	814,124	39.4
Expenses:								
Compensation and benefits:								
Equity-based compensation	49,526	31,967	17,559	54.9	31,967	31,213	754	2.4
Salary, bonus and benefits	96,689	109,761	(13,072)	(11.9)	109,761	104,068	5,693	5.5
Profit sharing expense	178,373	1,030,404	(852,031)	(82.7)	1,030,404	726,874	303,530	41.8
Total compensation and benefits expense	324,588	1,172,132	(847,544)	(72.3)	1,172,132	862,155	309,977	36.0
Other expenses	78,735	112,525	(33,790)	(30.0)	112,525	83,311	29,214	35.1
Total Expenses	403,323	1,284,657	(881,334)	(68.6)	1,284,657	945,466	339,191	35.9
Other Income:								
Income from equity method investments	30,418	78,811	(48,393)	(61.4)	78,811	74,038	4,773	6.4
Other income, net	14,593	14,701	(108)	(0.7)	14,701	4,653	10,048	215.9
Total Other Income	45,011	93,512	(48,501)	(51.9)	93,512	78,691	14,821	18.8
Economic Net Income	\$246,981	\$1,689,306	\$(1,442,325)	(85.4)%	\$1,689,306	\$1,199,552	\$489,754	40.8%

(1) 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. 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, 2014 Compared to Year Ended December 31, 2013

Advisory and transaction fees from affiliates, net, decreased by \$20.1 million for the year ended December 31, 2014 as compared to the year ended December 31, 2013. This change was primarily attributable to lower net advisory fees driven by the realization of underlying investments, termination fees and waived fees related to debt investment vehicles, EP Energy, Taminco, Realogy and Caesars Entertainment that occurred during the year ended December 31, 2013 and lower net transaction fees for the year ended December 31, 2014 compared to 2013.

Management fees from affiliates increased by \$30.2 million for the year ended December 31, 2014 as compared to the year ended December 31, 2013. This increase was primarily attributable to increased management fees earned from Fund VIII in the amount of \$126.4 million during the year ended December 31, 2014. This increase was partially offset by decreased management fees earned from Fund VII of \$92.9 million as a result of a change in the management fee rate and basis upon which management fees are earned from capital commitments to invested capital, due to the fund coming to the end of the fund's investment period.

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Carried interest income from affiliates decreased by \$2.3 billion for the year ended December 31, 2014 as compared to the year ended December 31, 2013. This change was primarily attributable to decreases in carried interest income earned from Fund VI and Fund VII of \$1.3 billion and \$850.1 million, respectively. Realized carried interest income decreased \$634.4 million, driven by decreased realized carried interest with respect to Fund VI and Fund VII of \$358.9 million and \$261.0 million, respectively, primarily due to decreased dispositions of underlying portfolio investments held during the year as compared to the prior year. Unrealized carried interest income decreased by \$1.7 billion during the year ended December 31, 2014, driven by decreases in unrealized carried interest income with respect to Fund VI and Fund VII of \$941.4 million and \$589.2 million, respectively. These decreases were a result of decreases in the fair value of portfolio investments of Fund VI and Fund VII and reversals of unrealized carried interest income to realized carried interest income.

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 the fourth quarter 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.

Expenses

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Compensation and benefits expense decreased by \$847.5 million for the year ended December 31, 2014 as compared to the year ended December 31, 2013. This change was primarily attributable to a decrease in profit sharing expense of \$852.0 million, due to lower carried interest income during the year ended December 31, 2014 as compared to the year ended December 31, 2013. In any year, the blended profit sharing percentage is impacted by the respective profit sharing ratios of the funds generating

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carried interest in the period. During the year ended December 31, 2014, the fair value of Fund VII's underlying fund investments appreciated while Fund VI's underlying fund investments depreciated, which contributed to an increased profit sharing percentage compared to the year ended December 31, 2013. This decrease was partially offset by increased equity-based compensation of \$17.6 million, driven by non-cash expense related to equity-based compensation in connection with the departure of an executive officer during the year ended December 31, 2014. Included in profit sharing expense is \$55.5 million and \$46.0 million related to the Incentive Pool for the years ended December 31, 2014 and December 31, 2013, respectively.

Other expenses decreased by \$33.8 million for the year ended December 31, 2014 as compared to the year ended December 31, 2013. This change was primarily attributable to decreased organizational expenses and legal and consulting fees, as well as a reduction in placement fees relating to Fund VIII.

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.

Other Income

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Income from equity method investments decreased by \$48.4 million for the year ended December 31, 2014 as compared to the year ended December 31, 2013. This change was primarily driven by lower appreciation in the net asset value, primarily from Apollo's ownership interests in Fund VI and Fund VII, in the amounts of \$4.6 million and \$49.3 million, respectively, for the year ended December 31, 2014 as compared to the year ended December 31, 2013, which was offset by an increase in the fair value of Apollo's ownership interest in AION in the amount of \$5.8 million.

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.

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Credit

The following tables set forth segment statement of operations information and ENI for our credit segment, further broken out by our "management" and "incentive" businesses, for the years ended December 31, 2014, 2013 and 2012, respectively.

	For the Year Ended December 31, 2014			For the Year Ended December 31, 2013			For the Year Ended December 31, 2012		
	Management	Incentive	Total	Management	Incentive	Total	Management	Incentive	Total
(in thousands)									
Credit:									
Revenues:									
Advisory and transaction fees from affiliates, net	\$255,186	\$—	\$255,186	\$114,643	\$—	\$114,643	\$27,551	\$—	\$27,551
Management fees from affiliates	538,742	—	538,742	392,433	—	392,433	299,667	—	299,667
Carried interest income from affiliates:									—
Unrealized gains (losses) ⁽¹⁾	—	(156,644)	(156,644)	—	(56,568)	(56,568)	—	301,077	301,077
Realized gains	41,199	281,034	322,233	36,922	393,338	430,260	37,842	179,933	217,775
Total Revenues	835,127	124,390	959,517	543,998	336,770	880,768	365,060	481,010	846,070
Expenses:									
Compensation and Benefits:									
Equity-based compensation	48,737	—	48,737	24,167	—	24,167	26,988	—	26,988
Salary, bonus and benefits	210,546	—	210,546	153,056	—	153,056	139,895	—	139,895
Profit sharing expense	—	95,070	95,070	—	142,728	142,728	—	138,444	138,444
Total compensation and benefits	259,283	95,070	354,353	177,223	142,728	319,951	166,883	138,444	305,327
Other expenses	163,082	—	163,082	162,064	—	162,064	149,051	—	149,051
Total Expenses	422,365	95,070	517,435	339,287	142,728	482,015	315,934	138,444	454,378
Other Income:									
Net gains (losses) from investment activities	—	9,062	9,062	—	(12,593)	(12,593)	—	(1,142)	(1,142)
Income from equity method investments	—	18,812	18,812	—	30,678	30,678	—	46,100	46,100
Other income, net	28,538	22,674	51,212	28,540	8,508	37,048	15,008	—	15,008
	28,538	50,548	79,086	28,540	26,593	55,133	15,008	44,958	59,966

Total Other Income									
Non-Controlling Interests	(12,688)	—	(12,688)	(13,985)	—	(13,985)	(8,730)	—	(8,730)
Economic Net Income	\$428,612	\$79,868	\$508,480	\$219,266	\$220,635	\$439,901	\$55,404	\$387,524	\$442,928

Included in unrealized carried interest income (loss) from affiliates for the year ended December 31, 2014 was a reversal of previously realized carried interest income due to the general partner obligation to return previously distributed carried interest income of \$3.4 million in aggregate with respect to two of our credit funds. Included in unrealized carried interest 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 income (loss) from (1) 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 with respect to SOMA and APC of \$1.2 million and \$0.3 million, 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 or as otherwise set forth in the respective limited partnership agreement of the fund.

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	For the Year Ended December 31,				For the Year Ended December 31,					
	2014	2013	Amount Change	Percentage Change	2013	2012	Amount Change	Percentage Change		
	(dollars in thousands)				(dollars in thousands)					
Credit:										
Revenues:										
Advisory and transaction fees from affiliates, net	\$255,186	\$114,643	\$140,543	122.6	%	\$114,643	\$27,551	\$87,092	316.1	%
Management fees from affiliates	538,742	392,433	146,309	37.3		392,433	299,667	92,766	31.0	
Carried interest income (loss) from affiliates:										
Unrealized gains (losses) ⁽¹⁾	(156,644)	(56,568)	(100,076)	176.9		(56,568)	301,077	(357,645)	NM	
Realized gains	322,233	430,260	(108,027)	(25.1)		430,260	217,775	212,485	97.6	
Total carried interest income from affiliates	165,589	373,692	(208,103)	(55.7)		373,692	518,852	(145,160)	(28.0)	
Total Revenues	959,517	880,768	78,749	8.9		880,768	846,070	34,698	4.1	
Expenses:										
Compensation and benefits										
Equity-based compensation	48,737	24,167	24,570	101.7		24,167	26,988	(2,821)	(10.5)	
Salary, bonus and benefits	210,546	153,056	57,490	37.6		153,056	139,895	13,161	9.4	
Profit sharing expense	95,070	142,728	(47,658)	(33.4)		142,728	138,444	4,284	3.1	
Total compensation and benefits	354,353	319,951	34,402	10.8		319,951	305,327	14,624	4.8	
Other expenses	163,082	162,064	1,018	0.6		162,064	149,051	13,013	8.7	
Total Expenses	517,435	482,015	35,420	7.3		482,015	454,378	27,637	6.1	
Other Income:										
Net gains (losses) from investment activities	9,062	(12,593)	21,655	NM		(12,593)	(1,142)	(11,451)	NM	
Income from equity method investments	18,812	30,678	(11,866)	(38.7)		30,678	46,100	(15,422)	(33.5)	
Other income, net	51,212	37,048	14,164	38.2		37,048	15,008	22,040	146.9	
Total Other Income	79,086	55,133	23,953	43.4		55,133	59,966	(4,833)	(8.1)	
Non-Controlling Interests	(12,688)	(13,985)	1,297	(9.3)		(13,985)	(8,730)	(5,255)	60.2	
Economic Net Income	\$508,480	\$439,901	\$68,579	15.6	%	\$439,901	\$442,928	\$(3,027)	(0.7)	%

(1) Included in unrealized carried interest income (loss) from affiliates for the year ended December 31, 2014 was a reversal of previously realized carried interest income due to the general partner obligation to return previously distributed carried interest income of \$3.4 million in aggregate with respect to two of our credit funds. 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 with respect to SOMA and APC of \$1.2 million and \$0.3 million, 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 or as otherwise set forth in the respective limited partnership agreement of the fund.

Revenues

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Advisory and transaction fees from affiliates, net, increased by \$140.5 million during the year ended December 31, 2014 as compared to the year ended December 31, 2013. The increase was primarily driven by an increase in monitoring fees from Athene of \$118.5 million as a result of Athene's acquisition of Aviva USA and an increase in net transaction fees with respect to EPF II and FCI II during the year ended December 31, 2014 compared to the same period in 2013.

Management fees from affiliates increased by \$146.3 million for the year ended December 31, 2014 as compared to the year ended December 31, 2013. This change was primarily attributable to increases in management fees earned from Athene (as a result of Athene's acquisition of Aviva USA) and AINV of \$126.1 million and \$8.4 million, respectively, during the year ended December 31, 2014 compared to the same period in 2013.

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Carried interest income from affiliates decreased by \$208.1 million during the year ended December 31, 2014 as compared to the year ended December 31, 2013. This change was primarily attributable to decreased carried interest income related to COF I of \$46.2 million, certain sub-advisory arrangements of \$42.3 million, SOMA of \$38.8 million, EPF I of \$25.7 million, certain CLOs of \$20.6 million, Apollo Offshore Credit Fund of \$18.0 million, ACLF of \$12.6 million, COF II of \$11.4 million and Apollo Investment Europe II, L.P. ("AIE II") of \$11.3 million during the year ended December 31, 2014 compared to the same period in 2013. These decreases were partially offset by increased carried interest income related to EPF II of \$59.4 million. Included in carried interest income from affiliates was realized carried interest income which decreased \$108.0 million primarily resulting from lower realizations from COF I of \$127.4 million, COF II of \$29.2 million, SOMA of \$15.5 million, AIE II of \$14.1 million and Apollo Offshore Credit Fund of \$11.6 million, partially offset by increased realized carried interest income from EPF I of \$100.1 million. Also included in carried interest income was unrealized carried interest income which decreased \$100.1 million during the year ended December 31, 2014 compared to the same period in 2013, mainly driven by decreases with respect to EPF I of \$125.8 million, certain sub-advisory arrangements of \$39.1 million, certain CLOs of \$34.7 million, SOMA of \$23.2 million, partially offset by a decrease in unrealized carried interest losses with respect to COF I of \$81.2 million and an increase in unrealized carried interest income with respect to EPF II of \$59.4 million.

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.

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, certain 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, certain 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, certain 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, certain CLOs, CLF, and COF II.

Expenses

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Compensation and benefits expense increased by \$34.4 million for the year ended December 31, 2014 as compared to the year ended December 31, 2013. This change was primarily due to an increase in salary, bonus and benefits of

\$57.5 million due to increased headcount and an increase in equity-based compensation of \$24.6 million. The increase in equity-based compensation was driven by non-cash expense of \$23.2 million related to equity-based compensation in connection with the departure of an executive officer during the year ended December 31, 2014 as compared to the same period in 2013. These increases were offset by a decrease in profit sharing expense of \$47.7 million during the year ended December 31, 2014 as compared to the same period in 2013, primarily attributable to a corresponding decrease in carried interest income. Within our credit segment, the Company is seeking to further align total compensation for investment professionals with the profitability of the credit business as a whole rather than on a fund-by-fund basis. As a result, the Company incurred approximately \$22.0 million of additional profit sharing expense at the inception of the compensation plan during 2014. Additionally, included within profit sharing expense is

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the Incentive Pool, which resulted in additional profit sharing expense of \$6.3 million and \$16.3 million for the year ended December 31, 2014 and 2013, respectively.

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.

Other Income

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Net gains from investment activities of \$9.1 million increased by \$21.7 million for the year ended December 31, 2014 as compared to the year ended December 31, 2013 as a result of appreciation in the Company's investment in HFA during the year ended December 31, 2014 prior to the sale of the investment in HFA (see note 4 to the consolidated financial statements.)

Income from equity method investments decreased by \$11.9 million for the year ended December 31, 2014 as compared to the year ended December 31, 2013. This change was driven by decreases in the fair values of investments held by certain of our credit funds, primarily COF I, EPF I, AIE II, COF III and Apollo Palmetto Strategic Partnership, L.P. which resulted in decreases in income from equity method investments of \$6.1 million, \$2.2 million, \$1.8 million, \$1.6 million and \$1.1 million, respectively, during the year ended December 31, 2014 as compared to the same period in 2013.

Other income increased by \$14.2 million during the year ended December 31, 2014, as compared to the year ended December 31, 2013, mainly due to a gain from the reduction of the tax receivable agreement liability during the year ended December 31, 2014 resulting from changes in projected income estimates and estimated tax rates (see note 17 to our consolidated financial statements) and a gain on extinguishment of a portion of the contingent consideration obligation related to the acquisition of Stone Tower (see note 18 to our consolidated financial statements).

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).

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Real Estate

The following tables set forth our segment statement of operations information and ENI for our real estate segment, further broken out by our "management" and "incentive" businesses, for the years ended December 31, 2014, 2013 and 2012, respectively.

	For the Year Ended December 31, 2014			For the Year Ended December 31, 2013			For the Year Ended December 31, 2012		
	Management	Incentive	Total	Management	Incentive	Total	Management	Incentive	Total
(in thousands)									
Real Estate:									
Revenues:									
Advisory and transaction fees from affiliates, net	\$2,655	\$—	\$2,655	\$3,548	\$—	\$3,548	\$749	\$—	\$749
Management fees from affiliates	47,213	—	47,213	53,436	—	53,436	46,326		46,326
Carried interest income from affiliates:									
Unrealized gains	—	4,951	4,951	—	4,681	4,681	—	10,401	10,401
Realized gains	—	3,998	3,998	—	541	541	—	4,673	4,673
Total Revenues	49,868	8,949	58,817	56,984	5,222	62,206	47,075	15,074	62,149
Expenses:									
Compensation and Benefits:									
Equity-based compensation	8,849	—	8,849	10,207	—	10,207	10,741	—	10,741
Salary, bonus and benefits	32,611	—	32,611	31,936	—	31,936	30,611	—	30,611
Profit sharing expense	—	2,747	2,747	—	123	123	—	6,815	6,815
Total compensation and benefits	41,460	2,747	44,207	42,143	123	42,266	41,352	6,815	48,167
Other expenses	23,784	—	23,784	27,620	—	27,620	24,270	—	24,270
Total Expenses	65,244	2,747	67,991	69,763	123	69,886	65,622	6,815	72,437
Other Income:									
Income from equity method investments	—	5,675	5,675	—	3,722	3,722	—	982	982
Other income, net	3,584	—	3,584	2,402	—	2,402	1,271	—	1,271
Total Other Income	3,584	5,675	9,259	2,402	3,722	6,124	1,271	982	2,253
Economic Net Income (Loss)	\$(11,792)	\$11,877	\$85	\$(10,377)	\$8,821	\$(1,556)	\$(17,276)	\$9,241	\$(8,035)

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	For the Year Ended December 31,				For the Year Ended December 31,			
	2014	2013	Amount Change	Percentage Change	2013	2012	Amount Change	Percentage Change
	(dollars in thousands)				(dollars in thousands)			
Real Estate:								
Revenues:								
Advisory and transaction fees from affiliates, net	\$2,655	\$3,548	\$(893)	(25.2)%	\$3,548	\$749	\$2,799	373.7 %
Management fees from affiliates	47,213	53,436	(6,223)	(11.6)	53,436	46,326	7,110	15.3
Carried interest income from affiliates:								
Unrealized gains	4,951	4,681	270	5.8	4,681	10,401	(5,720)	(55.0)
Realized gains	3,998	541	3,457	NM	541	4,673	(4,132)	(88.4)
Total carried interest income from affiliates	8,949	5,222	3,727	71.4	5,222	15,074	(9,852)	(65.4)
Total Revenues	58,817	62,206	(3,389)	(5.4)	62,206	62,149	57	0.1
Expenses:								
Compensation and Benefits:								
Equity-based compensation	8,849	10,207	(1,358)	(13.3)	10,207	10,741	(534)	(5.0)
Salary, bonus and benefits	32,611	31,936	675	2.1	31,936	30,611	1,325	4.3
Profit sharing expense	2,747	123	2,624	NM	123	6,815	(6,692)	(98.2)
Total compensation and benefits	44,207	42,266	1,941	4.6	42,266	48,167	(5,901)	(12.3)
Other expenses	23,784	27,620	(3,836)	(13.9)	27,620	24,270	3,350	13.8
Total Expenses	67,991	69,886	(1,895)	(2.7)	69,886	72,437	(2,551)	(3.5)
Other Income:								
Income from equity method investments	5,675	3,722	1,953	52.5	3,722	982	2,740	279.0
Other income, net	3,584	2,402	1,182	49.2	2,402	1,271	1,131	89.0
Total Other Income	9,259	6,124	3,135	51.2	6,124	2,253	3,871	171.8
Economic Net Income (Loss)	\$85	\$(1,556)	\$1,641	NM	\$(1,556)	\$(8,035)	\$6,479	(80.6)%

Revenues

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Advisory and transaction fees from affiliates, net, decreased by \$0.9 million for the year ended December 31, 2014 as compared to the year ended December 31, 2013. This change was attributable to a decrease in capital raised and invested and the realization of underlying investments for which transaction fees and exit fees, respectively, were earned during the year ended December 31, 2013.

Management fees decreased by \$6.2 million for the year ended December 31, 2014 as compared to the year ended December 31, 2013. The decrease in management fees was primarily due to decreased management fees from the CPI Funds for the year ended December 31, 2014 as compared to the year ended December 31, 2013.

Carried interest income from affiliates increased by \$3.7 million for the year ended December 31, 2014 as compared to the year ended December 31, 2013. This change was primarily attributable to an increase in carried interest income relating to the AGRE U.S. Real Estate Fund, L.P. in the amount of \$2.8 million for the year ended December 31, 2014 as compared to the year ended December 31, 2013.

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 exit 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

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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.

ExpensesYear Ended December 31, 2014 Compared to Year Ended December 31, 2013

Compensation and benefits increased by \$1.9 million during the year ended December 31, 2014 as compared to the year ended December 31, 2013. This change was primarily attributable to an increase of \$2.6 million in profit sharing expense, driven by the increase in carried interest income earned from our real estate funds, and a decrease in equity-based compensation of \$1.4 million during the year ended December 31, 2014 as compared to the year ended December 31, 2013.

Other expenses decreased by \$3.8 million during the year ended December 31, 2014 as compared to the year ended December 31, 2013, primarily attributable to decreased legal fees and organizational expenses, offset by higher consulting fees and technology 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.

Other IncomeYear Ended December 31, 2014 Compared to Year Ended December 31, 2013

Other income increased by \$3.1 million for the year ended December 31, 2014 as compared to the year ended December 31, 2013. This change was driven by an increase in income from equity method investments of \$2.0 million due to an increase in the fair values of our real estate investments held, primarily from Apollo's ownership interest in ARI, and an increase in other income, net primarily due to a gain resulting from the reduction of the tax receivable agreement liability during the year ended December 31, 2014 as a result of a change in projected income estimates and estimated tax rates (see note 17 to our consolidated financial statements).

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

Income from equity method investments increased by \$2.7 million during the year ended December 31, 2013 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 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 in the consolidated financial statements for additional information on the tax receivable agreement.

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, 2014, 2013 and 2012, respectively. ENI represents segment income (loss), excluding the impact of (i) non-cash charges related to RSUs granted in connection with the 2007 private placement and amortization of AOG Units, (ii) income tax expense, (iii) amortization of intangibles associated with the 2007 Reorganization as well as acquisitions (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 and (v) non-cash revenue and expense related to equity awards granted by unconsolidated affiliates to employees of the Company. In addition, segment data excludes the assets, liabilities and operating results of the funds and VIEs that are included in the consolidated financial statements. 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.

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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.

	For the Year Ended December 31,		
	2014	2013	2012
	(in thousands)		
Management Business			
Revenues:			
Advisory and transaction fees from affiliates, net	\$316,082	\$196,562	\$150,044
Management fees from affiliates	901,024	730,702	623,041
Carried interest income from affiliates	41,199	36,922	37,842
Total Revenues	1,258,305	964,186	810,927
Expenses:			
Equity-based compensation	107,112	66,341	68,942
Salary, bonus and benefits	339,846	294,753	274,574
Interest expense	22,394	29,260	37,116
Professional fees ⁽¹⁾	80,607	82,448	63,250
General, administrative and other ⁽²⁾	96,485	97,085	86,550
Placement fees	15,422	42,424	22,271
Occupancy	40,511	39,946	37,218
Depreciation and amortization	10,182	11,046	10,227
Total Expenses	712,559	663,303	600,148
Other Income:			
Interest income	9,194	10,763	8,149
Other income, net	35,904	33,185	12,783
Total Other Income	45,098	43,948	20,932
Non-Controlling Interests	(12,688)	) (13,985)	) (8,730)
Economic Net Income	\$578,156	\$330,846	\$222,981

(1)Excludes professional fees related to the consolidated funds.

(2)Excludes general and administrative expenses and interest income related to the consolidated funds.

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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, other income, net 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.

	For the Year Ended		
	December 31,		
	2014	2013	2012
	(in thousands)		
Incentive Business			
Revenues:			
Carried interest income (loss) from affiliates:			
Unrealized gains (losses) ⁽¹⁾	\$ (1,347,786)	\$ 402,835	\$ 1,166,397
Realized gains	1,713,108	2,456,404	997,222
Total Revenues	365,322	2,859,239	2,163,619
Expenses:			
Compensation and Benefits:			
Profit sharing expense:			
Unrealized profit sharing expense ⁽²⁾	(506,026)	195,298	426,098
Realized profit sharing expense	782,216	977,957	446,035
Total Profit Sharing Expense	276,190	1,173,255	872,133
Other Income:			
Other income, net	24,291	10,203	—
Net gains (losses) from investment activities ⁽³⁾	9,062	(12,593)	(1,142)
Income from equity method investments	54,905	113,211	121,120
Total Other Income	88,258	110,821	119,978
Economic Net Income	\$ 177,390	\$ 1,796,805	\$ 1,411,464

Included in unrealized carried interest income (loss) from affiliates for the year ended December 31, 2014 was a reversal of previously realized carried interest income due to the general partner obligation to return previously distributed carried interest income of \$3.4 million in aggregate with respect to two of our credit funds. 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 \$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. 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 or as otherwise set forth in the respective limited partnership agreement of the fund.

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.

Excludes investment income and net gains from investment activities related to consolidated funds and the consolidated VIEs.

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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:

	For the Year Ended		
	December 31,		
	2014	2013	2012
	(in thousands)		
Revenues	\$1,623,627	\$3,823,425	\$2,974,546
Expenses	988,749	1,836,558	1,472,281
Other income	133,356	154,769	140,910
Non-Controlling Interests	(12,688)	) (13,985)	) (8,730)
Economic Net Income	755,546	2,127,651	1,634,445
Non-cash charges related to equity-based compensation	(502)	) (59,847)	) (529,712)
Income tax provision	(147,245)	) (107,569)	) (65,410)
Net income attributable to Non-Controlling Interests in Apollo Operating Group	(404,682)	) (1,257,650)	) (685,357)
Amortization of intangible assets	(34,888)	) (43,194)	) (43,009)
Net Income Attributable to Apollo Global Management, LLC	\$168,229	\$659,391	\$310,957

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Summary of Distributable Earnings and Economic Net Income

"Distributable Earnings," or "DE," as well as "DE After Taxes and Related Payables", are derived from our segment reported results, and are supplemental measures to assess performance and amounts available for distribution to Class A shareholders, holders of RSUs that participate in distributions and holders of AOG Units. DE represents the amount of net realized earnings without the effects of the consolidation of any of the affiliated funds. DE, which is a component of ENI, is the sum across all segments of (i) total management fees and advisory and transaction fees, excluding monitoring fees received from Athene based on its capital and surplus (as defined in Apollo's transaction advisory services agreement with Athene), (ii) other income (loss), excluding the gains (losses) arising from the reversal of a portion of the tax receivable agreement liability, (iii) realized carried interest income, and (iv) realized investment income, less (i) compensation expense, excluding the expense related to equity-based awards, (ii) realized profit sharing expense, and (iii) non-compensation expenses, excluding depreciation and amortization expense. DE After Taxes and Related Payables represents DE less estimated current corporate, local and non-U.S. taxes as well as the payable under Apollo's tax receivable agreement.

The following table is a summary of DE for the years ended December 31, 2014, 2013 and 2012.

	For the Year Ended		
	December 31,		
	2014	2013	2012
	(in thousands)		
Management Business Economic Net Income	\$578,156	\$330,846	\$222,981
Net realized carried interest income	930,892	1,478,447	551,187
Realized investment income ⁽¹⁾	63,951	107,615	66,063
Athene capital and surplus fees ⁽²⁾	(228,331)	(110,132)	—
Reversal of tax receivable agreement liability ⁽³⁾⁽⁵⁾	(32,182)	(13,038)	(3,937)
Equity-based compensation	107,112	66,341	68,942
Depreciation and amortization	10,182	11,046	10,227
Distributable Earnings	1,429,780	1,871,125	915,463
Taxes and related payables ⁽⁴⁾	(73,565)	(41,151)	(40,800)
Distributable Earnings After Taxes and Related Payables	\$1,356,215	\$1,829,974	\$874,663
Net unrealized carried interest income (loss)	(841,760)	207,537	740,299
Unrealized investment and other income (loss)	24,307	3,206	53,915
Add back: Athene capital and surplus fees ⁽²⁾	228,331	110,132	—
Add back: Reversal of tax receivable agreement liability ⁽³⁾⁽⁵⁾	32,182	13,038	3,937
Add back: Taxes and related payables ⁽⁴⁾	73,565	41,151	40,800
Less: Equity-based compensation	(107,112)	(66,341)	(68,942)
Less: Depreciation and amortization	(10,182)	(11,046)	(10,227)
Total Economic Net Income	\$755,546	\$2,127,651	\$1,634,445

(1) Represents realized gains from our general partner investments in our funds and other balance sheet investments.

(2) Represents monitoring fees paid by Athene to Apollo by delivery of common shares of Athene Holding, calculated based on Athene's capital and surplus, as defined in our transaction and advisory services agreement with Athene.

(3) Represents gains resulting from reductions of the tax receivable agreement liability due to changes in projected income estimates and estimated tax rates.

(4) Represents the estimated current corporate, local and Non-U.S. taxes as well as the payable under Apollo's tax receivable agreement.

(5) During the year ended December 31, 2014, the calculation of Distributable Earnings was revised to exclude the gains (losses) arising from the reversal of a portion of the tax receivable agreement liability. The prior period financial data was recast to conform to the revised definition of Distributable Earnings. The difference in Distributable Earnings After Taxes and Related Payables under the revised definition as compared to the previous

methodology was \$13.0 million and \$3.9 million for the year ended December 31, 2013 and 2012, respectively.

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The following table is a reconciliation of Distributable Earnings per share of common and equivalents⁽¹⁾ to net distribution per share of common and equivalents for the years ended December 31, 2014, 2013 and 2012.

	For the Year Ended			
	December 31,			
	2014	2013	2012	
Distributable Earnings After Taxes and Related Payables	\$1,356,215	\$1,829,974	\$874,663	
Add back: Tax related payables attributable to common and equivalents	66,429	32,192	40,800	
Distributable Earnings before certain payables ⁽²⁾	1,422,644	1,862,166	915,463	
Percent to common and equivalents	45	% 42	% 39	%
Distributable Earnings before other payables attributable to common and equivalents	633,380	784,268	357,725	
Less: Tax related payables attributable to common and equivalents	(66,429)	(32,192)	(40,800))
Distributable Earnings attributable to common and equivalents	566,951	752,076	316,925	
Distributable Earnings per share of common and equivalent ⁽³⁾	\$3.13	\$4.49	\$2.02	
Retained capital per share of common and equivalent ⁽³⁾	(0.24)	(0.51)	(0.08))
Net distribution per share of common and equivalent ⁽³⁾	\$2.89	\$3.98	\$1.94	

(1) Common and equivalents refers to Class A shares and RSUs that participate in distributions.

(2) Distributable Earnings before certain payables represents distributable earnings before the deduction for the estimated current corporate taxes and the payable under Apollo's tax receivable agreement.

(3) Per share calculations are based on total Class A shares outstanding and RSUs that participate in distributions.

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Summary of Fee-Related EBITDA and Fee-Related EBITDA + 100% of Net Realized Carried Interest

Fee-related EBITDA is a non-GAAP performance measure used to understand the performance of our operations and represents management business ENI (pre-tax), with amounts for equity-based compensation, interest expense and depreciation and amortization added to management business ENI. Fee-related EBITDA plus realized carried interest less realized profit sharing (referred to as “fee-related EBITDA +100% of net realized carried interest”) is a non-GAAP performance measure that combines operating results of the management business and incentive business. These performance measures are used to compare our current and potential debt service. See note 14 to our consolidated financial statements for more detail on our outstanding debt.

The table below sets forth fee-related EBITDA and fee-related EBITDA + 100% of net realized carried interest for the years ended December 31, 2014, 2013 and 2012, and a reconciliation of net income attributable to Apollo Global Management, LLC to ENI, fee-related EBITDA and fee-related EBITDA + 100% of net realized carried interest.

	Year Ended		
	December 31,		
	2014	2013	2012
Management Business Economic Net Income	\$578,156	\$330,846	\$222,981
Equity-based compensation ⁽¹⁾	107,112	66,341	68,942
Interest expense	22,393	29,260	37,116
Depreciation and amortization ⁽²⁾	10,182	11,046	10,227
Fee-Related EBITDA	717,843	437,493	339,266
Total realized carried interest	1,713,108	2,456,404	997,222
Total realized profit sharing expense	(782,216)	) (977,957)	) (446,035)
Net realized carried interest	930,892	1,478,447	551,187
Fee-Related EBITDA + 100% of Net Realized Carried Interest	1,648,735	1,915,940	890,453
Net unrealized carried interest (loss) income	(841,760)	) 207,537	740,299
Net investment income	88,258	110,821	119,978
Net interest expense	(22,393)	) (29,260)	) (37,116)
Depreciation and amortization ⁽²⁾	(10,182)	) (11,046)	) (10,227)
Equity-based compensation ⁽¹⁾	(107,112)	) (66,341)	) (68,942)
Economic Net Income	755,546	2,127,651	1,634,445
Income tax provision	(147,245)	) (107,569)	) (65,410)
Net (income) attributable to non-controlling interests in Apollo Operating Group	(404,682)	) (1,257,650)	) (685,357)
Charges related to equity-based compensation ⁽³⁾	(502)	) (59,847)	) (529,712)
Amortization of intangible assets	(34,888)	) (43,194)	) (43,009)
Net income attributable to Apollo Global Management, LLC	\$168,229	\$659,391	\$310,957

(1) Includes RSUs (excluding RSUs granted in connection with the 2007 private placement) and share options.

(2) Excludes equity-based compensation expense comprising amortization of AOG Units.

(3) Includes amortization of leasehold improvements.

(3) Includes amortization amounts related to AOG Units.

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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 and VIEs 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;
- Distributing cash flow to investors; and
- Issuing debt to finance investments (CLOs).

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, 2014		As of December 31, 2013	
	Outstanding Balance	Annualized Weighted Average Interest Rate	Outstanding Balance	Annualized Weighted Average Interest Rate
2013 AMH Credit Facilities - Term Facility	\$500,000	1.36 %	\$750,000	1.37 %
2024 Senior Notes ⁽¹⁾	499,058	4.00	N/A	N/A
2014 AMI Term Facility ⁽²⁾	16,204	2.34	N/A	N/A
2014 AMI Term Facility II ⁽³⁾	18,752	1.93	N/A	N/A
Total Debt	\$1,034,014		\$750,000	

(1) Includes impact of any amortization of note discount and interest rate hedge.

(2) On July 3, 2014, Apollo Management International LLP ("AMI"), a subsidiary of the Company, entered into a €13.4 million five year credit agreement (the "2014 AMI Term Facility"). Proceeds from the borrowing were used to fund the Company's investment in a CLO.

(3) On December 9, 2014, AMI entered into a €15.5 million five year credit agreement (the "2014 AMI Term Facility II"). Proceeds from the borrowing were used to fund the Company's investment in a CLO.

Additionally the 2013 AMH Credit Facilities provide for a \$500 million revolving credit facility, which was undrawn as of December 31, 2014. 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.

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Cash Flows

Significant amounts from our consolidated statements of cash flows for the years ended December 31, 2014, 2013 and 2012 are summarized and discussed within the table and corresponding commentary below:

	Year Ended December 31,		
	2014	2013	2012
	(in thousands)		
Operating Activities	\$(372,917)	\$1,134,458	\$331,614
Investing Activities	13,432	2,651	(150,854)
Financing Activities	485,611	(1,005,023)	21,960
Net Increase in Cash and Cash Equivalents	\$126,126	\$132,086	\$202,720

Operating Activities

Net cash used in operating activities was \$372.9 million during the year ended December 31, 2014. During this period, there was \$729.9 million in net income, to which \$126.3 million of equity-based compensation and \$83.7 million cash distributions of earnings from equity method investments were added to reconcile net income to net cash provided by operating activities. Additional adjustments to reconcile cash provided by operating activities during the year ended December 31, 2014 included \$8,509.4 million in proceeds from sales of investments held by consolidated VIEs, \$113.4 million in net unrealized losses from investments held by the consolidated funds and VIEs, a \$1,375.4 million decrease in carried interest receivable, a \$169.8 million increase in other liabilities of Apollo funds and a \$34.0 million increase in accounts payable and accrued expenses. These favorable cash adjustments were offset by \$10,330.1 million of purchases of investments held by the consolidated VIEs, a \$13.8 million increase in cash held at consolidated VIEs, a \$24.9 million increase in other assets, a \$252.3 million increase in due from affiliates, a \$43.5 million increase in other assets of Apollo funds, a \$79.9 million decrease in deferred revenue, \$101.7 million in net realized gains on debt of the consolidated funds and VIEs, a \$97.5 million decrease in due to affiliates, a \$518.0 million decrease in profit sharing payable, and \$53.9 million of income from equity method investments.

Net cash provided by operating activities was \$1,134.5 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, a \$141.2 million increase in profit sharing payable and \$109.1 million relating to cash distributions of earnings from equity method investments. 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 \$331.6 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, a \$361.6 million increase in profit sharing payable and \$66.0 million relating to cash distributions of earnings from equity method investments. 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.

Investing Activities

Net cash provided by investing activities was \$13.4 million for the year ended December 31, 2014, which was primarily comprised of \$76.3 million of cash distributions received from equity method investments, \$50.0 million of proceeds from sales of investments, primarily offset by \$109.9 million of cash contributions to equity method investments. Additional adjustments to reconcile cash provided by investing activities were \$5.9 million of purchases of fixed assets. Cash contributions to equity method

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investments were primarily related to Fund VIII, EPF II, COF III, AESI, ACSP and AION. Cash distributions from equity method investments were primarily related to Fund VII, Fund VIII, EPF I, EPF II and AION.

Net cash provided by investing activities was \$2.6 million for the year ended December 31, 2013, which was primarily comprised of \$107.2 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 \$150.8 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 \$86.6 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, L.P. Cash distributions from equity method investments were primarily related to Fund VII, ACLF, AGRE U.S. Real Estate Fund, L.P., COF I, COF II, Artus, EPF I and EPF II.

Financing Activities

Net cash provided by financing activities was \$485.6 million for the year ended December 31, 2014, which was primarily comprised of \$4,225.5 million related to issuance of debt by consolidated VIEs, \$534.0 million of issuance of debt by AMH, and \$889.7 million in contributions from Non-Controlling Interests in consolidated VIEs. This amount was offset by \$2,371.5 million in repayment of debt held by consolidated VIEs, \$32.0 million related to satisfaction of tax receivable agreement liabilities, \$250 million in principal repayments of debt, \$816.4 million of distributions paid to Non-Controlling Interests in the Apollo Operating Group, \$506.0 million in distributions, \$37.3 million in satisfaction of contingent obligations, \$703.0 million in distributions paid to consolidated VIEs and \$450.4 million of distributions paid to Non-Controlling Interests in consolidated VIEs.

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.

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 for the years ended December 31, 2014, 2013 and 2012 (in millions, except per share amounts):

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Distribution Declaration Date	Distribution per Class A Share	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
February 10, 2012	\$0.46	February 29, 2012	\$58.1	\$110.4	\$168.5	\$10.3
April 13, 2012	—	April 13, 2012	—	11.0	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
November 7, 2013	1.01	November 29, 2013	147.7	231.2	378.9	24.1
For the year ended December 31, 2013	\$3.95		\$556.9	\$975.4	\$1,532.3	\$94.2
February 7, 2014	\$1.08	February 26, 2014	\$160.9	\$247.3	\$408.2	\$25.5
April 3, 2014	—	April 3, 2014	—	49.5	(1) 49.5	—
May 8, 2014	0.84	May 30, 2014	130.0	188.4	318.4	20.9
June 16, 2014	—	June 16, 2014	—	28.5	(1) 28.5	—
August 6, 2014	0.46	August 29, 2014	73.6	102.5	176.1	10.2
September 11, 2014	—	September 11, 2014	—	12.4	(1) 12.4	—
October 30, 2014	0.73	November 21, 2014	119.0	162.6	281.6	15.5
December 15, 2014	—	December 15, 2014	—	25.2	(1) 25.2	—
For the year ended December 31, 2014	\$3.11		\$483.5	\$816.4	\$1,299.9	\$72.1

On April 13, 2012, April 12, 2013, April 3, 2014, June 16, 2014, September 11, 2014 and December 15, 2014, the (1)Company made a \$0.05, \$0.23, \$0.22, \$0.13, \$0.06 and \$0.11 distribution per AOG Unit, respectively, to the non-controlling interest holders in the Apollo Operating Group.

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 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. 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.

As of December 31, 2014, Fund VI's remaining investments and escrow cash were valued at 104% of the funds unreturned capital, which was below a specified return ratio of 115%. As a result, Fund VI is required to place in escrow all current and future carried interest income distributions to the general partner until the specified return ratio of 115% is met (at the time of a future distribution) or upon liquidation of Fund VI.

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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, 2014, the Company had reduced fees charged to CalPERS on the funds it manages by approximately \$95.9 million. Based on the Company's current estimates, the reduction of fees will extend until 2017 in order for CalPERS to receive the full benefit of this arrangement.

The Company granted approximately 7.0 million RSUs during the year ended December 31, 2014. The average estimated fair value per share on the grant date was \$21.16, per RSU with a total fair value of the grants of \$149.1 million at December 31, 2014. 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 \$62.5 million, \$50.0 million, \$31.3 million, \$15.7 million, \$13.0 million and \$3.4 million during the years ended December 31, 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 "Managing Partner 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. See "Item 13. Certain Relationships and Related Party Transactions-Managing Partner Shareholders Agreement."

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 January 13, 2015, the Company issued 681,421 Class A shares in settlement of vested RSUs. This issuance caused the Company's ownership interest in the Apollo Operating Group to increase from 42.3% to 42.4%.

On February 5, 2015 the Company declared a cash distribution of \$0.86 per Class A share, which will be paid on February 27, 2015 to holders of record on February 17, 2015.

Athene

Athene Holding is the ultimate parent of various insurance company operating subsidiaries. Through its subsidiaries, Athene Holding provides insurance products focused primarily on the retirement market and its business centers primarily on issuing or reinsuring fixed indexed annuities.

Apollo, through its consolidated subsidiary, 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, 2014, all of Athene's assets were managed by Athene Asset Management. Athene Asset Management had \$60.3 billion of total AUM as of December 31, 2014 in accounts owned by or related to Athene (the "Athene Accounts"), of which approximately \$12.6 billion, or approximately 20.9%, 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 Athene Asset Management continues to perform successfully in providing asset management services to Athene.

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Athene Asset Management receives a 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. 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. 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.

Under a transaction advisory services agreement with Athene (the "Athene Services Agreement"), 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 that were newly acquired (and not in satisfaction of prior commitments to buy such shares) by AAA Investments in the contribution of certain assets by AAA to Athene in October 2012, 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. The Athene Services Agreement was amended in connection with the Athene Private Placement described below (the "Amended Athene Services Agreement"). The Amended Athene Services Agreement adjusts the calculation of Athene Holding's capital and surplus downward by an amount equal to (x) the equity capital raised in the Athene Private Placement and (y) certain disproportionate increases to the statutory capital and surplus of Athene, as compared to the stockholders' equity of Athene calculated on a U.S. GAAP basis, as a result of certain future acquisitions by Athene. Prior to the consummation of the Athene Private Placement, all such monitoring fees were paid pursuant to a derivative contract between Athene and Apollo (the "Athene Services Derivative"). In connection with the Athene Private Placement, the Athene Services Derivative was settled on April 29, 2014 by delivery to Apollo of common shares of Athene Holding, and as a result, such derivative was terminated. Following settlement of the Athene Services Derivative, future monitoring fees paid to Apollo pursuant to the Amended Athene Services Agreement, will be paid on a quarterly basis in arrears by delivery to Apollo of common shares of Athene Holding (unless such payment in shares would violate Section 16(b) of the U.S. Securities Exchange Act of 1934, as amended). Unsettled monitoring fees pursuant to the Amended Athene Services Agreement are recorded as due from affiliates in the consolidated statements of financial condition. For the years ended December 31, 2014, 2013 and 2012 Apollo earned \$226.4 million, \$107.9 million and \$16.8 million, respectively, related to this monitoring fee. The monitoring fee is recorded in advisory and transaction fees from affiliates, net, in the consolidated statements of operations. As of December 31, 2014, Apollo had a \$58.2 million receivable recorded in due from affiliates on the consolidated statements of financial condition. As of December 31, 2013, Apollo had a \$116.4 million receivable, which was 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 (the "AAA Services Agreement"), Apollo receives a management fee for managing the assets of AAA Investments. In connection with each of the contribution of certain assets by AAA to Athene in October 2012, and the initial closing of the Athene Private Placement on April 4, 2014, the AAA 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 agreed to 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 terminated on December 31, 2014 (although services will continue through December 31, 2020). Prior to the consummation of the Athene Private Placement, all such management fees were accrued pursuant to a derivative contract between AAA Investments and Apollo (the "AAA Services Derivative"). In connection with the Athene Private Placement, the AAA Services Derivative was settled on April 29, 2014 by delivery to Apollo of common shares of Athene Holding, and as a result, such derivative was terminated. Following settlement of the AAA Services Derivative, future management fees paid to Apollo pursuant to the Amended AAA Services Agreement will be paid on a quarterly basis in arrears by delivery to Apollo of common shares of Athene Holding (unless such

payment in shares would violate Section 16(b) of the Exchange Act). Unsettled management fees pursuant to the Amended AAA Services Agreement will be recorded as due from affiliates in the consolidated statements of financial condition. As of December 31, 2014, Apollo had a \$3.1 million receivable recorded in due from affiliates related to this management fee on the consolidated statements of financial condition. As of December 31, 2013, Apollo had a \$14.3 million receivable related to this management fee, which was accounted for as a derivative 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 for the years ended December 31, 2014, 2013 and 2012 were \$1.9 million, \$2.2 million and \$0.6 million, respectively, which are recorded in management fees from affiliates in the consolidated statements of operations.

Pursuant to the Amended AAA Services Agreement, in the event that AAA (1) makes a tender offer to all of its qualified unitholders in which AAA offers to purchase all of their equity interests in AAA, pay the consideration for such purchase with equivalent equity interests in a new vehicle, of which Apollo will serve as general partner, and transfer to such new investment vehicle a pro rata portion of the common shares of Athene Holding held by AAA Investments, unburdened by the unwind fee, and

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(2) thereafter distributes all or any portion of the common shares of Athene Holding held by AAA (or disposes of such shares and distributes the proceeds thereof) to its unitholders, then AAA shall pay Apollo an unwind fee. The unwind fee is payable in pro rata increments to Apollo only when, as and if AAA distributes common shares of Athene Holding (or the proceeds thereof) to its unitholders and shall be equal to \$20 million multiplied by the percentage of “net common shares” of Athene Holding held by AAA which are so distributed (or disposed of with the proceeds distributed) by AAA in 2015. There is no assurance that a AAA distribution will be made or that the unwind fee will be paid in 2015.

Prior to the settlement of the Athene Services Derivative and the AAA Services Derivatives, the Amended Athene Services Agreement and the Amended AAA Services Agreement together with the Athene Services Derivative and the AAA Services Derivative, met the definition of derivatives under U.S. GAAP. The Company had 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. After the settlement of the Athene Services Derivative and the AAA Services Derivatives the unsettled shares receivable recorded in due from affiliates related to the Amended Athene Services Agreement and the Amended AAA Services Agreement are valued at fair value based on the price of a common share of Athene Holding. The Company had classified the derivative and the shares receivable as Level III assets in the fair value hierarchy, as the pricing inputs into the determination of fair value require significant judgment and estimation. See note 6 for further discussion regarding fair value measurements.

Prior to the settlement of the Athene Services Derivative and the AAA Services Derivative, the change in unrealized market value of the derivatives was reflected in other income, net in the consolidated statements of operations. For the year ended December 31, 2013, there was \$10.2 million of changes in market value recognized related to these derivatives.

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 common shares of Athene Holding (valued at the then fair market value) if there is a distribution in kind of shares of Athene Holding (unless such payment in shares would violate Section 16(b) of the Exchange Act) or paid in cash if AAA sells the shares of Athene Holding. For the years ended December 31, 2014, 2013 and 2012, the Company recorded carried interest income less the related profit sharing expense of \$14.6 million, \$27.6 million and \$35.3 million, respectively from AAA Investments, which is recorded in the consolidated statements of operations. As of December 31, 2014 and December 31, 2013, the Company had a \$121.5 million and a \$100.9 million carried interest receivable, respectively, related to AAA Investments. As of December 31, 2014 and December 31, 2013, the Company had a related profit sharing payable of \$34.9 million and \$28.8 million, respectively, recorded in profit sharing payable in the consolidated statements of financial condition.

For the years ended December 31, 2014, 2013 and 2012, Apollo earned revenues in the aggregate totaling \$546.5 million, \$435.1 million and \$164.7 million, respectively, consisting of management fees, sub-advisory and monitoring fees and carried interest income from Athene after considering the related profit sharing expense and changes in the market value of the Athene shares owned directly by Apollo, which is recorded in the consolidated statements of operations.

On April 4, 2014, Athene Holding completed an initial closing of a private placement offering of common equity in which it raised \$1.048 billion of primary commitments from third-party institutional and certain existing investors in Athene Holding (the “Athene Private Placement”). Shares in the Athene Private Placement were offered at a price per common share of Athene Holding of \$26. In connection with the Athene Private Placement, Athene raised an additional \$80 million of third party capital at \$26 per share, all of which was used to buy back a portion of the shares of one of its existing investors at a price of \$26 per share in a transaction that was consummated on April 29, 2014. As announced by AAA on June 24, 2014, a second closing of the Athene Private Placement occurred in which Athene Holding raised \$170 million of commitments primarily from employees of Athene and its affiliates at a price per common share of Athene Holding of \$26. The Investment Partnership did not purchase any additional common shares of Athene Holding as part of the Athene Private Placement.

In connection with the Athene Private Placement, Athene Holding amended its registration rights agreement to provide (i) investors who are party to such agreement, including AAA Investments, the potential opportunity for liquidity on their shares of Athene Holding through sales in registered public offerings over a 15 month period beginning on the date of Athene Holding's initial public offering (the "Athene IPO") and (ii) Athene Holding the right to cause certain investors who are party to the registration rights agreement to include in such offerings a certain percentage of their common shares of Athene Holding subject to the terms and conditions set forth in the agreement. However, pursuant to the registration rights agreement, any shares of Athene Holding held by Apollo will not be subject to such arrangements and instead will be subject to a lock-up period of two years following the effective date of the registration statement relating to the Athene IPO, but Athene Holding will not have the right to cause any shares owned by Apollo to be included in the Athene IPO or any follow-on offering.

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As part of its ongoing financial integration of Aviva USA, Athene identified material weaknesses in its internal controls over financial reporting for its U.S. GAAP and statutory financials as of December 31, 2013. A material weakness is a control deficiency, or combination of control deficiencies, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented, or detected and corrected on a timely basis. If Athene fails to maintain effective internal control over financial reporting, it may not be able to accurately report its financial results. In October 2014, Athene informed its shareholders, including the Company, that as part of its ongoing financial integration of Aviva USA and transition towards public company standards for financial controls, it anticipates that delivery of its GAAP financial statements for the quarter ended June 30, 2014 and September 30, 2014 will continue to be delayed. This delay will also cause Athene's year end 2014 and first quarter 2015 GAAP financial statements to be delayed. As such, the Audit Committee of Athene has approved the extension of the delivery of these GAAP financial statements to June 30, 2015. On February 4, 2015, Athene informed its shareholders, including the Company, that Athene's first quarter 2014 GAAP financial statements can no longer be relied upon and therefore these financial statements have been removed from the AAA website. Specifically, Athene discovered the need to change its calculations for reserve balances associated with its indexed products. As a result of this determination, Athene has begun a methodical process of restating their first quarter 2014 GAAP financial statements. The aforementioned delay in delivery of Athene's 2014 GAAP financial statements and the announced restatement of Athene's first quarter 2014 GAAP financial statements is not expected to have an impact on the Company's previously issued financial statements. Athene has continued to meet all regulatory filing deadlines with regard to financial statements prepared in accordance with Statutory Accounting principles and expects to do so for the quarter ended December 31, 2014. As of December 31, 2014 the Company determined the value of its investment in Athene using an embedded value methodology. In doing so, the Company has given appropriate consideration to the control deficiencies and potential adjustments related to Athene and any potential impacts to the Company's financial statements. As the embedded value methodology is based on the projected future cash flows of the business rather than GAAP financials, the delay in the delivery of Athene's GAAP financial statement will not have an impact on the Company's ability to prepare its financial statements. Based on the facts and circumstances as of the date of this report, the Company is not aware of any revisions to the financial statements as presented, or previously issued financial statements, and there is no impact to our ability to produce future financial statements.

See notes 4 and 17 to the consolidated financial statements for discussion regarding the Company's ownership interest in AAA, AAA Investments and Athene.

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.

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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 fundamental characteristics (and a number of the typical characteristics) of an investment company and are not securitization or asset-backed financing entities, will continue to apply the previous consolidation rules. VIEs that are

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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 the expected residual returns from an entity, and (v) 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 losses or residual returns 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 VIEs' economic performance and rights to receive benefits or obligations to absorb losses that could be 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 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 liabilities of the consolidated VIEs are shown in separate sections within the consolidated statements of financial condition as of December 31, 2014 and 2013.

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

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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 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. These criteria include, but are not limited to, the number and quality of the broker

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quotes, the standard deviations of the observed broker quotes, and the percentage deviation from independent pricing services.

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

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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 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.

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 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.

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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” in this Annual Report on Form 10-K. 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 obligations (as described in note 14 to our consolidated financial statements), Apollo’s financial instruments are recorded at fair value or at amounts whose carrying values approximate fair value. See “Investments, at Fair Value” above. While Apollo’s valuations of portfolio investments are based on assumptions that Apollo believes are reasonable under the circumstances, the actual realized gains or losses will depend on, among other factors, future operating results, the value of the assets and market conditions at the time of disposition, any related transaction costs and the timing and manner of sale, all of which may ultimately differ significantly from the assumptions on which the valuations were based. Financial instruments’ carrying values generally approximate fair value because of the short-term nature of those instruments or variable interest rates related to the borrowings.

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 Company’s investment in Athene Holding, the convertible notes issued by 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 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 notes issued by HFA, Apollo 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 to our consolidated financial statements for further disclosure on the investments in Athene Holding, 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, 2014, the Company performed its annual impairment testing, and, as the fair value of each of the Company's reporting units was in excess of its carrying value, there was no impairment of goodwill. Additionally, there was no impairment of indefinite-life intangible assets as of December 31, 2014.

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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.

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, 2014 and 2013.

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. The Contributing Partners and employees are allocated approximately 30% to 50% of the total carried interest income which is driven primarily by changes in 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, AHL Awards (as defined in note 16 to our consolidated financial statements) and other equity-based compensation awards. 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

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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).

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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.

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 generally 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, 2014, 2013 and 2012 are presented in the table below for Plan Grants:

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	For the Year Ended December 31,		
	2014	2013	2012
Distribution Yield ⁽¹⁾	14.3%	9.5%	8.4%
Cost of Equity Capital Rate ⁽²⁾	12.3%	17.6%	17.6%

(1) Calculated based on the historical distributions paid during the last twelve months and the Company's share price as of the measurement date of the grant on a weighted average basis.

(2) Assumes a discount rate 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 Plan Grants that are not eligible for distributions on unvested shares, the discount for the lack of distributions until vested based on the present value of a growing annuity calculation had a weighted average of 32.5%, 30.5% and 23.3% for the years ended December 31, 2014, 2013 and 2012, respectively.

We utilized the Finnerty Model 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.

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, 2014, 2013 and 2012 are presented in the table below for Plan Grants and Bonus Grants:

	For the Year Ended December 31,			
	2014	2013	2012	
Plan Grants				
Holding Period Restriction (in years)	0.6	0.6	0.6	
Volatility ⁽¹⁾	31.4%	30.4%	34.0	%
Distribution Yield ⁽²⁾	14.3%	8.2%	8.0	%
Bonus Grants				
Holding Period Restriction (in years)	0.2	0.2	0.2	
Volatility ⁽¹⁾	32.1%	30.0%	30.5	%
Distribution Yield ⁽²⁾	13.7%	12.2%	7.8	%

(1) The Company determined the expected volatility based on the volatility of the Company's share price as of the grant date with consideration to comparable companies.

(2) Calculated based on the historical distributions paid during the last twelve months and the Company's share price as of the measurement date of the grant on a weighted average basis.

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 5.1%, 6.0% and 5.0% for the years ended December 31, 2014, 2013 and 2012, respectively. For Bonus Grants, the marketability discount for transfer restrictions based on the Finnerty Model calculation had a weighted average of 3.2%, 3.2% and 4.9% for the years ended December 31, 2014, 2013 and 2012, respectively.

After the grant date fair value is determined, an estimated forfeiture rate is applied. The estimated fair value was determined and recognized over the vesting period on a straight-line basis. A 6.0% forfeiture rate is estimated 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.

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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.

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 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.

Fair Value Measurements

See note 6 to our consolidated financial statements for a discussion of the Company's 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.

Contractual Obligations, Commitments and Contingencies

As of December 31, 2014, 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:

	2015	2016	2017	2018	2019	Thereafter	Total
	(in thousands)						
Operating lease obligations ⁽¹⁾	\$38,863	\$38,225	\$36,114	\$31,742	\$31,348	\$24,214	\$200,506
Other long-term obligations ⁽²⁾	10,400	4,575	4,470	4,470	2,235	—	26,150
2013 AMH Credit Facilities - Term Facility ⁽³⁾	6,838	6,838	6,838	6,838	500,342	—	527,694
2013 AMH Credit Facilities - Revolver Facility ⁽⁴⁾	625	625	625	625	8	—	2,508
2024 Senior Notes ⁽⁵⁾	20,000	20,000	20,000	20,000	20,000	588,333	688,333

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2014 AMI Term Facility I	380	380	380	380	16,395	—	17,915
2014 AMI Term Facility II	362	362	362	362	19,093	—	20,541
Obligations as of December 31, 2014	\$77,468	\$71,005	\$68,789	\$64,417	\$589,421	\$612,547	\$1,483,647

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- (1) The Company has entered into sublease agreements and is expected to contractually receive approximately \$6.5 million over the remaining periods of 2014 and thereafter.
Includes (i) payments on management service agreements related to certain assets and (ii) payments with respect to
- (2) certain consulting agreements entered into by the Company. Note that a significant portion of these costs are reimbursable by funds.
\$500 million of the outstanding Term Facility matures in January 2019. The interest rate on the \$500 million Term
- (3) Facility as of December 31, 2014 was 1.37%. See note 14 of the consolidated financial statements for further discussion of the 2013 AMH Credit Facilities.
The commitment fee as of December 31, 2014 on the \$500 million undrawn Revolver Facility was 0.125%. See
- (4) note 14 of the consolidated financial statements for further discussion of the 2013 AMH Credit Facilities.
\$500 million of the 2024 Senior Notes matures in May 2024. The interest rate on the 2024 Senior Notes as of
- (5) December 31, 2014 was 4.000%. See note 14 of the consolidated financial statements for further discussion of the 2024 Senior Notes.
- 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.
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
- (i) 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.

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 commitments of Apollo and its affiliates, the commitment and remaining commitment amounts of Apollo only (excluding affiliates), and the percentage of total commitments of Apollo only (excluding affiliates) for each private equity, credit and real estate fund and affiliate as of December 31, 2014 as follows (\$ in millions):

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	Apollo and Affiliates Commitments	% of Total Commitments	Apollo Only (Excluding Affiliates) Commitments	Apollo Only (Excluding Affiliates) % of Total Commitments	Apollo and Affiliates Remaining Commitments	Apollo Only (Excluding Affiliates) Remaining Commitments
Private Equity:						
Fund VIII	\$ 1,543.5	8.40	% \$ 406.3	2.21	% \$ 1,418.8	\$ 376.5
Fund VII	467.2	3.18	177.8	1.21	104.0	38.2
Fund VI	246.3	2.43	6.1	0.06	9.7	0.2
Fund V	100.0	2.67	0.5	0.01	6.3	—
Fund IV	100.0	2.78	0.2	0.01	0.5	—
ANRP	426.1	32.21	10.1	0.76	215.1	5.1
AION	150.0	18.19	50.0	6.06	120.2	39.7
APC	158.4	69.02	0.1	0.04	91.0	0.1
Apollo Rose, L.P.	215.7	100.00	—	—	85.7	—
A.A Mortgage Opportunities, L.P.	200.0	98.43	—	—	130.2	—
Champ, L.P.	78.5	100.00	20.1	25.56	15.5	4.0
Apollo Royalties Management, LLC	100.0	100.00	—	—	47.4	—
Credit:						
EPF I ⁽²⁾	325.0	20.74	21.4	1.37	54.9	5.0
EPF II ⁽²⁾	412.9	12.25	63.3	1.88	162.3	26.3
COF I	450.7	30.35	29.7	2.00	237.4	4.2
COF II	30.5	1.93	23.4	1.48	0.8	0.6
COF III	358.1	10.45	83.1	2.43	212.3	49.4
ACLF	23.9	2.43	23.9	2.43	19.6	19.6
Palmetto	18.0	1.19	18.0	1.19	10.9	10.9
AIE II ⁽²⁾	7.9	3.15	4.8	1.94	—	—
ESDF	50.0	100.00	—	—	—	—
FCI	193.5	34.62	—	—	97.9	—
FCI II	244.6	15.72	—	—	165.5	—
Franklin Fund	9.9	9.09	9.9	9.09	—	—
Apollo Lincoln Fixed Income Fund	2.5	0.99	2.5	0.99	1.1	1.1
Apollo/Palmetto Loan Portfolio, L.P.	300.0	100.00	—	—	85.0	—
Apollo/Palmetto Short-Maturity Loan Portfolio, L.P.	200.0	100.00	—	—	—	—
AESI ⁽²⁾	3.5	0.99	3.5	0.99	0.6	0.6
AESI II	2.8	0.99	2.8	0.99	2.6	2.6
AEC	7.3	2.50	3.2	1.08	2.5	1.1
ACSP	18.8	2.44	18.8	2.44	8.7	8.7
Apollo SK Strategic Investments, L.P.	2.0	0.99	2.0	0.99	0.4	0.4
	7.9	7.61	—	—	—	—

Stone Tower Structured Credit Recovery Master Fund II, Ltd.						
Apollo Structured Credit Recovery Master Fund III, L.P.	137.3	28.12	0.6	0.13	67.7	0.3
Apollo Zeus Strategic Investments, L.P.	14.0	3.38	14.0	3.38	7.0	7.0
Apollo Lincoln Private Credit Fund, L.P.	2.5	0.99	2.5	0.99	2.3	2.3
AIE III ⁽²⁾	10.9	2.91	10.9	2.91	9.3	9.3
Real Estate:						
AGRE U.S. Real Estate Fund, L.P.	633.8	⁽¹⁾ 75.03	16.3	1.81	360.8	⁽¹⁾ 4.9
Apollo U.S. Real Estate Fund II, L.P.	157.5	100.00	7.5	4.76	157.5	7.5
BEA/AGRE China Real Estate Fund, L.P.	0.1	1.03	0.1	1.03	—	—
AGRE Asia Co-Invest I Limited	50.0	100.00	—	—	35.7	—
CAI Strategic European Real Estate Ltd.	19.0	100.00	—	—	3.6	—
CPI Capital Partners North America	7.6	1.27	2.1	0.35	0.6	0.2
CPI Capital Partners Europe ⁽²⁾	6.6	0.47	—	—	0.5	—
CPI Capital Partners Asia Pacific	6.9	0.53	0.5	0.04	0.4	—
London Prime Apartments Guernsey Holdings Limited (Guernsey) ⁽³⁾	27.6	7.80	0.8	0.23	7.6	—
2012 CMBS I Fund, L.P.	88.2	100.00	—	—	—	—
2012 CMBS II Fund, L.P.	93.5	100.00	—	—	—	—
AGRE Cobb West Investor, LP	22.1	86.41	0.1	0.39	2.1	—
AGRE CMBS Fund, L.P.	418.8	100.00	—	—	—	—
Other:						
Apollo SPN Investments I, L.P.	25.4	0.84	25.4	0.84	20.8	20.8
Total	\$ 8,177.3		\$ 1,062.3		\$ 3,982.8	\$ 646.6

Figures for AGRE U.S. Real Estate Fund, L.P. include base, additional, and co-investment commitments. A (1)co-investment vehicle 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 \$1.56 as of December 31, 2014.

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- (2) Apollo's commitment in these funds is denominated in Euros and translated into U.S. dollars at an exchange rate of €1.00 to \$1.21 as of December 31, 2014.
- (3) 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 \$1.56 as of December 31, 2014.

As a limited partner, the general partner and manager of the Apollo private equity, credit and real estate funds, Apollo has unfunded capital commitments of \$646.6 million at December 31, 2014.

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.

In addition, as of December 31, 2014, Apollo had an unfunded loan commitment of \$15.0 million related to an employee's commitment to purchase common shares of Athene Holding.

Apollo, through its subsidiary Apollo MidCap Holdings (Cayman), L.P., has entered into a subscription agreement providing for an aggregate commitment of \$50.0 million to subscribe for (i) Class A Variable Funding Subordinated Notes due 2114 ("Class A Notes") of Midcap Finco Limited ("FinCo"), an Irish company that includes the existing operations and assets of MidCap Financial LLC, a specialty finance company that originates commercial lending opportunities, and (ii) ordinary shares of Finco's holding company ("Ordinary Shares"). The subscription agreement has a commitment period of three years (subject to extension under certain circumstances), and \$8.0 million of the commitment was drawn on February 3, 2015. Pursuant to an investment management agreement, Apollo, through its subsidiary Apollo Capital Management, L.P., is acting as the investment manager of FinCo's credit business. Certain third parties have also entered into subscription agreements for Class A Notes and Ordinary Shares.

The 2013 AMH Credit Facilities and 2024 Senior Notes (as defined below) will have future impacts on the use of our cash. See note 14 of our consolidated financial statements for information regarding the Company's debt arrangements.

In accordance with the Managing Partner 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, 2014 and December 31, 2013, 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, 2014 and that would be reversed approximates \$2.9 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.

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 or as otherwise set forth in the respective limited partnership agreement of the 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, 2014, 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

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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. On July 31, 2014, the Company extinguished a portion of this contingent consideration obligation and recognized a gain in the amount of \$13.4 million, which was recorded in other income, net in the consolidated statements of operations for the year ended December 31, 2014. In exchange for the extinguishment, the Company granted a former owner of Stone Tower and current Apollo employee 350,000 RSUs with rights to receive, subject to a three-year vesting period, distribution equivalents. This grant is accounted for as a grant of equity awards in accordance with U.S. GAAP (see note 16 of the consolidated financial statements for further information regarding the accounting for RSUs). The fair value of the contingent obligation was \$84.5 million and \$121.4 million as of December 31, 2014 and December 31, 2013, respectively.

In connection with the Gulf Stream acquisition, the Company agreed to make payments to the former owners of Gulf Stream under a contingent consideration obligation which required the Company to transfer cash to the former owners of Gulf Stream based on a specified percentage of carried interest income. The contingent liability had a fair value of \$11.6 million and \$14.1 million as of December 31, 2014 and December 31, 2013, respectively, which was recorded in profit sharing payable in the consolidated statements of financial condition.

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.

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 obligations.

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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 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 various members of senior management including the Company’s Chief Financial Officer, Chief Legal Officer, and the Company’s Chief Risk Officer. 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 bi-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 Chief Risk Officer 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 Chief Risk Officer determines such discussions are warranted. On an annual basis, the Company’s Chief Risk Officer 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

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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 fund's 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 effects 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.

Apollo has debt obligations that accrue interest at variable rates. Interest rate changes may therefore affect the amount of our interest payments, future earnings and cash flows. Based on our debt obligations payable as of December 31, 2014 and December 31, 2013, we estimate that interest expense would increase on an annual basis, in the event interest rates were to increase by one percentage point, by approximately \$5.4 million and \$7.5 million, respectively.

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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 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.

We estimate for the year ended December 31, 2014, a 10% decline in the rate of exchange of all foreign currencies against the U.S. dollar would result in a decrease in management fees, carried interest income and income from equity method investments of \$4.0 million, \$10.5 million and \$0.7 million, respectively. For the year ended December 31, 2013, a 10% decline in the rate of exchange of all foreign currencies against the U.S. dollar would result in a decrease in management fees, carried interest income and income from equity method investments of \$5.1 million, \$9.6 million and \$0.8 million, respectively.

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 note 6 to the consolidated financial statements. 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. 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, 2014 and 2013:

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, 2014 and 2013 would decrease by approximately \$37.7 million and \$21.3 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, 2014 and 2013 by approximately \$38.5 million and \$21.0 million, respectively.

Management fees for our private equity, real estate and certain credit funds, excluding AAA, generally are charged on either (a) a fixed percentage of committed capital over a stated investment period or (b) a fixed percentage of invested

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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.

Net gains from investment activities related to the Company's investment in Athene Holding would decrease by approximately \$32.4 million for the year ended December 31, 2014 if the fair value of the Company's investment in Athene Holding decreased by 10%. By contrast, a 10% increase in fair value of the Company's investment in Athene Holding would increase net gains from investment activities by \$32.4 million for the year ended December 31, 2014. 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 for the year ended December 31, 2013, if the fair value of the accrued notional shares of Athene Holding decreased by 10% during the same respective period. By contrast, a 10% increase in fair value of the accrued notional shares of Athene Holding would increase other income, net for the year ended December 31, 2013 by approximately \$8.5 million. Carried interest income from most of our credit funds, which is quantified in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Segment Analysis," is 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, 2014 and 2013 would decrease carried interest income on a segment basis for the years ended December 31, 2014 and 2013 by approximately \$160.6 million and \$203.7 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, 2014 and 2013 by approximately \$334.3 million and \$240.1 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, 2014 and 2013 would decrease carried interest income on a segment basis for the years ended December 31, 2014 and 2013 by \$301.7 million and \$524.8 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, 2014 and 2013 by \$323.8 million and \$484.5 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, 2014 and 2013 would decrease carried interest income on a segment basis for the years ended December 31, 2014 and 2013 by \$12.6 million and \$6.0 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, 2014 and 2013 by \$21.0 million and \$16.1 million, respectively.

For select Apollo funds, our share of income from equity method investments 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 direct investments in the funds, which ranges from 0.001% to 9.091%. A 10% decline in the fair value of investments at December 31, 2014 and 2013 would result in an approximate \$37.8 million and \$39.8 million decrease in investment income at the consolidated level, respectively. By contrast, a 10% increase in the fair value of investments at December 31, 2014 and 2013 would result in an approximate \$37.8 million and \$39.8 million increase in investment income at the consolidated level, respectively.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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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, 2014 and 2013, and the related consolidated statements of operations, comprehensive income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2014. We also have audited the Company's internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control-Integrated Framework (2013) 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, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014, 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, 2014, based on the criteria established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ Deloitte & Touche LLP
New York, New York
February 27, 2015

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APOLLO GLOBAL MANAGEMENT, LLC
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
DECEMBER 31, 2014 AND DECEMBER 31, 2013
(dollars in thousands, except share data)

	December 31,	
	2014	2013
Assets:		
Cash and cash equivalents	\$ 1,204,052	\$ 1,078,120
Cash and cash equivalents held at consolidated funds	1,611	1,417
Restricted cash	6,353	9,199
Investments	2,880,006	2,393,883
Assets of consolidated variable interest entities:		
Cash and cash equivalents	1,088,952	1,095,170
Investments, at fair value	15,658,653	14,126,362
Other assets	323,240	280,718
Carried interest receivable	911,666	2,287,075
Due from affiliates	268,015	317,247
Fixed assets, net	35,906	40,251
Deferred tax assets	606,717	660,199
Other assets	84,384	44,170
Goodwill	49,243	49,243
Intangible assets, net	60,039	94,927
Total Assets	\$ 23,178,837	\$ 22,477,981
Liabilities and Shareholders' Equity		
Liabilities:		
Accounts payable and accrued expenses	\$ 44,246	\$ 38,159
Accrued compensation and benefits	59,278	41,711
Deferred revenue	199,614	279,479
Due to affiliates	565,153	595,371
Profit sharing payable	434,852	992,240
Debt	1,034,014	750,000
Liabilities of consolidated variable interest entities:		
Debt, at fair value	14,123,100	12,423,962
Other liabilities	728,718	605,063
Other liabilities	46,401	63,274
Total Liabilities	17,235,376	15,789,259
Commitments and Contingencies (see note 18)		
Shareholders' Equity:		
Apollo Global Management, LLC shareholders' equity:		
Class A shares, no par value, unlimited shares authorized, 163,046,554 and 146,280,784 shares issued and outstanding at December 31, 2014 and December 31, 2013, respectively	—	—
Class B shares, no par value, unlimited shares authorized, 1 share issued and outstanding at December 31, 2014 and December 31, 2013	—	—
Additional paid in capital	2,254,283	2,624,582
Accumulated deficit	(1,400,661)	(1,568,487)
Appropriated partners' capital	933,166	1,581,079
Accumulated other comprehensive income (loss)	(306)	95
Total Apollo Global Management, LLC shareholders' equity	1,786,482	2,637,269

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Non-Controlling Interests in consolidated entities	3,222,195	2,669,730
Non-Controlling Interests in Apollo Operating Group	934,784	1,381,723
Total Shareholders' Equity	5,943,461	6,688,722
Total Liabilities and Shareholders' Equity	\$23,178,837	\$22,477,981
See accompanying notes to consolidated financial statements.		

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APOLLO GLOBAL MANAGEMENT, LLC
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012
(dollars in thousands, except share data)

	2014	2013	2012
Revenues:			
Advisory and transaction fees from affiliates, net	\$315,587	\$196,562	\$149,544
Management fees from affiliates	850,441	674,634	580,603
Carried interest income from affiliates	394,055	2,862,375	2,129,818
Total Revenues	1,560,083	3,733,571	2,859,965
Expenses:			
Compensation and benefits:			
Equity-based compensation	126,320	126,227	598,654
Salary, bonus and benefits	338,049	294,753	274,574
Profit sharing expense	276,190	1,173,255	872,133
Total Compensation and Benefits	740,559	1,594,235	1,745,361
Interest expense	22,393	29,260	37,116
Professional fees	82,030	83,407	64,682
General, administrative and other	97,663	98,202	87,961
Placement fees	15,422	42,424	22,271
Occupancy	40,427	39,946	37,218
Depreciation and amortization	45,069	54,241	53,236
Total Expenses	1,043,563	1,941,715	2,047,845
Other Income:			
Net gains from investment activities	213,243	330,235	288,244
Net gains (losses) from investment activities of consolidated variable interest entities	22,564	199,742	(71,704)
Income from equity method investments	53,856	107,350	110,173
Interest income	10,392	12,266	9,693
Other income, net	60,592	40,114	1,964,679
Total Other Income	360,647	689,707	2,301,085
Income before income tax provision	877,167	2,481,563	3,113,205
Income tax provision	(147,245)	(107,569)	(65,410)
Net Income	729,922	2,373,994	3,047,795
Net income attributable to Non-controlling Interests	(561,693)	(1,714,603)	(2,736,838)
Net Income Attributable to Apollo Global Management, LLC	\$168,229	\$659,391	\$310,957
Distributions Declared per Class A Share	\$3.11	\$3.95	\$1.35
Net Income Per Class A Share:			
Net Income Available to Class A Share – Basic	\$0.62	\$4.06	\$2.06
Net Income Available to Class A Share – Diluted	\$0.62	\$4.03	\$2.06
Weighted Average Number of Class A Shares – Basic	155,349,017	139,173,386	127,693,489
Weighted Average Number of Class A Shares – Diluted	155,349,017	142,214,350	129,540,377
See accompanying notes to consolidated financial statements.			

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APOLLO GLOBAL MANAGEMENT, LLC
CONSOLIDATED STATEMENTS OF
COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012
(dollars in thousands, except share data)

	2014	2013	2012
Net Income	\$729,922	\$2,373,994	\$3,047,795
Other Comprehensive Income (Loss), net of tax:			
Allocation of currency translation adjustment of consolidated CLO entities	724	—	—
Net loss from change in fair value of cash flow hedge instruments	(990) —	—
Net unrealized gain on interest rate swaps (net of taxes of \$410 for Apollo Global Management, LLC and \$0 for Non-Controlling Interests in Apollo Operating Group)	—	—	2,653
Net loss on available-for-sale securities (from equity method investment)	(2	) (8	) (11
Total Other Comprehensive Income (Loss), net of tax	(268	) (8	) 2,642
Comprehensive Income	729,654	2,373,986	3,050,437
Comprehensive Income attributable to Non-Controlling Interests	(631,831	) (1,564,710	) (922,172
Comprehensive Income Attributable to Apollo Global Management, LLC	\$97,823	\$809,276	\$2,128,265
See accompanying notes to consolidated financial statements.			

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APOLLO GLOBAL MANAGEMENT, LLC
CONSOLIDATED STATEMENTS OF CHANGES
IN SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2014, 2013, AND 2012
(dollars in thousands, except share data)

Apollo Global Management, LLC Shareholders

	Class A Shares	Additional Class B Paid in Shares Capital	Accumulated Deficit	Appropriated Partners' Capital	Other Compre Income (Loss)	Total Apollo Management, LLC Total Shareholders' Equity	Non- Controlling Interests in Consolidated Entities	Non- Controlling Interests in Apollo Operating Group	To SH Ec	
Balance at January 1, 2012	123,923,042	1	\$2,939,492	\$(2,426,197)	\$213,594	\$(488)	\$726,401	\$1,444,767	\$477,153	\$2
Dilution impact of issuance of Class A shares	—	—	1,589	—	—	1,589	—	—	—	1,
Capital increase related to equity-based compensation	—	—	282,288	—	—	282,288	—	313,856	—	59
Capital contributions	—	—	—	—	—	—	551,154	—	—	55
Distributions	—	—	(203,997)	—	(264,910)	(468,907)	(495,506)	(335,023)	(1)	(1)
Distributions related to deliveries of Class A shares for RSUs	6,130,951	—	9,090	(25,992)	—	(16,902)	—	—	—	(1)
Purchase of AAA shares	—	—	—	—	—	—	(102,072)	—	—	(1)
Non-cash distributions	—	—	—	(788)	—	(788)	(3,605)	—	—	(4)
Non-cash contribution to Non-Controlling Interests	—	—	—	—	—	—	2,547	—	—	2,
Capital increase related to business acquisition (see note 3)	—	—	14,001	—	—	14,001	—	—	—	14
Non-Controlling Interests in consolidated entities at acquisition date	—	—	—	—	—	—	306,351	—	—	30
Deconsolidation	—	—	—	—	—	—	(46,148)	—	—	(4)

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	—	—	1,
Net income	—	—	310,957	1,816,676	—	2,127,633	234,805	685,357	3,
Net loss on available-for-sale securities (from equity method investment)	—	—	—	—	(11)	(11)	—	—	(1
Net unrealized gain on interest rate swaps (net of taxes of \$410 for Apollo Global Management, LLC and \$0 for Non-Controlling Interests in Apollo Operating Group)	—	—	—	—	643	643	—	2,010	2,
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	\$5
Dilution impact of issuance of Class A shares	—	—4,865	—	—	—	4,865	—	—	4,
Capital increase related to equity-based compensation	—	—104,935	—	—	—	104,935	—	19,163	12
Capital contributions	—	—	—	—	—	—	689,172	—	68
Distributions	—	—(650,189)	—	(334,215)	—	(984,404)	(159,573)	(975,488)	(2
Distributions related to deliveries of Class A shares for RSUs	5,181,389	—37,263	(85,858)	—	—	(48,595)	—	—	(4
Purchase of AAA units	—	—	—	—	—	—	(62,326)	—	(6
Net transfers of AAA ownership interest to (from) Non-Controlling	—	—(2,226)	—	—	—	(2,226)	2,226	—	—

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Interests in consolidated entities										
Satisfaction of liability related to AAA RDUs	—	—1,205	—	—	—	1,205	—	—	—	1,205
Exchange of AOG Units for Class A shares	11,045,402	—85,395	—	—	—	85,395	—	(62,996)	—	22,342
Net income	—	—	659,391	149,934	—	809,325	307,019	1,257,650	—	2,366,309
Net gain (loss) on available-for-sale securities (from equity method investment)	—	—	—	—	(49)	(49)	—	41	—	(8)
Balance at December 31, 2013	146,280,784	\$2,624,582	\$(1,568,487)	\$1,581,079	\$95	\$2,637,269	\$2,669,730	\$1,381,723	—	\$6,000,000
Dilution impact of issuance of Class A shares	—	—5,267	—	—	—	5,267	—	—	—	5,267
Capital increase related to equity-based compensation	—	—108,871	—	—	—	108,871	—	—	—	108,871
Capital contributions	—	—	—	135,356	—	135,356	936,915	—	—	1,107,627
Distributions	—	—(555,532)	—	(713,264)	—	(1,268,796)	(615,301)	(816,412)	—	(2,699,773)
Distributions related to deliveries of Class A shares for RSUs	10,491,649	—27,899	(403)	—	—	27,496	—	—	—	27,093
Purchase of AAA units	—	—	—	—	—	—	(312)	—	—	(312)
Net transfers of AAA ownership interest to (from) Non-Controlling Interests in consolidated entities	—	—(3,423)	—	—	—	(3,423)	3,423	—	—	—
Satisfaction of liability related to AAA RDUs	—	—1,183	—	—	—	1,183	—	—	—	1,183
Exchange of AOG Units for Class A shares	6,274,121	—45,436	—	—	—	45,436	—	(34,618)	—	10,691
Net income	—	—	168,229	(70,729)	—	97,500	227,740	404,682	—	722,052
Allocation of currency	—	—	—	724	—	724	—	—	—	724

translation adjustment of consolidated CLO entities										
Change in cash flow hedge instruments	—	—	—	—	(399)	(399)	—	(591)	(9)	
Net loss on available-for-sale securities (from equity method investment)	—	—	—	—	(2)	(2)	—	—	(2)	
Balance at December 31, 2014	163,046,554	1 \$2,254,283	\$(1,400,661)	\$933,166	\$(306)	\$1,786,482	\$3,222,195	\$934,784	\$5	

See accompanying notes to consolidated financial statements.

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APOLLO GLOBAL MANAGEMENT, LLC
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2014, 2013, AND 2012
(dollars in thousands, except share data)

	2014	2013	2012
Cash Flows from Operating Activities:			
Net income	\$729,922	\$2,373,994	\$3,047,795
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity-based compensation	126,320	126,227	598,654
Non-cash management fees	(16,738)	—	—
Depreciation and amortization	10,181	11,047	10,226
Amortization of intangible assets	34,888	43,194	43,010
Amortization of debt issuance costs	3,453	765	511
Unrealized (gains) losses from investment in other investments	(21,726)	12,962	1,316
Gain on settlement of contingent obligation	(13,395)	—	—
Non-cash interest income	(1,725)	(3,403)	(3,187)
Income (Loss) from equity awards received for directors' fees	333	378	(2,536)
Cash distributions of earnings from equity method investments	83,656	109,076	66,063
Realized loss from investment in other investments	12,871	—	—
Income from equity method investments	(53,856)	(107,350)	(110,173)
Change in market value on derivatives	(14,039)	(10,203)	—
Waived management fees	—	—	(6,161)
Non-cash compensation expense related to waived management fees	—	—	6,161
Change in fair value of contingent obligations	11,281	60,826	25,787
Excess tax benefits from share-based payment arrangements	(27,899)	(37,263)	—
Deferred taxes, net	80,356	62,701	55,309
Net (gain) loss on disposal of fixed assets	(2)	963	923
Gain on business acquisitions	—	—	(1,951,897)
Changes in assets and liabilities:			
Carried interest receivable	1,375,409	(408,819)	(973,578)
Due from affiliates	(252,339)	(130,525)	5,779
Other assets	(24,868)	6,250	(7,901)
Accounts payable and accrued expenses	33,986	34,034	559
Accrued compensation and benefits	16,185	(17,244)	8,007
Deferred revenue	(79,865)	27,322	15,000
Due to affiliates	(97,521)	(44,223)	(103,773)
Profit sharing payable	(518,003)	141,225	361,606
Other liabilities	6,889	(5,822)	(5,052)
Apollo Funds related:			
Net realized gains from investment activities	(79,277)	(87,881)	(77,408)
Net unrealized losses from investment activities	113,423	(309,138)	(458,031)
Net realized gains on debt	(101,745)	(137,098)	—
Net unrealized (gains) losses on debt	(809)	232,510	497,704
Distributions from investment activities	—	66,796	99,675
Change in cash held at consolidated variable interest entities	(13,813)	587,526	(348,138)
Purchases of investments	(10,330,057)	(9,841,763)	(7,525,473)
Proceeds from sale of investments and liquidating distributions	8,509,361	8,422,195	7,182,392
Change in other assets	(43,521)	19,260	(71,921)

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Change in other liabilities	169,767	(64,061)	(49,634)
Net Cash (Used in) Provided by Operating Activities	\$(372,917)	\$1,134,458	\$331,614
Cash Flows from Investing Activities:			
Purchases of fixed assets	(5,949)	(7,577)	(11,259)
Acquisitions (net of cash assumed) (see note 3)	—	—	(99,190)
Proceeds from disposals of fixed assets	115	2,282	—
Proceeds from sale of investments	50,000	—	—
Cash contributions to equity method investments	(109,923)	(98,422)	(126,917)
Cash distributions from equity method investments	76,343	107,208	86,582
Change in restricted cash	2,846	(840)	(70)
Net Cash Provided by (Used In) Investing Activities	\$13,432	\$2,651	\$(150,854)
Cash Flows from Financing Activities:			
Principal repayments of debt	\$(250,000)	\$(737,818)	\$(698)
Issuance of debt	533,956	750,000	—
Issuance costs	(5,478)	(7,750)	—
Net loss related to cash flow hedge instruments	(1,051)	—	—
Satisfaction of tax receivable agreement	(32,032)	(30,403)	—
Satisfaction of contingent obligations	(37,271)	(67,535)	—
Distributions related to deliveries of Class A shares for RSUs	(403)	(85,858)	(25,992)
Distributions to Non-Controlling Interests in consolidated entities	(19,425)	(12,171)	(8,779)
Contributions from Non-Controlling Interests in consolidated entities	2,001	273	4,069
Distributions paid	(506,043)	(584,465)	(202,430)
Distributions paid to Non-Controlling Interests in Apollo Operating Group	(816,412)	(975,488)	(335,023)
Excess tax benefits from share-based payment arrangements	27,899	37,263	—
Apollo Funds related:			
Issuance of debt	4,225,451	2,747,033	1,413,334
Principal repayment of debt	(2,371,499)	(2,218,060)	(515,897)
Purchase of AAA units	(312)	(62,326)	(102,072)
Distributions paid	(703,041)	(334,215)	(264,910)
Distributions paid to Non-Controlling Interests in consolidated variable interest entities	(450,419)	(147,402)	(486,727)
Contributions from Non-Controlling Interests in consolidated variable interest entities	889,690	688,899	547,085
Subscriptions received in advance	—	35,000	—
Net Cash Provided by (Used in) Financing Activities	\$485,611	\$(1,005,023)	\$21,960
Net Increase in Cash and Cash Equivalents	126,126	132,086	202,720
Cash and Cash Equivalents, Beginning of Period	1,079,537	947,451	744,731
Cash and Cash Equivalents, End of Period	\$1,205,663	\$1,079,537	\$947,451
Supplemental Disclosure of Cash Flow Information:			
Interest paid	\$22,191	\$43,760	49,590
Interest paid by consolidated variable interest entities	157,812	120,149	116,392
Income taxes paid	57,276	9,233	7,128
Supplemental Disclosure of Non-Cash Investing Activities:			
Non-cash distributions from equity method investments	(6,720)	(1,303)	(2,807)
Transfer of fixed assets held-for-sale	—	6,486	—
Change in accrual for purchase of fixed assets	—	—	(659)
Supplemental Disclosure of Non-Cash Financing Activities:			
Non-cash distributions	\$—	\$—	\$(788)
Declared and unpaid distributions	(49,489)	(65,724)	(1,567)
Non-cash contributions to Non-Controlling Interests in consolidated entities from Appropriated Partners' Capital	10,224	—	—

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Non-cash distributions from Non-Controlling interests in consolidated entities to Appropriated Partners' Capital	(135,356)	—	—
Non-cash contributions from Non-Controlling Interests in Apollo Operating Group related to equity-based compensation	—	19,163	313,856
Non-cash distributions from Non-Controlling Interests in consolidated entities	—	—	(3,605)
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
Satisfaction of liability related to AAA RDUs	1,183	1,205	1,790
Net transfers of AAA ownership interest to Non-Controlling Interests in consolidated entities	3,423	2,226	919
Net transfer of AAA ownership interest from Apollo Global Management, LLC	(3,423)	(2,226)	(919)
Unrealized gain on interest rate swaps	—	—	1,053
Unrealized loss on available-for-sale securities (from equity method investment)	(2)	(49)	(11)
Capital increases related to equity-based compensation	108,871	104,935	282,228
Dilution impact of issuance of Class A shares	5,267	4,865	1,589
Deferred tax asset related to interest rate swaps	—	—	(410)
Tax benefits related to deliveries of Class A shares for RSUs	—	—	(9,090)
Capital increase related to business acquisition	—	—	14,001
Net Assets Transferred from Consolidated Variable Interest Entity:			
Cash	\$—	\$—	\$1,161,016
Investments	—	—	8,805,916
Other assets	—	—	169,937
Debt	—	—	(7,255,172)
Other liabilities	—	—	(560,262)
Non-Controlling interest in consolidated entities related to acquisition	—	—	260,203
Adjustments related to exchange of Apollo Operating Group units:			
Deferred tax assets	\$58,696	\$149,327	\$—
Due to affiliates	(47,878)	(126,928)	—
Additional paid in capital	(10,818)	(22,399)	—
Non-Controlling Interest in Apollo Operating Group	34,618	62,996	—
See accompanying notes to consolidated financial statements.			

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APOLLO GLOBAL MANAGEMENT, LLC

NOTES TO CONSOLIDATED

FINANCIAL STATEMENTS

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

1. ORGANIZATION AND BASIS OF PRESENTATION

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

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

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

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

Basis of Presentation

The accompanying 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 (“VIEs”) and for which the Company is considered the primary beneficiary, and certain entities which are not considered VIEs but which the Company controls through a majority voting interest. Intercompany accounts and transactions have been eliminated upon consolidation.

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, 2014, the Company owned, through four intermediate holding companies that include APO Corp., a Delaware corporation that is a domestic corporation for U.S. federal income tax purposes, APO Asset Co., LLC, a Delaware limited liability company that is a disregarded entity for U.S. federal income tax purposes, APO (FC), LLC, an Anguilla limited liability company that is treated as a corporation for U.S. federal income tax purposes and APO (FC II), LLC, an Anguilla limited liability company that is treated as a corporation for U.S. federal income tax purposes (collectively, the “Intermediate Holding Companies”), 42.3% of the economic interests of, and operated and controlled all of the businesses and affairs of, the Apollo Operating Group through its wholly-owned subsidiaries.

AP Professional Holdings, L.P., a Cayman Islands exempted limited partnership (“Holdings”), is the entity through which the Managing Partners and certain of the Company’s other partners (the “Contributing Partners”) indirectly beneficially own interests in each of the partnerships that comprise the Apollo Operating Group (“AOG Units”). As of December 31, 2014, Holdings owned the remaining 57.7% 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.

Pursuant to an exchange agreement between Apollo and Holdings (as amended, the “Exchange Agreement”), the holders of the AOG Units (and certain permitted transferees thereof) may, upon notice and subject to the applicable vesting and minimum retained ownership requirements, transfer restrictions and other terms of the Exchange Agreement, exchange their AOG Units for the Company’s Class A shares on a one-for-one basis a limited number of times each year, subject to customary conversion rate adjustments for splits, distributions and reclassifications. Pursuant to the Exchange Agreement, a holder of AOG Units must

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

simultaneously exchange one partnership unit in each of the Apollo Operating Group partnerships to effectuate an exchange for one Class A share. As a holder exchanges its AOG Units, the Company's indirect interest in the Apollo Operating Group is correspondingly increased.

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 fundamental characteristics (and a number of the typical characteristics) 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.

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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 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 the expected residual returns from an entity, and (v) 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 losses or residual returns 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 VIEs' economic performance and rights to receive benefits or obligations to absorb losses that could be 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 attributable to Non-Controlling Interests in the consolidated statements of operations. Such amounts are recorded within appropriated partners' capital as, in each case, the VIEs' note holders, not Apollo, will ultimately receive the

benefits or absorb the losses associated with the VIEs' assets and liabilities.

Assets and liabilities of the consolidated VIEs are shown in separate sections within the consolidated statements of financial condition as of December 31, 2014 and 2013.

For additional disclosures regarding VIEs, see note 5. Intercompany transactions and balances, if any, have been eliminated in consolidation.

Equity Method Investments—For investments in entities over which the Company exercises significant influence but which do not meet the requirements for consolidation, the Company uses the equity method of accounting, whereby the Company records its share of the underlying income or loss of such entities. 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

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APOLLO GLOBAL MANAGEMENT, LLC

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

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 approximates fair value.

Non-Controlling Interests—For entities that are consolidated, but not 100% owned, a portion of the income or loss and corresponding equity is allocated to owners other than Apollo. The aggregate of the income or loss and corresponding equity that is not owned by the Company is included in Non-Controlling Interests in the consolidated financial statements. As of December 31, 2014, the Non-Controlling Interests relating to Apollo Global Management, LLC primarily includes the ownership interest in the Apollo Operating Group held by the Managing Partners and Contributing Partners through their limited partner interests in Holdings and other ownership interests in consolidated entities, which primarily consist of the ownership interest held by limited partners in AP Alternative Assets, L.P. ("AAA"). 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 consolidated statements of operations, and any receivable from the respective funds is presented in due from affiliates on the consolidated statements of financial condition.

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

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

Carried Interest Income from Affiliates—Apollo is entitled to an incentive return that can normally amount to as much as 20% of the total returns on a fund's capital, depending upon performance. Performance-based fees are assessed as a percentage of the investment performance of the funds. The carried interest income from affiliates for any period is based upon an assumed liquidation of the fund's net assets on the reporting date, and distribution of the net proceeds in accordance with the fund's income allocation provisions. Carried interest receivable is presented separately in the 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 Apollo Investment Fund VII, L.P. ("Fund VII") and Apollo Natural Resources Partners, L.P. ("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

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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 VIEs, 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. These criteria include, but are not limited to, the number and quality of the broker quotes, the standard deviations of the observed broker quotes, and the percentage deviation from independent pricing services.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value

measurement in its entirety requires judgment and considers factors specific to the investment when the fair value is based on unobservable inputs.

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

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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. 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.

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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. 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.

Fair Value of Financial Instruments

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

Except for the Company’s debt obligations (as described in note 14 to our consolidated financial statements), Apollo’s financial instruments are recorded at fair value or at amounts whose carrying values approximate fair value. See “Investments, at Fair Value” above. While Apollo’s valuations of portfolio investments are based on assumptions that Apollo believes are reasonable under the circumstances, the actual realized gains or losses will depend on, among other factors, future operating results, the value of the assets and market conditions at the time of disposition, any related transaction costs and the timing and manner of sale, all of which may ultimately differ significantly from the assumptions on which the valuations were based. Financial instruments’ carrying values generally approximate fair value because of the short-term nature of those instruments or variable interest rates related to the borrowings.

Fair Value Option—Apollo has elected the fair value option for the Company's investment in Athene Holding ("Athene Holding" and, together with its subsidiaries, "Athene"), 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 investments in Athene Holding, 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 income (loss) ("OCI"). Amounts in accumulated OCI

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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 obligations 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, net 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 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.

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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, 2014, the Company performed its annual impairment testing, and, as the fair value of each of the Company's reporting units was in excess of its carrying value, there was no impairment of goodwill. Additionally, there was no impairment of indefinite-life intangible assets as of December 31, 2014.

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.

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.

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, 2014, 2013 and 2012.

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

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Changes in the fair value of the contingent consideration obligations that were recognized in connection with certain Apollo acquisitions are reflected in the Company's 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, gains arising from extinguishment of contingent consideration obligations and other miscellaneous non-operating income and expenses.

Comprehensive Income (Loss)—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 and foreign currency translation adjustments associated with the Company's non-U.S. dollar denominated subsidiaries.

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.

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.

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

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

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

Use of Estimates—The preparation of the 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, and fair value of investments and debt. Actual results could differ materially from those estimates.

Consolidated Statements of Cash Flows— During the second quarter of 2014, the Company identified that return on capital related to cash distributions from equity method investments had been previously reported as cash flows provided by investing activities. Cash flows received from equity method investments should have been separately identified as either return of investment or return on investment. Cash flows from the return of investment should be presented in cash flows provided by investing activities and return on investment presented within cash flows provided by operating activities. The Company restated the previously presented cash flows for these cash distributions from equity method investments and, in doing so, for the years ended December 31, 2013 and December 31, 2012, the consolidated statements of cash flows were restated to increase net cash flows provided by operating activities by \$109.1 million and \$66.1 million, respectively, with a corresponding decrease in net cash flows provided by investing activities. The Company has evaluated the effect of the incorrect presentation both qualitatively and quantitatively, and concluded that it did not have a material impact on, nor require amendment of, any previously filed annual or quarterly consolidated financial statements.

Recent Accounting Pronouncements

In April 2013, the Financial Accounting Standards Board ("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. The adoption of this guidance did not 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

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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. The adoption of this guidance did not have a material impact on the Company's 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. The amendments should be applied prospectively to all unrecognized tax benefits that exist at the effective date, although retrospective application is permitted. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

In April 2014, the FASB issued guidance to improve the definition of discontinued operations and to enhance convergence between the FASB's and International Accounting Standard Board's (IASB) reporting requirements for discontinued operations. The new definition of discontinued operations limits discontinued operations reporting to disposals of components of an entity that represent strategic shifts that have (or will have) a major effect on an entity's operations and financial results. The new guidance affects entities that have either of the following: (1) a component of an entity that either is disposed of or meets the criteria under current guidance to be classified as held for sale or (2) a business or nonprofit activity that, on acquisition, meets the criteria under current guidance to be classified as held for sale. The guidance is effective for all disposals (or classifications as held for sale) of components of an entity and all businesses or nonprofit activities that, on acquisition, are classified as held for sale that occur within annual periods beginning on or after December 15, 2014, and interim periods within those years. Early adoption is permitted, but only for disposals (or classifications as held for sale) that have not been reported in financial statements previously issued or available for issuance. This guidance is not expected to have a material impact on the Company's consolidated financial statements.

In May 2014, the FASB issued guidance to establish a comprehensive and converged standard on revenue recognition to enable financial statement users to better understand and consistently analyze an entity's revenue across industries,

transactions, and geographies. The core principle of the new guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation. The new guidance also specifies the accounting for certain costs to obtain or fulfill a contract with a customer. The new guidance requires improved disclosures to help users of financial statements better understand the nature, amount, timing, and uncertainty of revenue that is recognized. Qualitative and quantitative information is required to be disclosed about: (1) contracts with customers, (2) significant judgments and changes in judgments, and (3) assets recognized from costs to obtain or fulfill a contract. The new guidance will apply to all entities. The guidance is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2016. Early application is not permitted. The Company is in the process of

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evaluating the impact that this guidance will have on its consolidated financial statements, including the timing of the recognition of carried interest income.

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

In August 2014, the FASB issued guidance to eliminate diversity in practice in the accounting for measurement differences in both the initial consolidation and subsequent measurement of the financial assets and the financial liabilities of a collateralized financing entity. A reporting entity that consolidates a collateralized financing entity within the scope of the new guidance may elect to measure the financial assets and the financial liabilities of that collateralized financing entity using either the measurement alternative included in the new guidance or the existing guidance on fair value measurement. When the measurement alternative is not elected for a consolidated collateralized financing entity within the scope of the new guidance, the new guidance clarifies that (1) the fair value of the financial assets and the fair value of the financial liabilities of the consolidated collateralized financing entity should be measured using the requirements of the existing guidance on fair value measurement and (2) any differences in the fair value of the financial assets and the fair value of the financial liabilities of that consolidated collateralized financing entity should be reflected in earnings and attributed to the reporting entity in the consolidated statement of income (loss). When a reporting entity elects the measurement alternative included in the new guidance for a collateralized financing entity, the reporting entity should measure both the financial assets and the financial liabilities of that collateralized financing entity in its consolidated financial statements using the more observable of the fair value of the financial assets and the fair value of the financial liabilities. The guidance applies to a reporting entity that is required to consolidate a collateralized financing entity under the existing variable interest entity guidance when (1) the reporting entity measures all of the financial assets and the financial liabilities of that consolidated collateralized financing entity at fair value in the consolidated financial statements based on other guidance and (2) the changes in the fair values of those financial assets and financial liabilities are reflected in earnings. The guidance is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2015. Early adoption is permitted as of the beginning of an annual period. The Company is in the process of evaluating the impact that this guidance will have on the recognition of appropriated partners' capital, although the impact on net income attributable to the Company is not expected to be material.

In August 2014, the FASB issued guidance regarding management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. The new guidance requires that management evaluate each annual and interim reporting period whether conditions

exist that give rise to substantial doubt about the entity's ability to continue as a going concern within one year from the financial statement issuance date, and if so, provide related disclosures. Disclosures are only required if conditions give rise to substantial doubt, whether or not the substantial doubt is alleviated by management's plans. No disclosures are required specific to going concern uncertainties if an assessment of the conditions does not give rise to substantial doubt. Substantial doubt exists when conditions and events, considered in the aggregate, indicate that it is probable that a company will be unable to meet its obligations as they become due within one year after the financial statement issuance date. If substantial doubt is alleviated as a result of the consideration of management's plans, a company should disclose information that enables users of financial statements to understand all of the following (or refer to similar information disclosed elsewhere in the footnotes): (1) principal conditions that initially give rise to substantial doubt, (2) management's evaluation of the significance of those conditions in relation to the company's ability to meet its obligations, and (3) management's plans that alleviated substantial doubt. If substantial doubt is not alleviated after considering management's plans, disclosures should enable investors to understand the underlying conditions, and include the following: (1) a statement indicating that there is substantial doubt about the company's ability to continue as a going concern within one year

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after the issuance date, (2) the principal conditions that give rise to substantial doubt, (3) management's evaluation of the significance of those conditions in relation to the company's ability to meet its obligations, and (4) management plans that are intended to mitigate the adverse conditions. The new guidance applies to all companies. The guidance is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2016. Early adoption is permitted. This guidance is not expected to have an impact on the consolidated financial statements of the Company. In November 2014, the FASB issued guidance to clarify how current U.S. GAAP should be interpreted in evaluating the economic characteristics and risks of a host contract in a hybrid financial instrument that is issued in the form of a share. Specifically, the new guidance clarifies that an entity should consider all relevant terms and features-including the embedded derivative feature being evaluated for bifurcation when evaluating the nature of the host contract. Further, the new guidance clarifies that no single term or feature would necessarily determine the economic characteristics and risks of the host contract. Rather, the nature of the host contract depends upon the economic characteristics and risks of the entire hybrid financial instrument. The new guidance applies to all entities that are issuers of, or investors in, hybrid financial instruments that are issued in the form of a share. The guidance is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2015. Early adoption is permitted. The Company is in the process of evaluating the impact that this guidance will have on its consolidated financial statements.

In January 2015, the FASB issued guidance to simplify income statement presentation by eliminating the concept of extraordinary items. Existing guidance requires that an entity separately classify, present, and disclose extraordinary events and transactions. If an event or transaction meets the criteria for extraordinary classification, an entity is required to segregate the extraordinary item from the results of ordinary operations and show the item separately in the income statement, net of tax, after income from continuing operations. The entity is also required to disclose applicable income taxes and either present or disclose earnings-per-share data applicable to the extraordinary item. The new guidance eliminates the requirement for reporting entities to consider whether an underlying event or transactions is extraordinary. However, the presentation and disclosure requirements under existing guidance for items that are unusual in nature or occur infrequently will be retained and will be expanded to include items that are both unusual in nature and infrequently occurring. Under the new guidance, items that are both unusual in nature and infrequently occurring should be presented within income from continuing operations or disclosed in the notes to the financial statements. The guidance is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2015. Early adoption is permitted provided that the guidance is applied from the beginning of the fiscal year of adoption. This guidance is not expected to have an impact on the consolidated financial statements of the Company.

In February 2015, the FASB issued new guidance which changes the analysis that a reporting entity must perform to determine whether it should consolidate certain types of legal entities. Existing guidance includes different requirements for performing a consolidation analysis if, among other factors, the entity under evaluation is any one of the following: (1) a legal entity that qualifies for the indefinite deferral under the amended consolidation rules, (2) a legal entity that is within the scope of the amended consolidation rules, or (3) a limited partnership or similar entity that is considered a voting interest entity. Under the new guidance, all reporting entities are within the scope of the new standard, including limited partnerships and similar legal entities, unless a scope exception applies. The presumption that a general partner controls a limited partnership has been eliminated. In addition, fees paid to decision makers that meet certain conditions (e.g. are both customary and commensurate with the level of effort required for the services provided) no longer cause decision makers to consolidate VIEs in certain instances. The new guidance places more emphasis in the consolidation evaluation on variable interests other than the fee arrangements such as principal investment risk (for example, debt or equity interests), guarantees of the value of the assets or liabilities of the VIE, written put options on the assets of the VIE, or similar obligations, including some liquidity commitments or

agreements (explicit or implicit). Additionally, the new guidance reduces the extent to which related party arrangements cause an entity to be considered a primary beneficiary. The indefinite deferral of the amended consolidation rules for certain investment funds has been eliminated and a scope exception from the new consolidation standard has been added for reporting entities with interests in legal entities that are required to comply with or operate in accordance with requirements that are similar to those in Rule 2a-7 of the investment Company Act of 1940 for registered money market funds. The guidance is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2015. Early adoption is permitted, including adoption in an interim period, and adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. A reporting entity may apply the new guidance using either a modified retrospective approach by recording a cumulative-effect adjustment to equity as of the beginning of the fiscal year of adoption or by applying the amendments retrospectively. The Company is in the process of evaluating the impact that this new guidance will have on its consolidated financial statements.

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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 was incurred during the year ended December 31, 2012.

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.

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The Company 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 statement of operations for the year ended December 31, 2012, with corresponding amounts reflected as components of appropriated partners' capital within the consolidated statement of changes in shareholders' equity for the year ended December 31, 2012. 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.

The acquisition related intangible assets valuation and related amortization are as follows:

	Weighted Average Useful Life in Years	As of December 31,	
		2014	2013
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		(73,568) (48,586
Net Intangible Assets		\$23,952	\$48,934

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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	

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, 2014	2013	
Finite-lived intangible assets/management contracts	\$240,285	\$240,285	
Accumulated amortization	(180,246	) (145,358)
Intangible assets, net	\$60,039	\$94,927	

The changes in intangible assets, net consist of the following:

	For the Year Ended December 31,			
	2014	2013	2012	
Balance, beginning of year	\$94,927	\$137,856	\$81,846	
Amortization expense	(34,888	) (43,194	) (43,009)
Acquisitions	—	265	99,019	(1)
Balance, end of year	\$60,039	\$94,927	\$137,856	

(1) Includes impact of purchase price adjustments related to the Gulf Stream acquisition.

Amortization expense related to intangible assets was \$34.9 million, \$43.2 million, and \$43.0 million for the years ended December 31, 2014, 2013, and 2012, respectively.

Expected amortization of these intangible assets for each of the next 5 years and thereafter is as follows:

	2015	2016	2017	2018	2019	Thereafter	Total
Amortization of intangible assets	\$33,458	\$7,917	\$4,952	\$3,677	\$3,677	\$6,358	\$60,039

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4. INVESTMENTS

The following table represents Apollo's investments:

	As of December 31, 2014	As of December 31, 2013
Investments, at fair value	\$2,499,128	\$2,012,027
Equity method investments	380,878	381,856
Total Investments	\$2,880,006	\$2,393,883

Investments, at Fair Value

Investments, at fair value, consist of financial instruments held by AAA, the Company's investment in Athene Holding, investments held by the Apollo Credit Senior Loan Fund, L.P. ("Apollo Senior Loan Fund"), and other investments held by the Company at fair value. Other investments include the Company's investment in HFA. As of December 31, 2014 and December 31, 2013, the net assets of the consolidated funds (excluding VIEs) were \$2,174.1 million and \$1,971.1 million, respectively. The following investments, except the investment in Athene Holding and other investments, are presented as a percentage of net assets of the consolidated funds:

Investments, at Fair Value – Affiliates	As of December 31, 2014 Fair Value				% of Net Assets of Consolidated Funds	As of December 31, 2013 Fair Value				% of Net Assets of Consol Funds
	Private Equity	Credit	Total	Cost		Private Equity	Credit	Total	Cost	
AAA	\$2,144,118	\$—	\$2,144,118	\$1,494,358	98.6 %	\$1,942,051	\$—	\$1,942,051	\$1,494,358	98.5 %
Athene Holding	25,104	299,410	324,514	324,293	N/A	—	—	—	—	N/A
Apollo Senior Loan Fund	—	29,896	29,896	30,100	1.4	—	29,603	29,603	29,226	1.5
Other Investments	486	114	600	3,318	N/A	839	39,534	40,373	65,377	N/A
Total	\$2,169,708	\$329,420	\$2,499,128	\$1,852,069	100.0 %	\$1,942,890	\$69,137	\$2,012,027	\$1,588,961	100.0 %

Securities
As of December 31, 2014 and December 31, 2013, 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 table represents the sole investment of AAA Investments, which constitutes more than five percent of the net assets of the funds that the Company consolidates (excluding VIEs) as of the aforementioned dates:

As of December 31, 2014		As of December 31, 2013	
Fair Value	Cost	Fair Value	Cost

Instrument Type			% of Net Assets of Consolidated Funds	Instrument Type			% of Net Assets of Consolidated Funds
Athene Holding Equity	\$2,244,192	\$1,363,532	103.2	% Equity	\$1,950,010	\$1,331,942	98.9

As of December 31, 2014, AAA Investments' portfolio consisted of a single investment in the equity of Athene Holding. Athene Holding is the ultimate parent of various insurance company operating subsidiaries. Through its subsidiaries, Athene Holding provides insurance products focused primarily on the retirement market and its business centers primarily on issuing or reinsuring fixed indexed annuities.

As of December 31, 2014 and December 31, 2013, AAA, through its investment in AAA Investments was the largest equity holder in Athene Holding with an economic ownership stake of approximately 47.7% (calculated as if the commitments in

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the Athene Private Placement (as defined below) closed through December 31, 2014 were fully drawn down but without giving effect to (i) restricted common shares issued under Athene's management equity plan or (ii) common shares to be issued under the Amended AAA Services Agreement or the Amended Athene Services Agreement subsequent to December 31, 2013) and 72.5% (without giving effect to (i) restricted common shares issued under Athene's management equity plan, (ii) the common shares to be issued under the Amended AAA Services Agreement or the Amended Athene Services Agreement subsequent to December 31, 2013 and (iii) conversion of AAA Investments' note receivable), respectively, and effectively held 45% of the voting power of Athene. AAA Investments' ownership interest in Athene is held indirectly through its subsidiaries. During 2014, AAA Investments' ownership stake in Athene was reduced as a result of the Athene Private Placement (as defined below), the issuance of 3.7 million unrestricted common shares of Athene Holding under Athene's management equity plan) and issuances of shares under the Amended AAA Services Agreement and the Amended Athene Services Agreement, and increased by the conversion to common shares of AAA Investments' note receivable from Athene. See note 17 for further information regarding Athene.

At December 31, 2014 and December 31, 2013, Athene's fair value was determined using the embedded value method which was based on the present value of the future expected regulatory distributable income generated by the net assets of Athene plus the excess capital (i.e., the capital in excess of what is required to be held against Athene's liabilities). The net assets of Athene consist of the current and projected assets less the current and projected liabilities related to in force insurance contracts. For purposes of the excess capital calculation the assets are valued at fair value using our valuation methodology disclosed in note 2. The approach of using actuarially projected asset and liability income to value an insurance company is widely used by market participants in the insurance industry, particularly in private company acquisitions. The embedded value of the in force insurance contracts incorporates actuarial projections of expected income utilizing most recently available policyholder contract and experience data, industry information and assumptions, general economic and market conditions, and other factors deemed relevant, including the cost of capital. In addition, consideration is also given to comparable company multiples in the determination of fair value.

Athene Holding

As further described in note 17, during 2014, Athene Holding raised \$1.218 billion of net equity commitments (the "Athene Private Placement"), which was priced at \$26 per common share of Athene Holding. In connection with the Athene Private Placement, both the Athene Services Derivative and the AAA Services Derivative (as defined in note 17) were settled on April 29, 2014 by delivery to Apollo of common shares of Athene Holding, and as a result, such derivatives were terminated. Following settlement of these derivatives, future monitoring fees and management fees paid to Apollo pursuant to the Amended Athene Services Agreement and the Amended AAA Services Agreement, respectively, will be paid on a quarterly basis in arrears by delivery to Apollo of common shares of Athene Holding (unless such payment in shares would violate Section 16(b) of the Exchange Act).

The Company elected the fair value option for its investment in Athene Holding at the time of settlement of the Athene Services Derivative and AAA Services Derivative. The Company has classified this investment as a Level III asset in the fair value hierarchy, as the pricing inputs into the determination of fair value require significant judgment and estimation. The investment is valued based on the price of a common share of Athene Holding, which as of December 31, 2014 was determined using the embedded value method. See note 6 for further discussion regarding fair value leveling and note 17 for further information regarding Athene.

Apollo Senior Loan Fund

On December 31, 2011, the Company became the sole investor in the Apollo Senior Loan Fund and therefore consolidated the assets and liabilities of the fund. The fund invests in U.S. denominated senior secured loans, senior

secured bonds and other income generating fixed-income investments. 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 within the respective level in the fair value hierarchy. 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

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specialist global funds management company. Pursuant to a buy-back agreement with HFA, effective July 2, 2014, HFA repurchased the convertible note at its face value of \$50.0 million.

The note had a percentage coupon interest of 6% per annum, paid via principal capitalization (payment-in-kind, or "PIK", interest) for the first four years, and thereafter either in cash or via principal capitalization at HFA's discretion. The PIK interest provided for the Company to receive additional common shares of HFA if the note was converted. For the years ended December 31, 2014, 2013, and 2012, the Company recorded \$1.7 million, \$4.0 million and \$3.1 million, respectively, in PIK interest income included in interest income in the consolidated statements of operations. The Company separately presents interest income in the consolidated statements of operations from other changes in the fair value of the convertible note.

The Company classified the instruments associated with the HFA investment as Level III investments. See note 6 for further discussion regarding fair value leveling.

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Net Gains (Losses) from Investment Activities

Net gains (losses) from investment activities in the consolidated statements of operations include net realized gains (losses) from sales of investments, and the change in net unrealized gains (losses) resulting from changes in fair value or reversal of realization of gains/losses of the consolidated funds' investments and realization of previously unrealized gains/losses. Additionally, net gains from investment activities include changes in the fair value of 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, 2014, 2013 and 2012:

	For the Year Ended December 31, 2014		
	Private Equity	Credit	Total
Realized losses on sales of investments	\$—	\$(12,651)	\$(12,651)
Change in net unrealized gains due to changes in fair values	204,542	21,352	225,894
Net Gains from Investment Activities	\$204,542	\$8,701	\$213,243
	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

Equity Method Investments

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

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Equity method investments as of December 31, 2014 and December 31, 2013 consisted of the following:

	Equity Held as of			
	December 31, 2014	% of Ownership	December 31, 2013	% of Ownership
Investments:				
Private Equity Funds:				
AAA Investments	\$1,293	0.057 %	\$1,168	0.057 %
Apollo Investment Fund IV, L.P. ("Fund IV")	8	0.022	9	0.019
Apollo Investment Fund V, L.P. ("Fund V")	68	0.031	94	0.020
Apollo Investment Fund VI, L.P. ("Fund VI")	6,173	0.114	9,964	0.103
Fund VII	78,286	1.223	137,960	1.258
Apollo Investment Fund VIII, L.P. ("Fund VIII")	33,099	2.241	4,310	3.996
ANRP	5,608	0.807	3,735	0.831
AION Capital Partners Limited ("AION")	14,707	6.113	6,425	9.970
Apollo Asia Private Credit Fund, L.P. ("APC")	47	0.044	49	0.046
VC Holdings, L.P. Series A ("Vantium A/B")	12	6.450	15	6.450
VC Holdings, L.P. Series C ("Vantium C")	48	2.071	1,233	2.071
VC Holdings, L.P. Series D ("Vantium D")	180	6.345	2,190	6.345
Total Private Equity Funds ⁽⁵⁾	139,529		167,152	
Credit Funds:				
Apollo Special Opportunities Managed Account, L.P. ("SOMA")	6,997	0.841	6,833	0.853
Apollo Value Strategic Fund, L.P. ("VIF")	146	0.067	151	0.124
Apollo Strategic Value Fund, L.P. ("SVF")	10	0.033	17	0.079
Apollo Credit Liquidity Fund, L.P. ("ACLF")	4,128	2.771	4,559	3.341
Apollo Credit Opportunity Fund I, L.P. ("COF I")	2,298	1.870	10,077	1.850
Apollo Credit Opportunity Fund II, L.P. ("COF II")	2,249	1.497	5,015	1.428
Apollo Credit Opportunity Fund III, L.P. ("COF III")	13,102	1.061	6,720	2.450
Apollo European Principal Finance Fund, L.P. ("EPF I")	7,647	1.449	19,332	1.363
Apollo European Principal Finance Fund II, L.P. ("EPF II")	44,523	1.760	23,212	1.994
Apollo Investment Europe II, L.P. ("AIE II")	3,203	1.937	4,500	2.772
Apollo Europe Co-Investors III (D) LLC ("AIE III")	1,540	2.914	—	—
Apollo Palmetto Strategic Partnership, L.P. ("Palmetto")	14,049	1.186	16,054	1.186
Apollo Senior Floating Rate Fund Inc. ("AFT")	86	0.031	95	0.034
Apollo Residential Mortgage, Inc. ("AMTG") ⁽³⁾	4,263	⁽¹⁾ 0.593	⁽¹⁾ 4,015	⁽²⁾ 0.632
Apollo European Credit, L.P. ("AEC")	2,443	1.081	2,482	1.230
Apollo European Strategic Investments, L.P. ("AESI")	3,834	0.990	3,732	0.956
Apollo European Strategic Investments II, L.P. ("AESI II")	123	0.990	—	—

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Apollo Centre Street Partnership, L.P. ("ACSP")	11,474	2.439	7,690	2.465	
Apollo Investment Corporation ("AINV") ⁽⁴⁾	64,382	⁽¹⁾ 3.057	⁽¹⁾ 55,951	⁽²⁾ 2.933	⁽²⁾
Apollo SK Strategic Investments, L.P. ("SK")	1,693	0.990	1,714	0.997	
Apollo SPN Investments I, L.P.	5,500	0.720	4,457	0.828	
CION Investment Corporation ("CION")	1,000	0.206	1,000	0.716	
Apollo Tactical Income Fund Inc. ("AIF")	84	0.032	94	0.036	
Apollo Franklin Partnership, L.P. ("Franklin Fund")	9,647	9.091	10,178	9.107	
Apollo Zeus Strategic Investments, L.P. ("Zeus")	6,404	3.392	1,678	3.383	
Apollo Lincoln Fixed Income Fund, L.P.	1,398	0.993	—	—	
Apollo Lincoln Private Credit Fund, L.P.	194	0.990	—	—	
Apollo Structured Credit Recovery Master Fund III, L.P.	315	0.126	—	—	
Apollo Total Return Fund L.P.	163	0.046	—	—	
Apollo Credit Short Opportunities Fund L.P.	19	0.027	—	—	
Total Credit Funds ⁽⁵⁾	212,914		189,556		
Real Estate:					
Apollo Commercial Real Estate Finance, Inc. ("ARI") ⁽³⁾	13,989	⁽¹⁾ 1.495	⁽¹⁾ 11,550	⁽²⁾ 1.500	⁽²⁾
AGRE U.S. Real Estate Fund, L.P.	10,519	1.845	9,473	1.845	
CPI Capital Partners North America, L.P.	137	0.408	272	0.416	
CPI Capital Partners Europe, L.P.	5	0.001	5	0.001	
CPI Capital Partners Asia Pacific, L.P.	96	0.039	106	0.042	
Apollo GSS Holding (Cayman), L.P.	3,564	4.750	3,670	3.460	
BEA/AGRE China Real Estate Fund, L.P.	87	1.031	72	1.031	
Other	38	4.761	—	—	
Total Real Estate Funds ⁽⁵⁾	28,435		25,148		
Total	\$380,878		\$381,856		

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

(2) Amounts are as of September 30, 2013.

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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

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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 and contingent 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. From time to time, Apollo makes investments in certain consolidated CLOs denominated in foreign currencies. As of December 31, 2014, the Company had investments in consolidated foreign currency denominated CLOs totaling \$47.4 million, which eliminates in consolidation.

Pursuant to the terms in certain bank loan agreements, the consolidated VIEs have unfunded contingent liabilities of \$67.6 million as of December 31, 2014.

Investment in Champ L.P.

On September 30, 2014, the Company, through a wholly-owned subsidiary, acquired a 25.6% ownership interest in Champ L.P. following which a wholly-owned subsidiary of Champ L.P. then acquired a 35% ownership interest in KBC Bank Deutschland AG ("KBC Bank"), the German subsidiary of Belgian KBC Group NV (the "KBC Transaction"). Following the closing of the transaction, KBC Bank was renamed Bremer Kreditbank AG and the bank will operate under the name BKB Bank. As of December 31, 2014, the Company had invested \$16.9 million in Champ L.P. The Company, together with other affiliated investors, in aggregate, own 100% of Champ L.P.

The Company, through its aforementioned wholly-owned subsidiary, is the general partner and primary beneficiary of Champ, L.P., which meets the definition of a VIE. Accordingly, the Company has consolidated Champ, L.P. in accordance with the policy described in note 2. The Company's investment in Champ, L.P. is eliminated in consolidation.

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, 2014, 2013 and 2012, respectively:

	For the Year Ended		
	December 31,		
	2014	2013	2012
Net unrealized gains (losses) gains from investment activities	\$(317,591)	\$(33,275)	\$169,087
Net realized gains from investment activities	79,057	87,472	76,965
Net gains (losses) from investment activities	(238,534)	54,197	246,052
Net unrealized gains (losses) from debt	809	(232,509)	(497,704)
Net realized gains from debt	101,745	137,098	—
Net gains (losses) from debt	102,554	(95,411)	(497,704)
Interest and other income	666,486	674,324	581,610
Interest and other expenses	(507,942)	(433,368)	(401,662)
Net Gains (Losses) from Investment Activities of Consolidated Variable Interest Entities	\$22,564	\$199,742	\$(71,704)

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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, 2014 and December 31, 2013:

	As of December 31, 2014			As of December 31, 2013		
	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⁾	\$13,459,387	1.60 %	7.8	\$11,877,744	1.31 %	7.3
Subordinated Notes ⁽²⁾⁽³⁾	1,183,834	N/A	⁽¹⁾ 9.0	963,099	N/A	⁽¹⁾ 8.1
Total	\$14,643,221			\$12,840,843		

(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, 2014 and December 31, 2013 was \$14,123.1 million and \$12,424.0 million, respectively.

The debt at fair value of the consolidated VIEs is collateralized by assets of the consolidated VIEs and assets of one vehicle may not be used to satisfy the liabilities of another vehicle. As of December 31, 2014 and

(3) December 31, 2013, the fair value of the consolidated VIEs' assets was \$17,070.8 million and \$15,502.3 million, respectively. This collateral consisted of cash and cash equivalents, investments, at fair value, and other assets.

The consolidated VIEs' debt obligations contain various customary loan covenants as described above. As of December 31, 2014, the Company was not aware of any instances of non-compliance with any of these covenants. As of December 31, 2014, the table below presents the contractual maturities for debt of the consolidated VIEs:

	2015	2016	2017	2018	2019	Thereafter	Total
Senior Secured Notes	\$—	\$2,175,000	\$—	\$—	\$200,272	\$11,084,115	\$13,459,387
Subordinated Notes	—	—	—	—	23,250	1,160,584	1,183,834
Total Obligations as of December 31, 2014	\$—	\$2,175,000	\$—	\$—	\$223,522	\$12,244,699	\$14,643,221

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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, 2014 and December 31, 2013. In addition, the tables present the maximum exposure to losses relating to those VIEs.

	As of December 31, 2014		
Total	Total Assets	Total Liabilities	Apollo Exposure
	\$11,676,038	(\$729,515)	\$30,752

(1) Consists of \$794.5 million in cash, \$10,456.0 million in investments and \$425.6 million in receivables.

(2) Represents \$362.0 million in debt and other payables, \$359.4 million in securities sold, not purchased, and \$8.2 million in capital withdrawals payable.

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 (3) 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 \$2,892.8 million as of December 31, 2014 as discussed in note 18.

	As of December 31, 2013		
Total	Total Assets	Total Liabilities	Apollo Exposure
	\$12,866,498	\$(1,311,279)	\$34,665

(1) Consists of \$354.7 million in cash, \$12,034.5 million in investments and \$477.3 million in receivables.

(2) Represents \$1,161.5 million in debt and other payables, \$106.5 million in securities sold, not purchased, and \$43.2 million in capital withdrawals payable.

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 (3) 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 \$4,858.0 million as of December 31, 2013.

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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, 2014 and December 31, 2013, respectively:

	As of December 31, 2014			Total
	Level I ⁽⁶⁾	Level II ⁽⁶⁾	Level III	
Assets				
Investment in AAA Investments ⁽¹⁾	\$—	\$—	\$2,144,118	\$2,144,118
Investments held by Apollo Senior Loan Fund ⁽¹⁾	—	25,537	4,359	29,896
Investments in Other ⁽¹⁾	—	—	600	600
Investment in Athene Holding ⁽²⁾	—	—	324,514	324,514
AAA/Athene Receivable ⁽²⁾	—	—	61,292	61,292
Investments of VIEs, at fair value ⁽⁴⁾	176	13,135,564	2,522,913	15,658,653
Total Assets	\$176	\$13,161,101	\$5,057,796	\$18,219,073
Liabilities				
Liabilities of VIEs, at fair value ⁽⁴⁾⁽⁵⁾	\$—	\$1,793,353	\$12,343,021	\$14,136,374
Contingent Consideration Obligations ⁽³⁾	—	—	96,126	96,126
Total Liabilities	\$—	\$1,793,353	\$12,439,147	\$14,232,500
	As of December 31, 2013			Total
	Level I ⁽⁶⁾	Level II ⁽⁶⁾	Level III	
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 Other ⁽¹⁾	—	—	40,373	40,373
Athene and AAA Services 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				
Liabilities 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

(1) See note 4 for further disclosure regarding the investment in AAA Investments, investments held by Apollo Senior Loan Fund, and investments in Other.

(2) See note 17 for further disclosure regarding the Athene Services Derivative, the AAA Services Derivative, the investment in Athene Holding and the AAA/Athene Receivable.

(3) See note 18 for further disclosure regarding contingent consideration obligations.

(4) See note 5 for further disclosure regarding VIEs.

(5) As of December 31, 2014, liabilities of VIEs, at fair value includes debt and other liabilities of \$14,123.1 million and \$13.3 million, respectively. Other liabilities include contingent obligations classified as Level III.

(6) All Level I and Level II investments and liabilities were valued using third party pricing.

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There were no transfers of financial assets into Level I for the year ended December 31, 2014 and 2013. The following table summarizes the fair value transfers of financial assets between Level I, Level II and Level III for positions that existed as of the years ended December 31, 2014 and 2013, respectively:

	For the Year Ended	
	December 31,	
	2014	2013
Transfers from Level I into Level II	\$4,084	\$—
Transfers from Level III into Level II ⁽¹⁾	1,047,951	1,253,090
Transfers from Level II into Level III ⁽¹⁾	1,415,282	978,194

Transfers between Level I, II and III were a result of subjecting the broker quotes on these investments to various (1) criteria which include the number and quality of broker quotes, the standard deviation of obtained broker quotes and the percentage deviation from independent pricing services.

There were no transfers of financial liabilities into or out of Level I for year ended December 31, 2014. In addition, there were no transfers of financial liabilities between Level I and Level II for the year ended December 31, 2013. The following table summarizes the fair value transfers of financial liabilities between Level II and Level III for positions that existed as of the years ended December 31, 2014 and 2013, respectively:

	For the Year Ended	
	December 31,	
	2014	2013
Transfers from Level III into Level II ⁽¹⁾	\$380,660	\$2,469,143
Transfers from Level II into Level III ⁽¹⁾	500,837	—

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

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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, 2014 and 2013, respectively:

For the Year Ended December 31, 2014

	Investment in AAA Investments	Investments held by Apollo Senior Loan Fund	Investments in Other	Athene and AAA Services Derivatives	Investment in Athene Holding	AAA/Athene Receivable	Investments Consolidated VIEs	Total
Balance, Beginning of Period	\$1,942,051	\$892	\$40,373	\$130,709	\$—	\$—	\$1,919,537	\$4,033,562
Elimination of investments attributable to consolidation of VIEs	—	—	—	—	—	—	19,187	19,187
Fees	—	—	—	60,422	—	178,332	—	238,754
Purchases	—	4,707	1,844	—	2,080	—	1,036,810	1,045,441
Sale of investments/Distributions	(2,500)	(1,543)	(51,052)	—	—	—	(825,429)	(880,524)
Net realized gains (losses)	—	10	(12,871)	24,242	—	—	20,972	32,353
Changes in net unrealized gains (losses)	204,567	(66)	22,306	(10,203)	224	—	(9,302)	207,526
Cumulative translation adjustment	—	—	—	—	—	—	(5,834)	(5,834)
Transfer into Level III	—	1,594	—	—	—	—	1,413,688	1,415,282
Transfer out of Level III	—	(1,235)	—	—	—	—	(1,046,716)	(1,047,951)
Settlement of derivatives/receivable ⁽¹⁾	—	—	—	(205,170)	322,210	(117,040)	—	—
Balance, End of Period	\$2,144,118	\$4,359	\$600	\$—	\$324,514	\$61,292	\$2,522,913	\$5,057,796
Change in net unrealized gains (losses) included in Net Gains (losses) from Investment Activities related to investments still held at reporting date	\$204,567	\$(66)	\$580	\$—	\$224	\$—	\$—	\$205,305
Change in net unrealized gains included in Net Gains (Losses) from Investment Activities of Consolidated VIEs related to investments still held at reporting date	—	—	—	—	—	—	(52,485)	(52,485)

(1) See note 17 for further disclosure regarding the settlement of the Athene Services Derivative, the AAA Services Derivative and the investment in Athene Holding.

For the Year Ended December 31, 2013

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	Investment in AAA Investments	Investments held by Apollo Senior Loan Fund	Investments in Other	Athene and AAA Services 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 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

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The following tables summarize 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		
	2014					
	Liabilities of Consolidated VIEs	Contingent Consideration Obligations	Total	Debt of Consolidated VIEs	Contingent Consideration Obligations	Total
Balance, Beginning of Period	\$9,994,147	\$ 135,511	\$ 10,129,658	\$ 11,834,955	\$ 142,219	\$ 11,977,174
Elimination of debt attributable to consolidation of VIEs	13,493	—	13,493	3,950	—	3,950
Additions	3,965,725	—	3,965,725	2,747,033	—	2,747,033
Payments/Extinguishment ⁽¹⁾	(1,551,533)	(50,666)	(1,602,199)	(2,218,060)	(67,534)	(2,285,594)
Net realized gains	(101,745)	—	(101,745)	(137,098)	—	(137,098)
Changes in net unrealized (gains) losses	(25,685)	11,281	(14,404)	232,510	60,826	293,336
Cumulative translation adjustment	(71,558)	—	(71,558)	—	—	—
Transfers into Level III	500,837	—	500,837	—	—	—
Transfers out of Level III	(380,660)	—	(380,660)	(2,469,143)	—	(2,469,143)
Balance, End of Period	\$ 12,343,021	\$ 96,126	\$ 12,439,147	\$ 9,994,147	\$ 135,511	\$ 10,129,658
Change in net unrealized gains losses included in Net (Losses) Gains from Investment Activities of consolidated VIEs related to liabilities still held at reporting date	\$(113,874)	\$ —	\$(113,874)	\$(18,578)	\$ —	\$(18,578)
Change in net unrealized losses included in Profit Sharing Expense related to liabilities still held at reporting date	—	11,281	11,281	—	47,523	47,523

(1) For the year ended December 31, 2014, includes \$13.4 million extinguishment of contingent consideration obligations, which is recorded in other income on the consolidated statements of operations.

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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, 2014 and December 31, 2013:

	As of December 31, 2014				
	Fair Value	Valuation Techniques	Unobservable Inputs	Ranges	Weighted Average
Financial Assets					
Investments of Consolidated Apollo Funds:					
AAA Investments ⁽¹⁾	\$2,144,118	Net Asset Value	N/A	N/A	N/A
Apollo Senior Loan Fund	4,359	Third Party Pricing ⁽²⁾	N/A	N/A	N/A
Investments in Other	600	Other	N/A	N/A	N/A
Investment in Athene Holding	324,514	Discounted Cash Flow	Discount Rate	15.0%	15.0%
AAA/Athene Receivable	61,292	Discounted Cash Flow	Discount Rate	15.0%	15.0%
Investments of Consolidated VIEs:					
	1,340,296	Third Party Pricing ⁽²⁾	N/A	N/A	N/A
Bank Debt Term Loans	87,314	Discounted Cash Flow	Discount Rate	7.1% - 14.0%	8.4%
Corporate Loans/Bonds/CLO Notes ⁽⁵⁾	1,009,873	Third Party Pricing ⁽²⁾	N/A	N/A	N/A
	930	Third Party Pricing ⁽²⁾	N/A	N/A	N/A
Equity Securities	4,610	Market Comparable Companies	Comparable Multiples	5.8x	5.8x
	58,923	Transaction	Purchase Price	N/A	N/A
	20,967	Transaction	Implied Multiple	5.2x	5.2x
Total Investments of Consolidated VIEs	2,522,913				
Total Financial Assets	\$5,057,796				
Financial Liabilities					
Liabilities of Consolidated VIEs:					
Subordinated Notes	\$908,831	Discounted Cash Flow	Discount Rate	10.0% - 12.5%	11.5%
			Default Rate	1.0% - 2.0%	1.7%
			Recovery Rate	75.0%	75.0%
Subordinated Notes	106,090	Other	N/A	N/A	N/A
Senior Secured Notes	9,283,534	Third Party Pricing ⁽²⁾	N/A	N/A	N/A
	2,031,292		Discount Rate	1.6% - 1.8%	1.7%

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Senior Secured and Subordinated Notes		Discounted Cash Flow	Default Rate Recovery Rate	2.0% 15.0% - 75.0%	2.0% 69.0%
Contingent Obligation	13,274	Other	N/A	N/A	N/A
Total Liabilities of Consolidated VIEs	12,343,021				
Contingent Consideration Obligation	96,126	Discounted Cash Flow	Discount Rate	11.0% - 18.5%	15.7%
Total Financial Liabilities	\$12,439,147				

(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, 2014		
			% 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	\$2,244,192	(3)	100 %
Total Investments	2,244,192		100 %
Other net liabilities ⁽⁴⁾	(100,074)	
Total Net Assets	\$2,144,118		

(2) These securities are valued primarily using broker quotes.

(3) Represents the investment by AAA Investments in Athene, which is valued using the embedded value method which was based on the present value of the future expected regulatory distributable income generated by the net assets of Athene plus the excess capital (i.e., the capital in excess of what is required to be held against Athene's liabilities). The unobservable inputs and respective ranges used are the same as noted

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for the Investment in Athene Holding and the AAA/Athene Receivable in the table above. See note 17 for discussion of the investment in Athene Holding.

Balances include other assets, liabilities and general partner interests of AAA Investments. Balance at December 31, 2014 is primarily comprised of \$26.7 million in assets, less \$4.0 million and \$122.8 million in (4) liabilities and net assets allocated to the general partner, respectively. Carrying values approximate fair value for other assets and liabilities.

Balance includes investments in an affiliated fund, which primarily invests in corporate loans, bonds, and CLO (5) notes. Balance at December 31, 2014 includes investments in an affiliated fund in the amount of \$865.9 million, which were valued based on net asset value ("NAV").

	As of December 31, 2013		Unobservable	Ranges	Weighted
	Fair Value	Valuation	Inputs		Average
		Techniques			
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	
Athene and AAA Services Derivatives	130,709	Discounted Cash Flow	Discount Rate Implied Multiple	15.0% 1.1x	15.0% 1.1x
Investments of Consolidated VIEs:					
Bank Debt Term Loans	18,467	Other Market	N/A	N/A	N/A
Equity Securities	7,938	Comparable Companies	Comparable Multiples	6.0x - 9.5x	7.9x
Corporate Loans/Bonds/CLO Notes ⁽⁵⁾	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 Default Rate Recovery Rate	10.0% - 12.0% 1.0% - 1.5% 75.0%	10.8% 1.3% 75.0%
Senior Secured Notes	2,132,576	Discounted Cash Flow	Discount Rate Default Rate	1.9% - 2.2% 2.0%	2.0% 65.2%

			Recovery Rate	30.0% - 70.0%	
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	\$1,950,010	(³)	100 %
Total Investments	1,950,010		100 %
Other net liabilities ⁽⁴⁾	(7,959)	
Total Net Assets	\$1,942,051		

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(2) These securities are valued primarily using broker quotes.

Represents the investment by AAA Investments in Athene, which is valued using the embedded value method which was based on the present value of the future expected regulatory distributable income generated by the net

(3) assets of Athene plus the excess capital (i.e., the capital in excess of what is required to be held against Athene's liabilities). The unobservable inputs and respective ranges used in the discounted cash flow model are the same as noted for the Athene and AAA Services Derivatives in the table above.

Balances include other assets, liabilities and general partner interests of AAA Investments. Balance at December 31, 2013 is primarily comprised of \$110.8 million in assets, less \$16.7 million and \$102.1 million in liabilities and net assets allocated to the general partner, respectively. Carrying values approximate fair value for

(4) 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 Services Derivatives in the table above.

Balance includes investments in an affiliated fund, which primarily invests in corporate loans, bonds, and CLO (5) notes. Balance at December 31, 2013 includes investments in an affiliated fund in the amount of \$645.5 million, which were valued based on NAV.

Investment in Athene Holding and AAA/Athene Receivable

As of December 31, 2014, the significant unobservable input used in the fair value measurement of the investment in Athene Holding 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.

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 obligations.

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7. CARRIED INTEREST RECEIVABLE

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

	As of December 31,	
	2014	2013
Private Equity	\$672,119	\$1,867,771
Credit	226,430	408,342
Real Estate	13,117	10,962
Total carried interest receivable	\$911,666	\$2,287,075

The table below provides a roll-forward of the carried interest receivable balance for the years ended December 31, 2014 and 2013:

	Private Equity	Credit	Real Estate	Total
Carried interest receivable, January 1, 2013	\$1,413,306	\$454,155	\$10,795	\$1,878,256
Change in fair value of funds ⁽¹⁾	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
Change in fair value of funds ⁽¹⁾	231,983	159,350	6,104	397,437
Fund cash distributions to the Company	(1,427,635)	(341,262)	(3,949)	(1,772,846)
Carried interest receivable, December 31, 2014	\$672,119	\$226,430	\$13,117	\$911,666

Included in unrealized carried interest income (loss) from affiliates for the year ended December 31, 2014 was a reversal of previously realized carried interest income due to the general partner obligation to return previously distributed carried interest income of \$3.4 million in aggregate with respect to two of our credit funds. 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 with respect to 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 or as otherwise set forth in the respective limited partnership agreement 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.

8. PROFIT SHARING PAYABLE

Profit sharing payable from private equity, credit and real estate funds consisted of the following:

As of
December 31,

	2014	2013
Private Equity	\$240,595	\$751,192
Credit	186,307	234,504
Real Estate	7,950	6,544
Total profit sharing payable	\$434,852	\$992,240

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The table below provides a roll-forward of the profit sharing payable balance for the years ended December 31, 2014 and 2013:

	Private Equity	Credit	Real Estate	Total
Profit sharing payable, January 1, 2013	\$596,427	\$254,629	\$6,668	\$857,724
Profit sharing expense ⁽¹⁾	1,030,404	142,728	123	1,173,255
Payments/other	(875,639	) (162,853	) (247	) (1,038,739
Profit sharing payable, December 31, 2013	\$751,192	\$234,504	\$6,544	\$992,240
Profit sharing expense ⁽¹⁾	178,373	95,070	2,747	276,190
Payments/other	(688,970	) (143,267	) (1,341	) (833,578
Profit sharing payable, December 31, 2014	\$240,595	\$186,307	\$7,950	\$434,852

Includes both of the following: (i) changes in amounts payable to employees and former employees entitled to a (1)share of carried interest income in Apollo's 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.

9. FIXED ASSETS

Fixed assets consisted of the following:

	Useful Life in Years	As of December 31,	
		2014	2013
Leasehold improvements	8-16	\$51,745	\$50,478
Furniture, fixtures and other equipment	4-10	17,798	16,750
Computer software and hardware	2-4	34,560	31,200
Other	N/A	514	509
Total fixed assets		104,617	98,937
Less - accumulated depreciation and amortization		(68,711	) (58,686
Fixed Assets, net		\$35,906	\$40,251

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 was 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, 2014, 2013 and 2012 was \$10.2 million, \$11.0 million and \$10.2 million, respectively.

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10. OTHER ASSETS

Other assets consisted of the following:

	As of December 31,	
	2014	2013
Prepaid expenses	\$32,873	\$9,867
Tax receivables	23,286	6,549
Interest Receivable	11,059	6,420
Debt issuance costs, net	8,575	6,407
Receivable from broker	3,229	1,436
Rent deposits	1,430	1,224
Assets held for sale	—	6,413
Underwriting fee receivable	—	2,090
Other	3,932	3,764
Total Other Assets	\$84,384	\$44,170

11. OTHER LIABILITIES

Other liabilities consisted of the following:

	As of December 31,	
	2014	2013
Deferred tax liabilities	\$—	\$37,272
Deferred rent	12,202	14,701
Deferred compensation	24,939	4,285
Unsettled trades and redemption payable	4,090	2,516
Other	5,170	4,500
Total Other Liabilities	\$46,401	\$63,274

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12. OTHER INCOME, NET

Other income, net consisted of the following:

	For the Year Ended			
	December 31,			
	2014	2013	2012	
Tax receivable agreement adjustment	\$32,182	\$13,038	\$3,937	
Gain on derivatives	14,039	10,203	—	
Gain (Loss) on extinguishment of liability/debt	13,395	(2,741) —	
Gain on acquisitions	—	—	1,951,897	
Rental income	5,566	5,334	4,387	
Foreign exchange gain (loss)	(7,131) 4,142	(790)
Loss on assets held for sale	—	(1,087) —	
Other	2,541	11,225	5,248	
Total Other Income, Net	\$60,592	\$40,114	\$1,964,679	

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 \$147.2 million, \$107.6 million and \$65.4 million for the years ended December 31, 2014, 2013 and 2012, respectively. The Company's effective tax rate was approximately 16.8%, 4.3%, and 2.1% for the years ended December 31, 2014, 2013 and 2012, respectively.

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The provision for income taxes is presented in the following table:

	For the Year Ended December 31,		
	2014	2013	2012
Current:			
Federal income tax	\$53,426	\$30,422	\$—
Foreign income tax	6,080	4,733	3,411
State and local income tax	7,369	9,728	7,722
Subtotal	66,875	44,883	11,133
Deferred:			
Federal income tax	28,702	40,955	55,114
Foreign income tax	(137)	) 130	(277)
State and local income tax	51,805	21,601	(560)
Subtotal	80,370	62,686	54,277
Total Income Tax Provision	\$147,245	\$107,569	\$65,410

The following table reconciles the provision for taxes to the U.S. Federal statutory tax rate:

	For the Year Ended December 31,		
	2014	2013	2012
U.S. Statutory Tax Rate	35.0	% 35.0	% 35.0
Income Passed Through to Non-Controlling Interests	(23.4	) (24.1	) (30.9
Income passed through to Class A shareholders	0.1	(7.9	) (4.4
Equity Based Compensation - AOG Units	—	0.2	1.8
Foreign income tax	0.4	0.1	0.1
State and Local Income Taxes (net of Federal Benefit)	4.7	1.1	0.2
Amortization & Other Accrual Adjustments	—	(0.1	) 0.3
Effective Income Tax Rate	16.8	% 4.3	% 2.1

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.

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The Company's deferred tax assets and liabilities on the consolidated statements of financial condition consist of the following:

	As of December 31,	
	2014	2013
Deferred Tax Assets:		
Depreciation and amortization	\$543,288	\$553,251
Revenue recognition	40,250	51,790
Net operating loss carryforwards	—	776
Equity-based compensation - RSUs and AAA RDUs	35,678	42,784
Foreign tax credit	3,457	7,528
Other	1,437	4,070
Total Deferred Tax Assets	624,110	660,199
Deferred Tax Liabilities:		
Unrealized gains from investments	13,053	36,939
Other	4,340	333
Total Deferred Tax Liabilities	\$17,393	\$37,272

As of December 31, 2014, the Company had no remaining net operating loss carryforwards. In addition, the Company's foreign tax credit carryforwards will begin to expire in 2021.

The Company considered its historical and current year earnings, current utilization of existing deferred tax assets and deferred tax liabilities, the 15 year amortization periods of the tax basis of its intangible assets and short and long term business forecasts in evaluating whether it should establish a valuation allowance. Based on this positive evidence, the Company concluded it is more likely than not, that the deferred tax assets will be realized and that no valuation allowance was needed at December 31, 2014.

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

The Company's primary jurisdictions in which it operates are the United States, New York State, New York City, California and the United Kingdom. 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, 2014, the Company's U.S. federal, state, local and foreign income tax returns for the years 2011 through 2014 are open under the general statute of limitations provisions and therefore subject to examination. Currently, the Internal Revenue Service is examining the tax returns of Apollo Global Management, LLC and various subsidiaries for tax years 2010 to 2012. The City of New York is examining certain subsidiaries' tax returns for tax years 2011 and 2012, and the City of Los Angeles is examining certain subsidiaries' tax returns for tax years 2011 to 2013.

The Company has recorded a deferred tax asset for the future amortization of tax basis intangibles as a result of the 2007 Reorganization. The Company recognized an additional step-up in tax basis of intangibles as a result of subsequent exchanges of AOG Units for Class A shares in 2013 and 2014. As a result of these exchanges of AOG Units for Class A shares, there were increases in the deferred tax asset established from the 2007 Reorganization which was recorded in deferred tax assets in the consolidated statements of financial condition for the expected tax benefit associated with these increases. 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 increases in the deferred tax asset less the related liability resulted in increases to additional paid-in capital which was recorded in the consolidated statements of changes in

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shareholders' equity for the years ended December 31, 2014 and 2013. The amortization period for these tax basis intangibles is 15 years. Accordingly, the related deferred tax assets will reverse over the same period.

The tables below present the transactions during the years ended December 31, 2013 and 2014 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.

Date of Exchange of AOG Units for Class A shares	For the Year Ended December 31, 2013		
	Increase in Deferred Tax Asset	Increase in Tax Receivable Agreement Liability	Increase to Additional Paid In Capital
For the Year Ended December 31, 2013	\$ 149,327	\$ 126,928	\$ 22,399
Date of Exchange of AOG Units for Class A shares	For the Year Ended December 31, 2014		
	Increase in Deferred Tax Asset	Increase in Tax Receivable Agreement Liability	Increase to Additional Paid In Capital
For the Year Ended December 31, 2014	\$ 58,696	\$ 47,878	\$ 10,818

During the years ended December 31, 2014 and 2013, the Company adjusted the 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 \$36.2 million and \$16.9 million, respectively (see note 17 for details regarding the impact on the tax receivable agreement liability).

14. DEBT

Debt consisted of the following:

	As of December 31, 2014			As of December 31, 2013		
	Outstanding Balance	Annualized Weighted Average Interest Rate		Outstanding Balance	Annualized Weighted Average Interest Rate	
2013 AMH Credit Facilities - Term Facility	\$ 500,000	1.36	%	\$ 750,000	1.37	%
2024 Senior Notes ⁽¹⁾	499,058	4.00	%	N/A	N/A	
2014 AMI Term Facility I ⁽²⁾	16,204	2.34	%	N/A	N/A	
2014 AMI Term Facility II ⁽³⁾	18,752	1.93	%	N/A	N/A	
Total Debt	\$ 1,034,014			\$ 750,000		

(1) Includes impact of any amortization of note discount and interest rate hedge.

On July 3, 2014, Apollo Management International LLP ("AMI"), a subsidiary of the Company, entered into a €13.4 (2) million five year credit agreement (the "2014 AMI Term Facility I"). Proceeds from the borrowing were used to fund the Company's investment in a European CLO it manages.

(3)

On December 9, 2014, AMI entered into a €15.5 million five year credit agreement (the "2014 AMI Term Facility II"). Proceeds from the borrowing were used to fund the Company's investment in a European CLO it manages.

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

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("ABR") as determined by the borrower. 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. 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. Interest expense incurred by the Company related to the 2007 AMH Credit Agreement was \$28.3 million and \$36.0 million for the years ended December 31, 2013 and 2012, respectively. Amortization expense related to the 2007 AMH Credit Agreement was \$0.7 million and \$0.5 million for the years ended December 31, 2013 and 2012, respectively.

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 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. In connection with the issuance of the 2024 Senior Notes (as defined below), \$250 million of the proceeds were used to repay a portion of the Term Facility outstanding with third party lenders at par. The interest rate on the \$500 million Term Facility as of December 31, 2014 was 1.37% and the commitment fee as of December 31, 2014 on the \$500 million undrawn Revolver Facility was 0.125%. Interest expense incurred by the Company related to the 2013 AMH Credit Facilities was \$9.0 million and \$0.4 million for the years ended December 31, 2014 and 2013, respectively. As of December 31, 2014 and December 31, 2013, \$500 million and \$750 million of the Term Facility was outstanding with third-party lenders, respectively, and there was approximately \$271.7 million of the Term Facility that was held by a subsidiary of the Company. As of December 31, 2014 and 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 approximately \$501.3 million based on obtained broker quotes as of December 31, 2014. The \$500.0 million carrying value of debt that is recorded on the consolidated statements of financial condition at December 31, 2014 is the amount for which the Company expects to settle the 2013 AMH Credit Facilities. 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 based on the Company's 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 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 statements of financial condition as of December 31, 2013 to be amortized over the life of the term loan and line of credit. In connection with the repayment of the Term Facility, \$1.9 million of unamortized debt issuance costs were recognized by the Company as loss on extinguishment recorded in other income, net in the consolidated statements of operations for the year ended December 31, 2014. Debt issuance cost amortization expense related to the 2013 AMH Credit Facilities was \$1.0 million for the year ended December 31, 2014.

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As of December 31, 2014, the 2013 AMH Credit Facilities were guaranteed and collateralized by AMH and its 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.

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.

2024 Senior Notes—On May 30, 2014, AMH issued \$500 million in aggregate principal amount of its 4.000% Senior Notes due 2024 (the "2024 Senior Notes"), at an issue price of 99.722% of par. Interest on the 2024 Senior Notes is payable semi-annually in arrears on May 30 and November 30 of each year. The 2024 Senior Notes will mature on May 30, 2024. The discount will be amortized into interest expense on the consolidated statements of operations over the term of the 2024 Senior Notes. Interest expense incurred by the Company related to the 2024 Senior Notes was \$11.7 million for the year ended December 31, 2014.

The Company capitalized debt issuance costs of \$5.5 million incurred in connection with the issuance of the 2024 Senior Notes, which was recorded in other assets in the consolidated statements of financial condition as of December 31, 2014 to be amortized over the term of the notes. Debt issuance cost amortization expense related to the issuance of the 2024 Senior Notes was \$0.3 million for the year ended December 31, 2014.

As of December 31, 2014, the 2024 Senior Notes were guaranteed by 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., AMH Holdings (Cayman), L.P. and any other entity that is required to become a guarantor of the notes under the terms of the indenture governing the 2024 Senior Notes (the "2024 Senior Notes Indenture"). The 2024 Senior Notes Indenture includes covenants that restrict the ability of AMH and, as applicable, the guarantors to incur indebtedness secured by liens on voting stock or profit participating equity interests of their respective subsidiaries or merge, consolidate or sell, transfer or lease assets. The 2024 Senior Notes Indenture also provides for customary events of default.

The estimated fair value of the Company's long-term debt obligation related to the 2024 Senior Notes is approximately \$506.2 million based on obtained broker quotes as of December 31, 2014. The face amount of \$500.0 million related to the 2024 Senior Notes is the amount the Company is obligated to settle the 2024 Senior Notes. The Company has determined that the long-term debt obligation related to the 2024 Senior Notes would be categorized as a Level II

liability in the fair value hierarchy based on 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.

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As of December 31, 2014, the table below presents the contractual maturities for the Company's debt arrangements:

	2015	2016	2017	2018	2019	Thereafter	Total
2013 AMH Credit Facilities - Term Facility	\$—	\$—	\$—	\$—	\$500,000	\$—	\$500,000
2024 Senior Notes	—	—	—	—	—	500,000	500,000
2014 AMI Term Facility I	—	—	—	—	16,204	—	16,204
2014 AMI Term Facility II	—	—	—	—	18,752	—	18,752
Total Obligations as of December 31, 2014	\$—	\$—	\$—	\$—	\$534,956	\$500,000	\$1,034,956

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 Class A shares and includes the number of additional Class A shares that would have been outstanding if the dilutive potential Class A shares had been issued. The numerator is adjusted for any changes in income or loss that would result from the issuance of these potential Class A shares.

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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, 2014, 2013 and 2012:

	For the Year Ended December 31,		
	2014	2013	2012
Numerator:			
Net income attributable to Apollo Global Management, LLC	\$ 168,229	\$ 659,391	\$ 310,957
Distributions declared on Class A shares	(483,458) ⁽¹⁾	(556,954) ⁽²⁾	(172,887) ⁽³⁾
Distributions on participating securities	(72,074)	(93,235)	(31,175)
Earnings allocable to participating securities	— ⁽⁴⁾	(1,394)	(16,855)
Undistributed income (loss) attributable to Class A shareholders: Basic	(387,303)	7,808	90,040
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	\$(387,303)	\$ 15,585	\$ 93,380
Denominator:			
Weighted average number of Class A shares outstanding: Basic	155,349,017	139,173,386	127,693,489
Dilution effect of share options and unvested RSUs	—	3,040,964	1,846,888
Weighted average number of Class A shares outstanding: Diluted	155,349,017	142,214,350	129,540,377
Net Income per Class A share: Basic			
Distributed Income	\$ 3.11	\$ 4.00	\$ 1.35
Undistributed Income (Loss)	(2.49)	0.06	0.71
Net Income per Class A Share: Basic	\$ 0.62	\$ 4.06	\$ 2.06
Net Income per Class A Share: Diluted ⁽⁵⁾			
Distributed Income	\$ 3.11	\$ 3.92	\$ 1.34
Undistributed Income (Loss)	(2.49)	0.11	0.72
Net Income per Class A Share: Diluted	\$ 0.62	\$ 4.03	\$ 2.06

(1) The Company declared a \$1.08, \$0.84, \$0.46 and \$0.73 distribution on Class A shares on February 7, 2014, May 8, 2014, August 6, 2014 and October 30, 2014, respectively.

(2) The Company declared a \$1.05, \$0.57, \$1.32 and \$1.01 distribution on Class A shares on February 8, 2013, May 6, 2013, August 8, 2013 and November 7, 2013, respectively.

(3) The Company declared a \$0.46, \$0.25, \$0.24 and \$0.40 distribution on Class A shares on February 10, 2012, May 8, 2012, August 12, 2012 and November 9, 2012, respectively.

(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, 2014, the Company had an undistributed loss attributable to Class A shareholders and none of the classes of securities resulted in dilution. For the year ended December 31, 2014, AOG Units, restricted share units ("RSUs"), share options and participating securities were anti-dilutive and were accordingly excluded from the diluted earnings per share calculation. For the years ended December 31, 2013 and 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, 2013 and 2012, the AOG Units and participating securities were determined to be anti-dilutive and were accordingly excluded from the diluted earnings per share calculation.

On October 24, 2007, the Company commenced the granting of 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." For the years ended December 31, 2014, 2013 and 2012, the weighted average vested RSUs were 19.5 million, 20.7 million and

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18.5 million, respectively. For the years ended December 31, 2014, 2013 and 2012, the weighted average unvested RSUs were 9.6 million, 10.8 million and 16.7 million, respectively.

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.

In addition, certain share options were granted to employees under the Company's 2007 Omnibus Equity Incentive Plan. For the years ended December 31, 2014, 2013 and 2012, weighted average unexercised options were 0.5 million, 3.7 million and 5.1 million, respectively.

Holders of AOG Units are subject to the vesting requirements and transfer restrictions set forth in the agreements with the respective holders, and may a limited number of 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.

At December 31, 2014 and 2013, if all of the outstanding AOG Units were exchanged for Class A shares, the result would be an additional 222,680,477 and 228,954,598 Class A shares added to the basic earnings per share calculation. For the years ended December 31, 2014, 2013 and 2012, the weighted average AOG units outstanding were 225.0 million, 234.1 million and 240.0 million, respectively.

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 represented 65.4% and 69.3% of the total voting power of the Company's shares entitled to vote as of December 31, 2014 and December 31, 2013, respectively.

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The table below presents transactions in Class A shares during each quarter during the years ended December 31, 2014, 2013 and 2012 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 Transaction	Apollo Global Management, LLC ownership% in Apollo Operating Group after 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, 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	⁽¹⁾ 35.5%	38.0%	64.5%	62.0%
Quarter Ended September 30, 2013	Issuance	1,977	38.0%	38.3%	62.0%	61.7%
Quarter Ended December 31, 2013	Issuance/Exchange	2,581	⁽¹⁾ 38.3%	39.0%	61.7%	61.0%
Quarter Ended March 31, 2014	Issuance	2,672	39.0%	39.4%	61.0%	60.6%
Quarter Ended June 30, 2014	Issuance/Exchange	7,344	⁽¹⁾ 39.4%	41.2%	60.6%	58.8%
Quarter Ended September 30, 2014	Issuance	3,660	41.2%	41.8%	58.8%	58.2%

Quarter Ended						
December 31, 2014	Issuance/Exchange	3,090	(1) 41.8%	42.3%	58.2%	57.7%

In May 2013, November 2013, May 2014 and October 2014, certain holders of AOG Units exchanged their AOG (1)Units for Class A shares and approximately 8.8 million, 2.3 million, 6.2 million and 0.1 million Class A shares were issued by the Company in the exchanges, respectively.

16. EQUITY-BASED COMPENSATION

AOG Units

The fair value of the AOG Units of approximately \$5.6 billion was 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 and 2012, \$30.0 million and \$480.9 million of compensation expense was recognized, respectively. The AOG Units were fully vested and amortized as of June 30, 2013.

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The following table summarizes the activity of the AOG Units for the years ended December 31, 2013 and 2012:

	AOG Units	Weighted Average Grant Date Fair Value
Balance at January 1, 2012	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 fair value is discounted primarily for transfer restrictions and in certain cases timing of distributions. For Plan Grants that are not eligible for distributions on unvested shares, the discount for the lack of distributions until vested based on the present value of a growing annuity calculation had a weighted average of 32.5%, 30.5% and 23.3% for the years ended December 31, 2014, 2013 and 2012, 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 5.1%, 6.0% and 5.0% for the years ended December 31, 2014, 2013 and 2012, respectively. For Bonus Grants, the marketability discount for transfer restrictions based on the Finnerty Model calculation had a weighted average of 3.2%, 3.2% and 4.9% for the years ended December 31, 2014, 2013 and 2012, respectively. The estimated total fair value is charged to compensation expense on a straight-line basis over the vesting period, which for Plan Grants is generally up to six years, with the first installment vesting one year after grant and quarterly vesting thereafter, and for Bonus Grants is annual vesting over three years.

The fair value of grants made in 2014, 2013 and 2012 is \$149.1 million, \$56.6 million and \$73.5 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 6.7%, 5.3% and 3.9% for the years ended December 31, 2014, 2013 and 2012, respectively. For the years ended December 31, 2014, 2013 and 2012, \$80.7 million, \$87.7 million and \$110.2 million of compensation expense was recognized, respectively.

In addition, during 2014, the Company entered into an agreement with an executive officer providing for the grant of RSUs when certain metrics have been achieved. In accordance with U.S. GAAP, equity-based compensation expense is recognized only when certain metrics are met or deemed probable. Accordingly, for the year ended December 31, 2014, no equity-based compensation expense was recognized relating to these RSUs.

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The following table summarizes RSU activity for the years ended December 31, 2014, 2013 and 2012:

	Unvested	Weighted Average Grant Date Fair Value	Vested	Total Number of RSUs Outstanding	
Balance at January 1, 2012	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)
Granted	7,046,490	21.16	—	7,046,490	
Forfeited ⁽²⁾	(1,055,639)	12.19	—	(1,055,639)	
Delivered	—	12.96	(9,490,011)	(9,490,011)	
Vested ⁽²⁾	(4,050,502)	16.75	4,050,502	—	
Balance at December 31, 2014	10,717,635	\$18.11	17,354,242	28,071,877	(1)

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

In connection with the departure of an employee from the Company, such employee vested in 625,000 RSUs that were previously granted to him and forfeited 625,000 RSUs that were previously granted to him. As a result of the additional vesting, the Company recorded an incremental compensation expense of \$17.5 million related to the relevant RSU award for the year ended December 31, 2014.

Units Expected to Vest—As of December 31, 2014, approximately 10,100,000 RSUs were expected to vest over the next 3.8 years.

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Share Options

The following options have been granted under the Company's 2007 Omnibus Equity Incentive Plan:

Date of Grant	Options Granted	Vesting Terms
December 2, 2010 ⁽¹⁾	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; 1,250,000 of these options vested in connection with the optionee's employment termination and an equal number of options were forfeited during the quarter ended March 31, 2014.
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.

In connection with the departure of an employee from the Company, such employee vested in 1,250,000 share options that were previously granted to him and forfeited 1,250,000 share options that were previously granted to him. As a result of the additional vesting, the Company recorded an incremental compensation expense of \$28.1 million related to the relevant option award agreement for the year ended December 31, 2014.

For the years ended December 31, 2014, 2013 and 2012, \$28.2 million, \$4.7 million and \$4.8 million of compensation expense was recognized as a result of these grants, respectively.

There were no share options granted during the year ended December 31, 2014. 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 granted during 2012 and 2011:

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Assumptions:	2012	2011	
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 the expected volatility based on comparable companies using daily stock prices and the volatility of the Company's share price.

The following table summarizes the share option activity for the years ended December 31, 2014, 2013 and 2012:

	Options Outstanding	Weighted Average Exercise Price	Aggregate Fair Value	Weighted Average Remaining Contractual Term
Balance at January 1, 2012	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
Exercised	(1,468,750)	) 8.03	(8,217)) —
Forfeited	(1,250,000)	) 8.00	(7,025)) —
Balance at December 31, 2014	231,253	16.60	882	7.93
Exercisable at December 31, 2014	85,417	\$17.11	\$276	7.99

Options Expected to Vest—As of December 31, 2014, approximately 137,000 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, 2014 was \$0.4 million and is expected to be recognized over a weighted average period of 3.5 years. The intrinsic value of options exercised was \$26.6 million, \$42.9 million and \$1.4 million for the years ended December 31, 2014, 2013 and 2012, respectively.

Delivery of Class A Shares - RSUs and Share Options

During the years ended December 31, 2014, 2013 and 2012, 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,

2014, 2013 and 2012 was \$0.4 million, \$85.9 million and \$26.0 million, respectively, which is recorded as accumulated deficit in the consolidated statements of changes in shareholders' equity. During the year ended December 31, 2014, the Company changed its methodology from net share settlement to a "sell-to-cover" methodology. Under this

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methodology, holders of vested RSUs and exercised share options settle their tax liability through a broker-assisted sale of shares equal to their tax liability. The proceeds from such sale are remitted back to the Company.

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 years ended December 31, 2014, 2013 and 2012, the Company delivered 10,491,649, 5,181,389 and 6,130,951 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 40.6% from 39.0%. The gross value of the settlement of these shares was \$289.0 million, \$212.9 million and \$110.1 million, respectively based on Apollo's share price at the time of the delivery.

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, 2014, 2013 and 2012, the actual forfeiture rate was 1.1%, 0.0% and 0.0%, respectively. For the years ended December 31, 2014, 2013 and 2012, \$0.4 million, \$1.2 million and \$1.0 million of compensation expense was recognized, respectively.

During the years ended December 31, 2014, 2013 and 2012 the Company delivered 120,354, 114,896 and 60,702 RDUs, respectively. The deliveries in 2014, 2013 and 2012 resulted in a satisfaction of liability of \$1.2 million, \$1.2 million and \$1.8 million, respectively, and the recognition of a net decrease of additional paid in capital in 2014, 2013 and 2012 of \$2.2 million \$1.0 million and \$2.5 million, respectively. These amounts are presented in the consolidated statements of changes in shareholders' equity. There was \$1.2 million and \$1.2 million of liability for undelivered RDUs included in accrued compensation and benefits in the consolidated statements of financial condition as of December 31, 2014 and December 31, 2013, respectively. The following table summarizes RDU activity for the years ended December 31, 2014, 2013, and 2012, respectively:

	Unvested	Weighted Average Grant Date Fair Value	Vested	Total Number of RDUs Outstanding
Balance at January 1, 2012	196,653	\$8.17	60,702	257,355
Granted	256,673	9.45	—	256,673
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
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

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Granted	18,426	33.05	—	18,426
Forfeited	(2,861) 8.36	—	(2,861)
Delivered	—	9.02	(120,354) (120,354)
Vested	(96,267) 11.17	96,267	—
Balance at December 31, 2014	164,660	\$12.49	96,267	260,927

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Units Expected to Vest—As of December 31, 2014, approximately 155,000 RDUs were expected to vest over the next 1.9 years.

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

	RDUs Available For Future Grants	
Balance at January 1, 2012	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	
Purchases	9,719	
Granted/Issued	(18,426)
Forfeited	2,861	
Balance at December 31, 2014	1,646,463	

During 2013 and 2012, the Company delivered 11,986 and 193,080 to certain employees as part of AAA's carry (1)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, 2014, 2013, and 2012, \$1.3 million, \$2.8 million and \$2.3 million of management fees and \$1.3 million, \$2.0 million and \$1.5 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 0%, 1.6% and 1.0% for the years ended December 31, 2014, 2013 and 2012, respectively.

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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, 2014, 2013, and 2012:

	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, 2012	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
Granted to employees of the Company	—	400,254	16.59	—	400,254
Vested awards of the employees of the Company	—	(129,148)	15.55	129,148	—
Vested awards of the Company	—	(65,333)	15.41	65,333	—
Balance at December 31, 2014	—	480,175	\$16.61	622,853	1,103,028

Units Expected to Vest—As of December 31, 2014, approximately 452,000 ARI RSUs were expected to vest over the next 2.7 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, 2014, 2013 and 2012, \$0.9 million, \$0.9 million and \$0.2 million of management fees were recognized in the consolidated statements of operations, respectively. For the years ended December 31, 2014, 2013 and 2012, \$0.8 million, \$0.8 million and \$0.1 million of compensation expense was recognized in the consolidated statements of operations, respectively. The actual forfeiture rate for AMTG RSUs was 2.5%, 1.3% and 0% for the years ended December 31, 2014, 2013 and 2012, respectively.

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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, 2014, 2013, and 2012:

	AMTG RSUs Unvested	Weighted Average Grant Date Fair Value	AMTG RSUs Vested	Total Number of AMTG RSUs Outstanding
Balance at January 1, 2012	28,305	\$17.56	2,570	30,875
Granted to employees of the Company	143,244	20.62	—	143,244
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
Granted to employees of the Company	130,124	16.01	—	130,124
Forfeited by employees of the Company	(4,855)	) 21.22	—	(4,855)
Vested awards of the employees of the Company	(57,982)	) 19.56	57,982	—
Vested awards of the Company	(4,688)	) 18.20	4,688	—
Balance at December 31, 2014	189,836	\$16.93	133,041	322,877

Units Expected to Vest—As of December 31, 2014, approximately 178,000 AMTG RSUs were expected to vest over the next 2.4 years.

Restricted Share Awards—Athene Holding

Athene Holding has granted restricted share awards ("AHL Awards") to certain employees of Apollo. Certain of the awards granted are subject to time-based vesting conditions that generally vest over five years and certain of the awards vest once certain metrics have been achieved. During 2014, the vesting terms of some of the AHL Awards were modified such that the portion of AHL Awards related to services provided from the date of grant were deemed vested.

The AHL Awards granted to employees of Athene Asset Management, L.P. ("Athene Asset Management"), a consolidated subsidiary of Apollo, are accounted for as a prepaid compensation asset within other assets and deferred revenue in the consolidated statements of financial condition. From the date of grant, the deferred revenue is recognized as management fees and the prepaid compensation asset is recognized as compensation expense over the vesting period. The fair value of the awards to employees is based on the grant date fair value, which utilizes the share price of Athene Holding, less discounts for transfer restrictions. Shares granted as part of the AHL Awards were valued using a multiple-scenario model, which considers the price volatility of the underlying stock price of Athene Holding, time to expiration and the risk-free rate. The awards granted are recognized as liability awards remeasured each period to reflect the fair value of the prepaid compensation asset and deferred revenue. Any changes in fair value are recorded in management fees and equity-based compensation expense in the consolidated statements of operations.

For the year ended December 31, 2014, \$16.7 million of management fees and equity-based compensation expense was recognized in the consolidated statements of operations relating to these AHL Awards.

The following table summarizes activity for the AHL Awards that were granted to certain of its employees for the year ended December 31, 2014:

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	AHL Awards Unvested	Weighted Average Grant Date Fair Value	AHL Awards Vested	Total Number of AHL Awards Outstanding
Balance at January 1, 2014	1,717,568	\$1.23	—	1,717,568
Granted to employees of the Company	850,000	9.31	—	850,000
Vested awards of the employees of the Company	(849,495)	3.69	849,495	—
Balance at December 31, 2014	1,718,073	\$4.00	849,495	2,567,568

Units Expected to Vest—As of December 31, 2014, approximately 476,107 AHL Awards were expected to vest over the next 2.2 years and 1,241,966 AHL Awards may vest if certain metrics are achieved.

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.

Below is a reconciliation of the equity-based compensation allocated to Apollo Global Management, LLC for the year ended December 31, 2014:

	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
RSUs and Share Options	\$107,017	—	% \$—	\$107,017
AHL Awards	16,738	57.7	9,938	6,800
Other equity-based compensation awards	2,565	57.7	1,517	1,048
Total Equity-Based Compensation	\$126,320		11,455	114,865
Less other equity-based compensation awards ⁽²⁾			(11,455)	(5,994)
Capital Increase Related to Equity-Based Compensation			\$—	\$108,871

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

(2) Includes equity-based compensation reimbursable by certain funds.

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	Allocated to Non- Controlling Interest in Apollo	Allocated to Apollo Global Management, LLC
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		Group	Operating Group ⁽¹⁾	
AOG Units	\$30,007	61.0	% \$19,163	\$10,844
RSUs and Share Options	92,185	—	—	92,185
Other equity-based compensation awards	4,035	61.0	2,494	1,541
Total Equity-Based Compensation	\$126,227		21,657	104,570
Less other equity-based compensation awards ⁽²⁾			(2,494)) 365
Capital Increase Related to Equity-Based Compensation			\$19,163	\$104,935

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

(2) Includes equity-based compensation reimbursable by certain funds.

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
Other equity-based compensation awards	2,710	64.9	1,769	941
Total Equity-Based Compensation	\$598,654		315,625	283,029
Less other equity-based compensation awards ⁽²⁾			(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.

(2) Includes equity-based compensation reimbursable by certain funds.

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, 2014	2013
Due from Affiliates:		
Due from private equity funds	\$30,091	\$57,582
Due from portfolio companies	41,844	23,484
Due from credit funds ⁽¹⁾	174,165	216,750
Due from Contributing Partners, employees and former employees	1,721	2,659
Due from real estate funds	20,162	12,119
Other	32	4,653
Total Due from Affiliates	\$268,015	\$317,247
Due to Affiliates:		
Due to Managing Partners and Contributing Partners in connection with the tax receivable agreement	\$509,149	\$525,483
Due to private equity funds	1,158	825

Due to credit funds	5,343	1,773
Distributions payable to employees	49,503	67,290
Total Due to Affiliates	\$565,153	\$595,371

(1) As of December 31, 2014 includes unsettled AAA and Athene management fee receivable as discussed in "Athene" below. As of December 31, 2013, includes Athene Services Derivative as discussed in "Athene" below.

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Tax Receivable Agreement and Other

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

The tax receivable agreement provides for the payment to the Managing Partners and Contributing Partners of 85% of the amount of cash savings, if any, in U.S. federal, state, local and foreign income taxes that APO Corp. would realize as a result of the increases in tax basis of assets that resulted from the 2007 Reorganization and exchanges of AOG Units for Class A shares. If the Company does not make the required annual payment on a timely basis as outlined in the tax receivable agreement, interest is accrued on the balance until the payment date. These payments are expected to occur approximately over the next 20 years. In connection with the amendment of the AMH partnership agreement in April 2010, the tax receivable agreement was revised to reflect the Managing Partners' agreement to defer 25%, or \$12.1 million, of the required payments pursuant to the tax receivable agreement that are attributable to the 2010 fiscal year for a period of four years until 2015.

In April 2013, Apollo made a \$30.4 million cash payment pursuant to the tax receivable agreement resulting from the realized tax benefit for the 2012 tax year. Included in the payment was approximately \$7.6 million and approximately \$0.3 million of interest paid to the Managing Partners and Contributing Partners, respectively.

During the years ended December 31, 2014, 2013 and 2012, the Company reduced the tax receivable agreement liability and recorded \$32.2 million, \$13.0 million and \$3.9 million, respectively, in other income, net in the consolidated statement of operations due to changes in projected income estimates and in estimated tax rates.

In April 2014, Apollo made a \$32.0 million cash payment pursuant to the tax receivable agreement resulting from the realized tax benefit for the 2013 tax year. Included in the payment was approximately \$8.3 million and approximately \$0.5 million of interest paid to the Managing Partners and Contributing Partners, respectively.

During the years ended December 31, 2014 and 2013, the Intermediate Holding Companies acquired approximately 6.3 million and 11.1 million Class A shares of Apollo Global Management, LLC, respectively, which were used to acquire an equal number of AOG Units from certain Managing Partners and Contributing Partners in connection with exchanges of AOG Units for Class A shares. These exchanges were taxable for U.S. federal income tax purposes, and resulted in APO Corp. recording a U.S. federal income tax basis adjustment of approximately \$97.6 million and \$243.1 million in the intangible assets of certain Apollo Operating Group entities during the years ended December 31, 2014 and 2013, respectively.

Pursuant to the tax receivable agreement, the Managing Partners and Contributing Partners who exchanged AOG Units for Class A shares will receive payment from APO Corp. of 85% of the amount of the actual cash tax savings, if any, in U.S. Federal, state, local and foreign income tax that APO Corp. realizes as a result of these increases in tax deductions and tax basis, and certain other tax benefits, including imputed interest expense. APO Corp. retains the benefit from the remaining 15% of actual cash tax savings. As a result of the May 2013, November 2013, and May 2014 exchanges, a \$174.8 million liability was recorded to estimate the amount of these future expected payments to be made by APO Corp. to the Managing Partners and Contributing Partners pursuant to the tax receivable agreement. Due from Contributing Partners, Employees and Former Employees

As of December 31, 2014 and December 31, 2013, due from Contributing Partners, Employees and Former Employee balances include various amounts due to the Company including director fee receivables.

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Distributions

In addition to other distributions such as payments pursuant to the tax receivable agreement, the table below presents information regarding the quarterly distributions which were made at the sole discretion of the manager of the Company during 2014, 2013 and 2012 (in millions, except per share data):

Distribution Declaration Date	Distribution per Class A Share	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
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
November 7, 2013	1.01	November 29, 2013	147.7	231.2	378.9	24.1
For the year ended December 31, 2013	\$3.95		\$556.9	\$975.4	\$1,532.3	\$94.2
February 7, 2014	\$1.08	February 26, 2014	\$160.9	\$247.3	\$408.2	\$25.5
April 3, 2014	—	April 3, 2014	—	49.5	(1) 49.5	—
May 8, 2014	0.84	May 30, 2014	130.0	188.4	318.4	20.9
June 16, 2014	—	June 16, 2014	—	28.5	(1) 28.5	—
August 6, 2014	0.46	August 29, 2014	73.6	102.5	176.1	10.2
September 11, 2014	—	September 11, 2014	—	12.4	(1) 12.4	—
October 30, 2014	0.73	November 21, 2014	119.0	162.6	281.6	15.5
December 15, 2014	—	December 15, 2014	—	25.2	(1) 25.2	—
For the year ended December 31, 2014	\$3.11		\$483.5	\$816.4	\$1,299.9	\$72.1

(1) On April 13, 2012, April 12, 2013, April 3, 2014, June 16, 2014, September 11, 2014 and December 15, 2014, the Company made a \$0.05, \$0.23, \$0.22, \$0.13, \$0.06 and \$0.11 distribution per AOG Unit, respectively, to the

non-controlling interest holders in the Apollo Operating Group.

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Indemnity

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

Accordingly, in the event that the Company's Managing Partners, Contributing Partners and certain investment professionals are required to pay amounts in connection with a general partner obligation for the return of previously made distributions, the Company will be obligated to reimburse the Company's Managing Partners and certain Contributing Partners for the indemnifiable percentage of amounts that they are required to pay even though the Company did not receive the certain distribution to which that general partner obligation related. There was no indemnification liability recorded as of December 31, 2014 and December 31, 2013.

Due to Credit Funds

Based upon a hypothetical liquidation of two of our credit funds, as of December 31, 2014, the Company has recorded a general partner obligation to return previously distributed carried interest income, which represents amounts due to these funds. The actual determination and any required payment of a general partner obligation would not take place until the final disposition of the fund's investments based on contractual termination of the fund or as otherwise set forth in the respective limited partnership agreement of the fund. As such, there was a general partner obligation to return previously distributed carried interest income of \$3.4 million accrued as of December 31, 2014.

Athene

Athene Holding is the ultimate parent of various insurance company operating subsidiaries. Through its subsidiaries, Athene Holding provides insurance products focused primarily on the retirement market and its business centers primarily on issuing or reinsuring fixed indexed annuities.

Athene Asset Management receives a management fee equal to 0.40% per annum on all assets under management in accounts owned by or related to Athene (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. 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. 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.

Under a transaction advisory services agreement with Athene (the "Athene Services Agreement"), 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 that were newly acquired (and not in satisfaction of prior commitments to buy such shares) by AAA Investments in the contribution of certain assets by AAA to Athene in October 2012, 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. The Athene Services Agreement was amended in connection with the Athene Private Placement described below (the "Amended Athene Services Agreement"). The Amended Athene Services Agreement adjusts the calculation of Athene Holding's capital and surplus downward by an amount equal to (x) the equity capital raised in the Athene Private Placement and (y) certain disproportionate increases to the statutory capital and surplus of Athene, as compared to the stockholders' equity of Athene calculated on a U.S. GAAP basis, as a result of certain future acquisitions by Athene. Prior to the consummation of the Athene Private Placement, all such monitoring fees were paid pursuant to a derivative contract between Athene and Apollo (the "Athene Services Derivative"). In connection with the Athene Private Placement, the Athene Services Derivative was settled on April 29, 2014 by delivery to Apollo of common shares of Athene Holding, and as a result, such derivative was terminated. Following settlement of the Athene Services Derivative, future monitoring fees paid to

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Apollo pursuant to the Amended Athene Services Agreement, will be paid on a quarterly basis in arrears by delivery to Apollo of common shares of Athene Holding (unless such payment in shares would violate Section 16(b) of the U.S. Securities Exchange Act of 1934, as amended). Unsettled monitoring fees pursuant to the Amended Athene Services Agreement are recorded as due from affiliates in the consolidated statements of financial condition. For the years ended December 31, 2014, 2013 and 2012, Apollo earned \$226.4 million, \$107.9 million and \$16.8 million, respectively, related to this monitoring fee. The monitoring fee is recorded in advisory and transaction fees from affiliates, net, in the consolidated statements of operations. As of December 31, 2014, Apollo had a \$58.2 million receivable recorded in due from affiliates on the consolidated statements of financial condition. As of December 31, 2013, Apollo had a \$116.4 million receivable, which was 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 (the "AAA Services Agreement"), Apollo receives a management fee for managing the assets of AAA Investments. In connection with each of the contribution of certain assets by AAA to Athene in October 2012, and the initial closing of the Athene Private Placement on April 4, 2014, the AAA 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 agreed to 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 terminated on December 31, 2014 (although services will continue through December 31, 2020). Prior to the consummation of the Athene Private Placement, all such management fees were accrued pursuant to a derivative contract between AAA Investments and Apollo (the "AAA Services Derivative"). In connection with the Athene Private Placement, the AAA Services Derivative was settled on April 29, 2014 by delivery to Apollo of common shares of Athene Holding, and as a result, such derivative was terminated. Following settlement of the AAA Services Derivative, future management fees paid to Apollo pursuant to the Amended AAA Services Agreement will be paid on a quarterly basis in arrears by delivery to Apollo of common shares of Athene Holding (unless such payment in shares would violate Section 16(b) of the Exchange Act). Unsettled management fees pursuant to the Amended AAA Services Agreement will be recorded as due from affiliates in the consolidated statements of financial condition. As of December 31, 2014, Apollo had a \$3.1 million receivable recorded in due from affiliates related to this management fee on the consolidated statements of financial condition. As of December 31, 2013, Apollo had a \$14.3 million receivable related to this management fee, which was accounted for as a derivative 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 for the years ended December 31, 2014, 2013 and 2012 were \$1.9 million, \$2.2 million and \$0.6 million, respectively, which are recorded in management fees from affiliates in the consolidated statements of operations.

Prior to the settlement of the Athene Services Derivative and the AAA Services Derivative, the Amended Athene Services Agreement and the Amended AAA Services Agreement together with the Athene Services Derivative and the AAA Services Derivative, met the definition of derivatives under U.S. GAAP. The Company had 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. After the settlement of the Athene Services Derivative and the AAA Services Derivatives the unsettled shares receivable recorded in due from affiliates related to the Amended Athene Services Agreement and the Amended AAA Services Agreement are valued at fair value based on the price of a common share of Athene Holding. The Company had classified the derivative and the shares receivable as Level III assets in the fair value hierarchy, as the pricing inputs into the determination of fair value require significant judgment and estimation. See note 6 for further discussion regarding fair value measurements.

Prior to the settlement of the Athene Services Derivative and the AAA Services Derivative, the change in unrealized market value of the derivatives was reflected in other income, net in the consolidated statements of operations. For the year ended December 31, 2013 there was \$10.2 million of changes in market value recognized related to these derivatives.

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 common shares of Athene Holding (valued at the then fair market value) if there is a distribution in kind of shares of Athene Holding (unless such payment in shares would violate Section 16(b) of the Exchange Act) or paid in cash if AAA sells the shares of Athene Holding. For the years ended December 31, 2014, 2013, and 2012 the Company recorded carried interest income less the related profit sharing expense of \$14.6 million, \$27.6 million and \$35.3 million, respectively, from AAA Investments, which is recorded in the consolidated statements of operations. As of December 31, 2014 and December 31, 2013, the Company had a \$121.5 million and a \$100.9 million carried interest receivable, respectively, related

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to AAA Investments. As of December 31, 2014 and December 31, 2013, the Company had a related profit sharing payable of \$34.9 million and \$28.8 million, respectively, recorded in profit sharing payable in the consolidated statements of financial condition.

For the years ended December 31, 2014, 2013 and 2012, Apollo earned revenues in the aggregate totaling \$546.5 million, \$435.1 million and \$164.7 million, respectively, consisting of management fees, sub-advisory and monitoring fees and carried interest income from Athene after considering the related profit sharing expense and changes in the market value of the Athene shares owned directly by Apollo, which is recorded in the consolidated statements of operations.

On April 4, 2014, Athene Holding completed an initial closing of a private placement offering of common equity in which it raised \$1.048 billion of primary commitments from third-party institutional and certain existing investors in Athene Holding (the "Athene Private Placement"). Shares in the Athene Private Placement were offered at a price per common share of Athene Holding of \$26. In connection with the Athene Private Placement, Athene raised an additional \$80 million of third party capital at \$26 per share, all of which was used to buy back a portion of the shares of one of its existing investors at a price of \$26 per share in a transaction that was consummated on April 29, 2014. As announced by AAA on June 24, 2014, a second closing of the Athene Private Placement occurred in which Athene Holding raised \$170 million of commitments primarily from employees of Athene and its affiliates at a price per common share of Athene Holding of \$26. The Investment Partnership did not purchase any additional common shares of Athene Holding as part of the Athene Private Placement.

As of December 31, 2014, the Company, through its consolidation of AAA, had an approximate 47.7% economic ownership interest in Athene through its investment in AAA Investments (calculated as if the commitments on the Athene Private Placement closed through December 31, 2014 were fully drawn but without giving effect to (i) restricted common shares issued under Athene's management equity plan, or (ii) common shares to be issued under the Amended Athene Services Agreement or the Amended AAA Services Agreement subsequent to December 31, 2014). The Company had an approximate 8.1% economic ownership interest in Athene Holding as of December 31, 2014, which comprises Apollo's direct ownership of 6.9% of the economic equity of Athene Holding plus an additional 1.2% economic ownership interest, which is calculated as the Company's approximate 2.5% economic ownership interest in AAA plus the Company's approximate 0.06% economic ownership interest in AAA Investments multiplied by AAA Investments' approximate 47.7% economic ownership interest in Athene as of December 31, 2014. The remaining ownership interest in AAA is recognized in the Company's consolidated statements of operations as non-controlling interest in consolidated entities.

As of December 31, 2013, the Company through its consolidation of AAA, had an approximate 68% fully-diluted interest in Athene (after giving effect to restricted common shares issued under Athene's management equity plan and conversion of AAA Investments' note receivable but without giving effect to common shares to be issued under the Amended Athene Services Agreement or the Amended AAA Services Agreement subsequent to December 31, 2013) through its investment in AAA Investments.

The Company had an approximate 1.9% economic ownership interest in Athene Holding as of December 31, 2013, which 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 interest in Athene as of December 31, 2013. The remaining ownership interest in AAA is recognized in the Company's consolidated statements of operations as non-controlling interest in consolidated entities. For the year ended December 31, 2014, the Company accounted for a \$7.5 million reduction in management fees from affiliates and salary, bonus and benefits related to Athene.

Regulated Entities

Apollo Global Securities, LLC (“AGS”) is a registered broker dealer with the SEC and is a member of the Financial Industry Regulatory Authority, subject to the minimum net capital requirements of the SEC. AGS was in compliance with these requirements at December 31, 2014. From time to time, this entity is involved in transactions with affiliates of Apollo, including portfolio companies of the funds Apollo manages, whereby AGS earns underwriting and transaction fees for its services.

Apollo Management International LLP, is authorized and regulated by the U.K. Financial Conduct Authority and as such is subject to the capital requirements of the U.K. Financial Conduct Authority. This entity has continuously operated in excess of these regulatory capital requirements.

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Certain other of the Company's U.S. and non-U.S. subsidiaries are subject to various regulations, including a number of U.S. entities that are registered as investment advisors with the SEC. To the extent applicable, these entities have continuously operated in excess of any minimum regulatory capital requirements.

Interests in Consolidated Entities

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

	For the Year Ended December 31,		
	2014	2013	2012
AAA ⁽¹⁾	\$(196,964)	\$(331,504)	\$(278,454)
Interest in management companies and a co-investment vehicle ⁽²⁾	(13,186)	(18,872)	(7,307)
Other consolidated entities	(17,590)	43,357	50,956
Net income attributable to Non-Controlling Interests in consolidated entities	(227,740)	(307,019)	(234,805)
Net (income) loss attributable to Appropriated Partners' Capital ⁽³⁾	70,729	(149,934)	(1,816,676)
Net income attributable to Non-Controlling Interests in the Apollo Operating Group	(404,682)	(1,257,650)	(685,357)
Net Income attributable to Non-Controlling Interests	\$(561,693)	\$(1,714,603)	\$(2,736,838)
Net income (loss) attributable to Appropriated Partners' Capital ⁽⁴⁾	(70,729)	149,934	1,816,676
Other Comprehensive (income) loss attributable to Non-Controlling Interests	591	(41)	(2,010)
Comprehensive Income Attributable to Non-Controlling Interests	\$(631,831)	\$(1,564,710)	\$(922,172)

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 97.5%, 97.4% and 97.3% as of (1) December 31, 2014, 2013 and 2012, respectively. As of December 31, 2014, 2013 and 2012, Apollo owned approximately 2.5%, 2.6% and 2.7% of AAA, respectively.

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

(3) Reflects net income of the consolidated CLOs classified as VIEs.

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

18. COMMITMENTS AND CONTINGENCIES

Financial Guarantees—Apollo has provided financial guarantees on behalf of certain employees for the benefit of unrelated third-party lenders in connection with their capital commitments to certain funds managed by the Company. As of December 31, 2014, the maximum exposure relating to these financial guarantees approximated \$0.2 million. Apollo has historically not incurred any liabilities as a result of these agreements and does not expect to in the future. Accordingly, no liability has been recorded in the accompanying consolidated financial statements.

Investment Commitments—As a limited partner, general partner and manager of the Apollo private equity, credit and real estate funds, Apollo has unfunded capital commitments as of December 31, 2014, and December 31, 2013 of \$646.6 million and \$843.7 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.

In addition, as of December 31, 2014, Apollo had an unfunded loan commitment of \$15.0 million related to an employee's commitment to purchase common shares of Athene Holding.

Debt Covenants—Apollo's debt obligations contain various customary loan covenants. As of December 31, 2014, the Company was not aware of any instances of non-compliance with its financial covenants.

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Litigation and Contingencies—Apollo is, from time to time, party to various legal actions arising in the ordinary course of business including claims and lawsuits, reviews, investigations or proceedings by governmental and self regulatory agencies regarding its 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 July 24, 2013 the *Frank* court transferred the case to Judge Bryant, who is presiding over *In re: Trilegiant*, and on March 28, 2014, Judge Bryant granted the motion to consolidate. On September 25, 2013, the court held oral argument on defendants’ motions to dismiss. On March 28, 2014, the court granted in part and denied in part motions to dismiss filed by Affinion and Trilegiant on behalf of all defendants, and also granted separate motions to dismiss filed by certain defendants, including AGM. On that same day, the court directed the clerk to terminate AGM as a defendant in the consolidated action. On April 28, 2014, plaintiffs moved for interlocutory review of certain of the court’s motion-to-dismiss rulings, not including its order granting AGM’s separate dismissal motion. Defendants filed a response on May 23, 2014, and plaintiffs replied on June 5, 2014. On November 13, 2014, plaintiffs and the remaining defendants filed a Joint Status Report Regarding Discovery stating that no discovery has taken place since plaintiffs filed their interlocutory-review motion.

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 SEC 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 alleges that Apollo was defrauded by Arvco, Villalobos, and Buenrostro. 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. The criminal action was set for trial in a San Francisco federal court in July 2014, but was put on hold after Mr. Buenrostro pleaded guilty on July 11, 2014. As part of Mr. Buenrostro’s plea agreement, he admitted to taking cash and other bribes from Mr. Villalobos in exchange for several improprieties, including attempting to influence CalPERS’ investing decisions and improperly preparing disclosure letters to satisfy Apollo’s requirements. There is no suggestion that Apollo was aware that Mr. Buenrostro had signed the letters with a corrupt motive. The government has indicated that they will file new charges against Mr. Villalobos incorporating Mr. Buenrostro’s admissions. On August 7, 2014,

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the government filed a superseding indictment against Mr. Villalobos asserting additional charges. Trial had been scheduled for February 23, 2015, but Mr. Villalobos passed away on January 13, 2015. 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 (the “Bankruptcy Court”) against Apollo. The action is related to the ongoing bankruptcy proceedings of the Arvco Debtors. This action alleges that Arvco served as a placement agent for Apollo in connection with several funds associated with Apollo, and seeks to recover purported fees the Arvco Debtors 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 common law. Apollo denies the merit of all of the Arvco Debtors’ claims and will vigorously contest them. The Bankruptcy Court has stayed this action pending the result in the criminal case against Mr. Villalobos. For these reasons, no estimate of possible loss, if any, can be made at this time.

On June 18, 2014, BOKF N.A. (the “First Lien Trustee”), the successor indenture trustee under the indenture governing the First Lien Notes issued by Momentive Performance Materials, Inc. (“Momentive”), commenced a lawsuit in the Supreme Court for the State of New York, New York County against AGM and members of an ad hoc group of Second Lien Noteholders (including, but not limited to, Euro VI (BC) S.a.r.l.). The First Lien Trustee amended its complaint on July 2, 2014 (the “First Lien Intercreditor Action”). In the First Lien Intercreditor Action, the First Lien Trustee seeks, among other things, a declaration that the defendants violated an intercreditor agreement entered into between holders of the first lien notes and holders of the second lien notes. On July 16, 2014, the successor indenture trustee under the indenture governing the 1.5 Lien Notes (the “1.5 Lien Trustee,” and, together with the First Lien Trustee, the “Indenture Trustees”) filed an action in the Supreme Court of the State of New York, New York County that is substantially similar to the First Lien Intercreditor Action (the “1.5 Lien Intercreditor Action,” and, together with the First Lien Intercreditor Action, the “Intercreditor Actions”). AGM subsequently removed the Intercreditor Actions to federal district court, and the Intercreditor Actions were automatically referred to the Bankruptcy Court adjudicating the Momentive chapter 11 bankruptcy cases. The Indenture Trustees then filed motions with the Bankruptcy Court to remand the Intercreditor Actions back to the state court (the “Remand Motions”). On September 9, 2014, the Bankruptcy Court denied the Remand Motions. On August 15, 2014, the defendants in the Intercreditor Actions (including AGM) filed a motion to dismiss the 1.5 Lien Intercreditor Action and a motion for judgment on the pleadings in the First Lien Intercreditor Action (the “Dismissal Motions”). On September 30, 2014, the Bankruptcy Court granted the Dismissal Motions. In its order granting the Dismissal Motions, the Bankruptcy Court gave the Indenture Trustees until mid-November 2014 to move to amend some, but not all, of the claims alleged in their respective complaints. On November 14, 2014, the Indenture Trustees moved to amend their respective complaints pursuant to the Bankruptcy Court’s order (the “Motions to Amend”). On January 9, 2015, the defendants filed their oppositions to the Motions to Amend. On January 16, 2015, the Bankruptcy Court denied the Motions to Amend. The Bankruptcy Court gave the Indenture Trustees until March 2, 2015 to seek to amend their respective complaints. The Indenture Trustees have not yet indicated whether they intend to file additional motions to amend. Accordingly, we are unable at this time to assess a potential risk of loss. In addition, we do not believe that AGM is a proper defendant in these actions.

On June 13, 2014, plaintiffs Stark Master Fund Ltd and Stark Global Opportunities Master Fund Ltd filed a lawsuit in the United States District Court for the Eastern District of Wisconsin against AGM and Apollo Management Holdings, L.P. (the “Apollo Defendants”), as well as Credit Suisse Securities (USA) LLC and Deutsche Bank Securities (USA) LLC (the “Bank Defendants”). The complaint alleges that AGM and the other defendants entered into an

undisclosed and improper agreement concerning the financing of a potential acquisition by Hexion Specialty Chemicals Inc., and on this basis alleges a variety of common law misrepresentation claims, both intentional and negligent. The Apollo Defendants and Bank Defendants filed motions to dismiss the complaint on October 15, 2014. Rather than respond to the motions, plaintiffs filed an Amended Complaint on November 5, 2014. The Apollo Defendants and Bank Defendants filed motions to dismiss the Amended Complaint on December 23, 2014. Plaintiffs filed a motion for leave to conduct jurisdictional discovery on February 2, 2015, and pursuant to the parties' stipulation approved by the court the motion shall be fully briefed on or before March 9, 2015. Plaintiffs must file their opposition to Defendants' motion to dismiss the Amended Complaint on or before 30 days following either a decision from the Court on Plaintiffs' motion for jurisdictional discovery or the close of jurisdictional discovery, whichever is later. Because the claims against the Apollo Defendants are in their early stages, no reasonable estimate of possible loss, if any, can be made at this time.

There are several pending actions concerning transactions related to Caesars Entertainment Operating Company, Inc.'s ("CEOC") restructuring efforts. Apollo is not a defendant in these matters.

- In re: Caesars Entertainment Operating Company, Inc. bankruptcy proceedings, No. 15-10047 (Del. Bk.) (the "Delaware Bankruptcy Action") and No. 15-01145 (N.D. Ill. Bk.) (the "Illinois Bankruptcy

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Action”). On January 12, 2015, three holders of CEOC second lien notes issued filed an involuntary bankruptcy petition against CEOC in the United States Bankruptcy Court for the District of Delaware.

On February 2, 2015, the court in the Delaware Bankruptcy Action ordered that all CEOC bankruptcy proceedings should take place in the Illinois Bankruptcy Action.

Wilmington Savings Fund Society, FSB v. Caesars Entertainment Corp. et al., No. 10004-CVG (Del. Ch.) (the “Trustee Action”). On August 4, 2014, Wilmington Savings Fund Society, FSB (“WSFS”), as trustee for certain CEOC second-lien notes, sued Caesars Entertainment Corporation (“Caesars Entertainment”), Caesars Entertainment’s subsidiary, CEOC, other Caesars Entertainment-affiliated entities, and certain of Caesars Entertainment’s directors, including Marc Rowan, Eric Press, David Sambur (each an Apollo Partner) and Jeff Benjamin (an Apollo consultant), in the Delaware Chancery Court. WSFS (i) asserts claims (against some or all of the defendants) for fraudulent conveyance, breach of fiduciary duty, breach of contract, corporate waste and aiding and abetting related to certain transactions between CEOC and other Caesars Entertainment affiliates, and (ii) requests (among other things) that the court unwind the challenged transactions and award damages. Defendants filed a motion to dismiss or stay the Trustee Action in favor of the Caesars Action, which was argued on December 5, 2014.

Caesars Entertainment Operating Co., et al. v. Appaloosa Investment Ltd. P’ship et al., No. 652392/2014 (N.Y. Sup. Ct.) (the “Caesars Action”). On August 5, 2014, Caesars Entertainment Corporation and Caesars Entertainment’s subsidiary CEOC sued certain institutional CEOC second-lien noteholders and CEOC first-lien noteholder Elliott Management Corporation (“EMC”). On September 15, 2014, an amended complaint was filed adding WSFS as a defendant. The amended complaint asserts claims for (among other things) tortious interference with prospective economic advantage, a declaratory judgment that certain transactions related to CEOC’s restructuring are valid and appropriate and that there has not been a default under the indentures governing the notes. On October 15, 2014, defendants moved to dismiss the complaint, and the motion was fully briefed on December 1, 2014. On January 15, 2015, Caesars Entertainment and CEOC agreed to voluntarily dismiss their claims against EMC without prejudice, and EMC agreed to withdraw its motion to dismiss without prejudice. The remaining parties in the Caesars Action and the parties in the Trustee action described below have agreed to stay discovery pending decision on the respective motions to dismiss.

Meehancombs Global Credit Opportunities Master Fund, L.P., et al. v. Caesars Entertainment Corp., et al., No. 14-cv-7091 (S.D.N.Y.) (the “Meehancombs Action”). On September 3, 2014, institutional investors allegedly holding approximately \$137 million in CEOC unsecured senior notes sued CEOC and Caesars Entertainment for breach of contract and the implied covenant of good faith, Trust Indenture Act violations and a declaratory judgment challenging the August 2014 private financing transaction in which a portion of outstanding senior unsecured notes were purchased by Caesars Entertainment, and a majority of the noteholders agreed to amend the indenture to terminate Caesars Entertainment’s guarantee of the notes and modify certain restrictions on CEOC’s ability to sell assets. On October 2, 2014, a related putative class action complaint was filed on behalf of the holders of these notes captioned Danner v. Caesars Entertainment Corp., et al., No. 14-cv-7973 (S.D.N.Y.) (the “Danner Action”), against Caesars Entertainment alleging similar claims to the Meehancombs Action. Caesars Entertainment and CEOC filed a motion to dismiss on November 12, 2014. On January 15, 2015, the court granted the motion with respect to a Trust Indenture Act claim by Meehancombs but otherwise denied the motion. On January 30, 2015, plaintiffs filed an amended complaint seeking relief against Caesars Entertainment only, which Caesars Entertainment answered on February 12, 2015.

UMB Bank v. Caesars Entertainment Corporation, et al., No. 10393 (Del. Ch.) (the “UMB Action.”). On November 25, 2014, UMB Bank, as trustee for certain CEOC notes, sued Caesars Entertainment, CEOC, other Caesars Entertainment-affiliated entities, and certain of Caesars

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Entertainment's directors, including Marc Rowan, Eric Press, David Sambur (each an Apollo Partner) and Jeffrey Benjamin (an Apollo consultant), in Delaware Chancery Court. The lawsuit alleges claims for actual and constructive fraudulent conveyance and transfer, insider preferences, illegal dividends, breach of contract, intentional interference with contractual relations, breach of fiduciary duty, aiding and abetting breach of fiduciary duty, usurpation of corporate opportunities, and unjust enrichment. The UMB Action seeks appointment of a receiver for CEOC, a constructive trust, and other relief. The UMB Action has been assigned to the same judge overseeing the Trustee Action. Upon filing the complaint, UMB Bank moved to expedite its claim seeking a receiver, on which the court held oral argument on December 17, 2014. On January 15, 2015, the court entered a stipulated order staying the UMB Action as to all parties due to CEOC's bankruptcy filing.

Koskie v. Caesars Acquisition Company, et al., No. A-14-711712-C (Clark Cnty Nev. Dist. Ct.) (the "Koskie Action"). On December 30, 2014, Nicholas Koskie brought a shareholder class action on behalf of shareholders of Caesars Acquisition Company ("CAC") against CAC, Caesars Entertainment, and members of CAC's Board of Directors, including Marc Rowan and David Sambur (each an Apollo partner). The lawsuit challenges CAC and Caesars Entertainment's plan to merge, alleging that the proposed transaction will not give CAC shareholders fair value. Koskie asserts claims for breach of fiduciary duty relating to the director defendants' interrelationships with the entities involved the proposed transaction.

Apollo believes that the claims in the Trustee Action, the UMB Action, the Meehancombs Action, the Danner Action, and the Koskie Action are without merit. For this reason, and because the claims are in their early stages, and because of pending bankruptcy proceedings involving CEOC, no reasonable estimate of possible loss, if any, can be made at this time.

Following the January 16, 2014 announcement that CEC Entertainment, Inc. ("CEC") had entered into a merger agreement with certain entities affiliated with Apollo (the "Merger Agreement"), four putative shareholder class actions were filed in the District Court of Shawnee County, Kansas on behalf of purported stockholders of CEC against, among others, CEC, its directors and Apollo and certain of its affiliates, which include Queso Holdings Inc., Q Merger Sub Inc., Apollo Management VIII, L.P., and AP VIII Queso Holdings, L.P. The first purported class action, which is captioned Hilary Coyne v. Richard M. Frank et al., Case No. 14C57, was filed on January 21, 2014 (the "Coyne Action"). The second purported class action, which was captioned John Solak v. CEC Entertainment, Inc. et al., Civil Action No. 14C55, was filed on January 22, 2014 (the "Solak Action"). The Solak Action was dismissed for lack of prosecution on October 14, 2014. The third purported class action, which is captioned Irene Dixon v. CEC Entertainment, Inc. et al., Case No. 14C81, was filed on January 24, 2014 and additionally names as defendants Apollo Management VIII, L.P. and AP VIII Queso Holdings, L.P. (the "Dixon Action"). The fourth purported class action, which is captioned Louisiana Municipal Public Employees' Retirement System v. Frank, et al., Case No. 14C97, was filed on January 31, 2014 (the "LMPERS Action") (together with the Coyne and Dixon Actions, the "Shareholder Actions"). A fifth purported class action, which was captioned McCullough v. Frank, et al., Case No. CC-14-00622-B, was filed in the County Court of Dallas County, Texas on February 7, 2014. This action was dismissed for want of prosecution on May 21, 2014. Each of the Shareholder Actions alleges, among other things, that CEC's directors breached their fiduciary duties to CEC's stockholders in connection with their consideration and approval of the Merger Agreement, including by agreeing to an inadequate price, agreeing to impermissible deal protection devices, and filing materially deficient disclosures regarding the transaction. Each of the Shareholder Actions further alleges that Apollo and certain of its affiliates aided and abetted those alleged breaches. As filed, the Shareholder Actions seek, among other things, rescission of the various transactions associated with the merger, damages and attorneys' and experts' fees and costs. On February 7, 2014 and February 11, 2014, the plaintiffs in the

Shareholder Actions pursued a consolidated action for damages after the transaction closed. Thereafter, the Shareholder Actions were consolidated under the caption In re CEC Entertainment, Inc. Stockholder Litigation, Case No. 14C57, and the parties have engaged in limited discovery. No defendant has any obligation to answer or otherwise respond to any of the complaints in the consolidated action until the plaintiffs file or designate an operative complaint. Although Apollo cannot predict the ultimate outcome of the above action, it believes that such action is without merit. On June 10, 2014, Magnetar Global Event Driven Fund Ltd., Spectrum Opportunities Master Fund, Ltd., Magnetar Capital Master Fund, Ltd., and Blackwell Partners LLC, as the purported beneficial owners of shares held as of record by the nominal petitioner Cede & Co., (the “Appraisal Petitioners”), filed an action for statutory appraisal under Kansas state law against CEC in the U.S. District Court for the District of Kansas, captioned Magnetar Global Event Driven Master Fund Ltd, et al. v. CEC

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Entertainment, Inc., 2:14-cv-02279-RDR-KGS. The Appraisal Petitioners seek appraisal of 750,000 shares of common stock. CEC has answered the complaint and filed a verified list of stockholders, as required under Kansas law. On September 3, 2014, the court entered a scheduling order that contemplated that discovery would commence in the fall of 2014 and would be substantially completed by May 2015. On January 13, 2015, the court entered a revised scheduling order that contemplated that fact discovery would be completed by March 13, 2015, expert discovery would be completed by June 15, 2015, and a pretrial conference would occur on June 29, 2015. Thereafter, the scheduling order contemplates dispositive motion practice and a trial on the merits of the Appraisal Petitioners' claims. Although Apollo cannot predict the ultimate outcome of the above actions, Apollo believes that such actions are without merit.

On September 29, 2014, Athlon Energy Inc. ("Athlon") and Encana Corporation ("Encana") jointly announced that they had entered into an Agreement and Plan of Merger, dated as of September 27, 2014 (the "Merger Agreement"), pursuant to which a wholly-owned subsidiary of Encana ("Merger Sub") would commence a tender offer (the "Offer") to acquire all of the issued and outstanding shares of Athlon common stock. Following completion of the Offer, Merger Sub would be merged with and into Athlon (the "Proposed Transaction"). On October 23, 2014, The City of Cambridge Retirement System filed a putative class action complaint captioned The City of Cambridge Retirement System v. Reeves, et al., C.A. No. 10277-VCG (the "Cambridge Action") in the Delaware Court of Chancery naming Merger Sub, AGM and members of Athlon's board of directors as defendants. The Cambridge Action alleges, among other things, that members of Athlon's board of directors breached their fiduciary duties in connection with their consideration and approval of the proposed transaction, and that Encana, Merger Sub and AGM aided and abetted those breaches of fiduciary duty. On November 3, 2014, the parties to the Cambridge Action and several other similar actions filed in Delaware and Texas state court before the Cambridge Action (none of which named AGM as a defendant (collectively, the "Actions")), entered into a Memorandum of Understanding to settle the Actions. On December 19, 2014, the parties to the Actions entered into a formal settlement agreement, and on December 22, 2014, the parties submitted the settlement agreement and accompanying papers to the court for its approval. Under the terms of the proposed settlement, AGM will not be required to contribute any cash and will be granted full and customary releases. Although the ultimate outcome of these matters cannot be ascertained at this time, Apollo is of the opinion, after consultation with counsel, that the resolution of any such matters to which it is a party at this time will not have a material adverse effect on the consolidated financial statements. Legal actions material to Apollo could, however, arise in the future.

Commitments—Apollo leases office space and certain office equipment under various lease and sublease arrangements, which expire on various dates through 2024. As these leases expire, it can be expected that in the normal course of business, they will be renewed or replaced. Certain lease agreements contain renewal options, rent escalation provisions based on certain costs incurred by the landlord or other inducements provided by the landlord. Rent expense is accrued to recognize lease escalation provisions and inducements provided by the landlord, if any, on a straight-line basis over the lease term and renewal periods where applicable. Apollo has entered into various operating lease service agreements in respect of certain assets.

As of December 31, 2014, the approximate aggregate minimum future payments required for operating leases were as follows:

	2015	2016	2017	2018	2019	Thereafter	Total
Aggregate minimum future payments	\$38,863	\$38,225	\$36,114	\$31,742	\$31,348	\$24,214	\$200,506

Expenses related to non-cancellable contractual obligations for premises, equipment, auto and other assets were \$42.5 million, \$42.0 million and \$41.2 million for the years ended December 31, 2014, 2013 and 2012, respectively.

Other Long-term Obligations—These obligations relate to payments with respect to certain consulting agreements entered into by Apollo Investment Consulting LLC, a subsidiary of Apollo. A significant portion of these costs are reimbursable by funds or portfolio companies. As of December 31, 2014, fixed and determinable payments due in connection with these obligations were as follows:

	2015	2016	2017	2018	2019	Thereafter	Total
Other long-term obligations	\$10,400	\$4,575	\$4,470	\$4,470	\$2,235	\$—	\$26,150

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Contingent Obligations—Carried interest income with respect to private equity funds and certain credit and real estate funds is subject to reversal in the event of future losses to the extent of the cumulative carried interest recognized in income to date. If all of the existing investments became worthless, the amount of cumulative revenues that have been recognized by Apollo through December 31, 2014 and that would be reversed approximates \$2.9 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.

Additionally, at the end of the life of certain funds that the Company manages, there could be a payment due to a fund by the Company if the Company, as general partner, has received more carried interest income than was ultimately earned. The general partner obligation amount, if any, will depend on final realized values of investments at the end of the life of each fund or as otherwise set forth in the respective limited partnership agreement of the fund. As of December 31, 2014, the Company has recorded a general partner obligation to return previously distributed carried interest income of \$3.4 million relating to the Company's credit funds (see note 17 for further for further information). Certain funds may not generate carried interest income as a result of unrealized and realized losses that are recognized in the current and prior reporting period. In certain cases, carried interest income will not be generated until additional unrealized and realized gains occur. Any appreciation would first cover the deductions for invested capital, unreturned organizational expenses, operating expenses, management fees and priority returns based on the terms of the respective fund agreements.

One of the Company's subsidiaries, AGS, provides underwriting commitments in connection with securities offerings to the portfolio companies of the funds Apollo manages. As of December 31, 2014, 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. On July 31, 2014, the Company extinguished a portion of this contingent consideration obligation and recognized a gain in the amount of \$13.4 million, which was recorded in other income, net in the consolidated statements of operations for the year ended December 31, 2014. In exchange for the extinguishment, the Company granted a former owner of Stone Tower and current Apollo employee 350,000 RSUs with rights to receive, subject to a three-year vesting period, distribution equivalents. (see note 16 for further information regarding the accounting for RSUs). The fair value of the remaining contingent obligation was \$84.5 million and \$121.4 million as of December 31, 2014 and December 31, 2013, respectively.

In connection with the Gulf Stream acquisition, the Company agreed to make payments to the former owners of Gulf Stream under a contingent consideration obligation which required the Company to transfer cash to the former owners of Gulf Stream based on a specified percentage of carried interest income. The contingent liability had a fair value of \$11.6 million and \$14.1 million as of December 31, 2014 and December 31, 2013, respectively, which was recorded in profit sharing payable in the consolidated statements of financial condition.

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.

The contingent consideration obligations are measured at fair value and are characterized as Level III liabilities. See note 6 for further information regarding fair value measurements.

19. MARKET AND CREDIT RISK

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

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The Company is subject to a concentration risk related to the investors in its funds. As of December 31, 2014, there were more than 1,000 investors in Apollo's active private equity, credit and real estate funds, and no individual investor accounted for more than 10% of the total committed capital to Apollo's active funds.

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

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

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

Additionally, Apollo is exposed to interest rate risk. Apollo has debt obligations that have variable rates. Interest rate changes may therefore affect the amount of interest payments, future earnings and cash flows. At December 31, 2014 and December 31, 2013, \$535.0 million and \$750.0 million of Apollo's debt balance (excluding debt of the consolidated VIEs) had a variable interest rate, respectively.

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20. SEGMENT REPORTING

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

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

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

• Real Estate—primarily invests in 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.

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

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

The tables below present the financial data for Apollo's reportable segments further separated between the management business and incentive business as of December 31, 2014, 2013 and 2012, and for the years ended December 31, 2014, 2013 and 2012, respectively, which management believes is useful to the reader. The Company's management business has fairly stable revenues and expenses except for transaction fees, while its incentive business is more volatile and can have significant fluctuations as it is affected by changes in the fair value of investments due to market performance. The financial results of the management entities, as reflected in the "management" business section of the segment tables that follow, generally include management fee revenues, advisory and transaction fees and expenses exclusive of profit sharing expense. The financial results of the advisory entities, as reflected in the "incentive" business sections of the segment tables that follow, generally include carried interest income, investment income and profit sharing expense.

Economic Net Income (Loss)

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

Management also uses ENI in making key operating decisions such as the following:

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

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

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

ENI is a measure of profitability and has certain limitations in that it does not take into account certain items included under U.S. GAAP. ENI represents segment income (loss) attributable to Apollo Global Management, LLC, which excludes the impact of (i) non-cash charges related to RSUs granted in connection with the 2007 private placement and amortization of AOG Units, (ii) income tax expense, (iii) amortization of intangibles associated with the 2007 Reorganization as well as acquisitions,

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(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 and (v) non-cash revenue and expense related to equity awards granted by unconsolidated affiliates to employees of the Company. In addition, segment data excludes the assets, liabilities and operating results of the funds and VIEs that are included in the consolidated financial statements as such carried interest income, management fees and other revenues from these consolidated entities are reflected on an unconsolidated basis.

The following table presents financial data for Apollo's reportable segments as of and for the year ended December 31, 2014:

	As of and for the Year Ended December 31, 2014			
	Private Equity Segment	Credit Segment	Real Estate Segment	Total Reportable Segments
Revenues:				
Advisory and transaction fees from affiliates, net	\$58,241	\$255,186	\$2,655	\$316,082
Management fees from affiliates	315,069	538,742	47,213	901,024
Carried interest income from affiliates	231,983	165,589	8,949	406,521
Total Revenues	605,293	959,517	58,817	1,623,627
Expenses	403,323	517,435	67,991	988,749
Other Income	45,011	79,086	9,259	133,356
Non-Controlling Interests	—	(12,688	) —	(12,688
Economic Net Income	\$246,981	\$508,480	\$85	\$755,546
Total Assets	\$1,835,453	\$2,139,441	\$202,977	\$4,177,871

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The following table reconciles the total segments to Apollo Global Management, LLC's consolidated financial statements as of and for the year ended December 31, 2014:

	As of and for the Year Ended December 31, 2014		
	Total Reportable Segments	Consolidation Adjustments and Other	Consolidated
Revenues	\$1,623,627	\$(63,544)) ⁽¹⁾ \$1,560,083
Expenses	988,749	54,814) ⁽²⁾ 1,043,563
Other income	133,356	227,291) ⁽³⁾ 360,647
Non-Controlling Interests	(12,688)	) (549,005)	) (561,693)
Economic Net Income	\$755,546) ⁽⁵⁾ N/A	) N/A
Total Assets	\$4,177,871	\$19,000,966) ⁽⁶⁾ \$23,178,837

Represents advisory fees, management fees and carried interest income earned from consolidated VIEs which are (1) eliminated in consolidation. Includes non-cash revenues related to equity awards granted by unconsolidated affiliates to employees of the Company.

Represents the addition of expenses of consolidated funds and the consolidated VIEs and expenses related to RSUs (2) granted in connection with the 2007 private placement. Includes non-cash expenses related to equity awards granted by unconsolidated affiliates to employees of the Company.

(3) Results from the following:

	For the Year Ended December 31, 2014
Net gains from investment activities	\$204,181
Net gains from investment activities of consolidated variable interest entities	22,564
Loss from equity method investments ⁽⁴⁾	(1,049)
Other Income, net	1,595
Total Consolidation Adjustments	\$227,291

(4) Includes \$498 reflecting the remaining interest of certain individuals who receive an allocation of income from a private equity co-investment vehicle.

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

	For the Year Ended December 31, 2014
Economic Net Income	\$755,546
Income tax provision	(147,245)
Net income attributable to Non-Controlling Interests in Apollo Operating Group	(404,682)
Non-cash charges related to equity-based compensation ⁽⁷⁾	(502)
Amortization of intangible assets	(34,888)
Net Income Attributable to Apollo Global Management, LLC	\$168,229

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

Includes the impact of non-cash charges related to amortization of RSUs granted in connection with the 2007 (7) private placement as discussed in note 16 to our consolidated financial statements. Additionally, includes non-cash revenues related to equity awards granted by unconsolidated affiliates to employees of the Company.

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The following tables present additional financial data for Apollo's reportable segments for the year ended December 31, 2014:

	For the Year Ended December 31, 2014			Credit		
	Private Equity Management	Incentive	Total	Management	Incentive	Total
Revenues:						
Advisory and transaction fees from affiliates, net	\$58,241	\$—	\$58,241	\$255,186	\$—	\$255,186
Management fees from affiliates	315,069	—	315,069	538,742	—	538,742
Carried interest income (loss) from affiliates:						
Unrealized losses ⁽¹⁾	—	(1,196,093)	(1,196,093)	—	(156,644)	(156,644)
Realized gains	—	1,428,076	1,428,076	41,199	281,034	322,233
Total Revenues	373,310	231,983	605,293	835,127	124,390	959,517
Compensation and benefits ⁽²⁾	146,215	178,373	324,588	259,283	95,070	354,353
Other expenses ⁽³⁾	78,735	—	78,735	163,082	—	163,082
Total Expenses	224,950	178,373	403,323	422,365	95,070	517,435
Other Income	12,976	32,035	45,011	28,538	50,548	79,086
Non-Controlling Interests	—	—	—	(12,688)	—	(12,688)
Economic Net Income	\$161,336	\$85,645	\$246,981	\$428,612	\$79,868	\$508,480

Included in unrealized carried interest income (loss) from affiliates for the year ended December 31, 2014 was a reversal of previously realized carried interest income due to the general partner obligation to return previously distributed carried interest income of \$3.4 million in aggregate with respect to two of our credit funds. The actual determination and any required payment of any such general partner obligation would not take place until the final disposition of a fund's investments based on the contractual termination of the fund or as otherwise set forth in the respective limited partnership agreement of the fund.

(1) Compensation and benefits includes equity-based compensation expense related to the management business for RSUs (excluding RSUs granted in connection with the 2007 private placement) and share options.

(2) Other expenses exclude amortization of intangibles associated with the 2007 Reorganization as well as acquisitions.

	For the Year Ended December 31, 2014		
	Real Estate Management	Incentive	Total
Revenues:			
Advisory and transaction fees from affiliates, net	\$2,655	\$—	\$2,655
Management fees from affiliates	47,213	—	47,213
Carried interest income from affiliates:			
Unrealized gains	—	4,951	4,951
Realized gains	—	3,998	3,998
Total Revenues	49,868	8,949	58,817
Compensation and benefits ⁽¹⁾	41,460	2,747	44,207

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Other expenses ⁽²⁾	23,784	—	23,784
Total Expenses	65,244	2,747	67,991
Other Income	3,584	5,675	9,259
Economic Net Income (Loss)	\$(11,792	) \$11,877	\$85

(1) Compensation and benefits includes equity-based compensation expense related to the management business for RSUs (excluding RSUs granted in connection with the 2007 private placement) and share options.

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(2) Other expenses exclude amortization of intangibles associated with the 2007 Reorganization as well as acquisitions.

The following table presents the financial data for Apollo's reportable segments as of and for the year ended December 31, 2013:

	As of and for the Year Ended			Total Reportable Segments
	December 31, 2013			
	Private Equity Segment	Credit Segment	Real Estate Segment	
Revenues:				
Advisory and transaction fees from affiliates, net	\$78,371	\$114,643	\$3,548	\$196,562
Management fees from affiliates	284,833	392,433	53,436	730,702
Carried interest income from affiliates	2,517,247	373,692	5,222	2,896,161
Total Revenues	2,880,451	880,768	62,206	3,823,425
Expenses	1,284,657	482,015	69,886	1,836,558
Other Income	93,512	55,133	6,124	154,769
Non-Controlling Interests	—	(13,985	) —	(13,985)
Economic Net Income (Loss)	\$1,689,306	\$439,901	\$(1,556) \$2,127,651
Total Assets	\$3,148,975	\$1,918,565	\$145,996	\$5,213,536

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The following table reconciles the total reportable segments to Apollo Global Management, LLC's financial statements as of and for the year ended December 31, 2013:

	As of and for the Year Ended December 31, 2013		
	Total Reportable Segments	Consolidation Adjustments and Other	Consolidated
Revenues	\$3,823,425	\$(89,854)	⁽¹⁾ \$3,733,571
Expenses	1,836,558	105,157	⁽²⁾ 1,941,715
Other income	154,769	534,938	⁽³⁾ 689,707
Non-Controlling Interests	(13,985)	(1,700,618)	(1,714,603)
Economic Net Income	\$2,127,651	⁽⁵⁾ N/A	N/A
Total Assets	\$5,213,536	\$17,264,445	⁽⁶⁾ \$22,477,981

Represents advisory fees, management fees and carried interest income earned from consolidated VIEs which are (1) eliminated in consolidation. Includes non-cash revenues related to equity awards granted by unconsolidated affiliates to employees of the Company.

Represents the addition of expenses of consolidated funds and the consolidated VIEs and expenses related to RSUs granted in connection with the 2007 private placement and equity-based compensation expense comprising (2) amortization of AOG Units and amortization of intangible assets. Includes non-cash expenses related to equity awards granted by unconsolidated affiliates to employees of the Company.

(3) Results from the following:

	For the Year Ended December 31, 2013
Net gains from investment activities	\$342,828
Net gains from investment activities of consolidated variable interest entities	199,742
Gain from equity method investments ⁽⁴⁾	(5,860)
Interest income	(1,772)
Total Consolidation Adjustments	\$534,938

(4) Includes \$(4,888) reflecting the remaining interest of certain individuals who receive an allocation of income from a private equity co-investment vehicle.

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

	For the Year Ended December 31, 2013
Economic Net Income	\$2,127,651
Income tax provision	(107,569)
Net income attributable to Non-Controlling Interests in Apollo Operating Group	(1,257,650)
Non-cash charges related to equity-based compensation ⁽⁷⁾	(59,847)
Amortization of intangible assets	(43,194)
Net Income Attributable to Apollo Global Management, LLC	\$659,391

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

Includes the impact of non-cash charges related to amortization of AOG Units and RSUs granted in connection with the 2007 private placement as discussed in note 16 to our consolidated financial statements. Additionally, (7) includes non-cash revenues related to equity awards granted by unconsolidated affiliates to employees of the Company.

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The following tables present additional financial data for Apollo's reportable segments for the year ended December 31, 2013:

	For the Year Ended December 31, 2013			Credit		
	Private Equity Management	Incentive	Total	Management	Incentive	Total
Revenues:						
Advisory and transaction fees from affiliates, net	\$78,371	\$—	\$78,371	\$114,643	\$—	\$114,643
Management fees from affiliates	284,833	—	284,833	392,433	—	392,433
Carried interest income from affiliates:						
Unrealized gains (losses) ⁽¹⁾	—	454,722	454,722	—	(56,568)	(56,568)
Realized gains	—	2,062,525	2,062,525	36,922	393,338	430,260
Total Revenues	363,204	2,517,247	2,880,451	543,998	336,770	880,768
Compensation and benefits ⁽²⁾	141,728	1,030,404	1,172,132	177,223	142,728	319,951
Other expenses ⁽³⁾	112,525	—	112,525	162,064	—	162,064
Total Expenses	254,253	1,030,404	1,284,657	339,287	142,728	482,015
Other Income	13,006	80,506	93,512	28,540	26,593	55,133
Non-Controlling Interests	—	—	—	(13,985)	—	(13,985)
Economic Net Income	\$121,957	\$1,567,349	\$1,689,306	\$219,266	\$220,635	\$439,901

Included in unrealized carried interest income from affiliates for the year ended December 31, 2013 was 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. 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 a general partner obligation would not take place until the final disposition of a fund's investments based on the contractual termination of the fund.

(1) Compensation and benefits includes equity-based compensation expense related to the management business for RSUs (excluding RSUs granted in connection with the 2007 private placement) and share options.

(2) Other expenses excludes amortization of intangibles associated with the 2007 Reorganization as well as acquisitions.

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	For the Year Ended December 31, 2013		
	Real Estate		
	Management	Incentive	Total
Revenues:			
Advisory and transaction fees from affiliates, net	\$3,548	\$—	\$3,548
Management fees from affiliates	53,436	—	53,436
Carried interest income from affiliates:			
Unrealized gains	—	4,681	4,681
Realized gains	—	541	541
Total Revenues	56,984	5,222	62,206
Compensation and benefits ⁽¹⁾	42,143	123	42,266
Other expenses ⁽²⁾	27,620	—	27,620
Total Expenses	69,763	123	69,886
Other Income	2,402	3,722	6,124
Economic Net (Loss) Income	\$(10,377	) \$8,821	\$(1,556)

(1) Compensation and benefits includes equity-based compensation expense related to the management business for RSUs (excluding RSUs granted in connection with the 2007 private placement) and share options.

(2) Other expenses exclude amortization of intangibles associated with the 2007 Reorganization as well as acquisitions.

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

The following table presents financial data for Apollo's reportable segments as of and for the year ended December 31, 2012:

	As of and for the Year Ended December 31, 2012			
	Private Equity Segment	Credit Segment	Real Estate Segment	Total Reportable Segments
Revenues:				
Advisory and transaction fees from affiliates, net	\$121,744	\$27,551	\$749	\$150,044
Management fees from affiliates	277,048	299,667	46,326	623,041
Carried interest income from affiliates	1,667,535	518,852	15,074	2,201,461
Total Revenues	2,066,327	846,070	62,149	2,974,546
Expenses	945,466	454,378	72,437	1,472,281
Other Income	78,691	59,966	2,253	140,910
Non-Controlling Interests	—	(8,730)	) —	(8,730)
Economic Net Income (Loss)	\$1,199,552	\$442,928	\$(8,035)	) \$1,634,445
Total Assets	\$2,583,373	\$1,798,086	\$76,851	\$4,458,310

The following table reconciles the total segments to Apollo Global Management, LLC's consolidated financial statements as of and for the year ended December 31, 2012:

	As of and for the Year Ended December 31, 2012			Consolidated
	Total Reportable Segments	Consolidation Adjustments and Other		
Revenues	\$2,974,546	\$(114,581)) ⁽¹⁾	\$2,859,965
Expenses	1,472,281	575,564) ⁽²⁾	2,047,845
Other income	140,910	2,160,175) ⁽³⁾	2,301,085
Non-Controlling Interests	(8,730)	) (2,728,108)	)	(2,736,838)
Economic Net Income	\$1,634,445) ⁽⁵⁾ N/A	)	N/A
Total Assets	\$4,458,310	\$16,178,548) ⁽⁶⁾	\$20,636,858

Represents advisory fees, management fees and carried interest income earned from consolidated VIEs which are (1) eliminated in consolidation. Includes non-cash revenues related to equity awards granted by unconsolidated affiliates to employees of the Company.

Represents the addition of expenses of consolidated funds and the consolidated VIEs and expenses related to RSUs (2) granted in connection with the 2007 private placement. Includes non-cash expenses related to equity awards granted by unconsolidated affiliates to employees of the Company.

(3) Results from the following:

	For the Year Ended December 31, 2012
Net gains from investment activities	\$289,386
Net losses from investment activities of consolidated variable interest entities	(71,704)

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Loss from equity method investments ⁽⁴⁾	(10,947)
Other Income, net	1,543	
Gain on acquisition	\$1,951,897	
Total Consolidation Adjustments	\$2,160,175	

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(4) Includes \$1,423 reflecting the remaining interest of certain individuals who receive an allocation of income from a private equity co-investment vehicle.

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

	For the Year Ended December	
	31, 2012	
Economic Net Income	\$ 1,634,445	
Income tax provision	(65,410))
Net income attributable to Non-Controlling Interests in Apollo Operating Group	(685,357))
Non-cash charges related to equity-based compensation ⁽⁷⁾	(529,712))
Amortization of intangible assets	(43,009))
Net Income Attributable to Apollo Global Management, LLC	\$ 310,957	

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

Includes the impact of non-cash charges related to amortization of RSUs granted in connection with the 2007

(7) private placement as discussed in note 16 to our consolidated financial statements. Additionally, includes non-cash revenues related to equity awards granted by unconsolidated affiliates to employees of the Company.

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The following tables present additional financial data for Apollo's reportable segments for the year ended December 31, 2012:

	For the Year Ended December 31, 2012			Credit		
	Private Equity Management	Incentive	Total	Management	Incentive	Total
Revenues:						
Advisory and transaction fees from affiliates, net	\$ 121,744	\$—	\$ 121,744	\$ 27,551	\$—	\$ 27,551
Management fees from affiliates	277,048	—	277,048	299,667	—	299,667
Carried interest income from affiliates:						
Unrealized losses ⁽¹⁾	—	854,919	854,919	—	301,077	301,077
Realized gains	—	812,616	812,616	37,842	179,933	217,775
Total Revenues	398,792	1,667,535	2,066,327	365,060	481,010	846,070
Compensation and benefits ⁽²⁾	135,281	726,874	862,155	166,883	138,444	305,327
Other expenses ⁽³⁾	83,311	—	83,311	149,051	—	149,051
Total Expenses	218,592	726,874	945,466	315,934	138,444	454,378
Other Income	4,653	74,038	78,691	15,008	44,958	59,966
Non-Controlling Interests	—	—	—	(8,730)	—	(8,730)
Economic Net Income	\$ 184,853	\$ 1,014,699	\$ 1,199,552	\$ 55,404	\$ 387,524	\$ 442,928

Included in unrealized carried interest income from affiliates for 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 recognized 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. The general partner obligation is recognized based upon a hypothetical liquidation of the funds' net assets as of December 31, 2012. The actual determination and any required payment of a general partner obligation would not take place until the final disposition of a fund's investments based on the contractual termination of the fund.

(2) Compensation and benefits includes equity-based compensation expense related to the management business for RSUs (excluding RSUs granted in connection with the 2007 private placement) and share options.

(3) Other expenses exclude amortization of intangibles associated with the 2007 Reorganization as well as acquisitions.

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	For the Year Ended December 31, 2012		
	Real Estate		
	Management	Incentive	Total
Revenues:			
Advisory and transaction fees from affiliates, net	\$749	\$—	\$749
Management fees from affiliates	46,326	—	46,326
Carried interest income from affiliates:			
Unrealized losses	—	10,401	10,401
Realized gains	—	4,673	4,673
Total Revenues	47,075	15,074	62,149
Compensation and benefits ⁽¹⁾	41,352	6,815	48,167
Other expenses ⁽²⁾	24,270	—	24,270
Total Expenses	65,622	6,815	72,437
Other Income	1,271	982	2,253
Economic Net (Loss) Income	\$ (17,276	) \$9,241	\$ (8,035

(1) Compensation and benefits includes equity-based compensation expense related to the management business for RSUs (excluding RSUs granted in connection with the 2007 private placement) and share options.

(2) Other expenses exclude amortization of intangibles associated with the 2007 Reorganization as well as acquisitions.

21. SUBSEQUENT EVENTS

On January 13, 2015, the Company issued 681,421 Class A shares in settlement of vested RSUs. This issuance caused the Company's ownership interest in the Apollo Operating Group to increase from 42.3% to 42.4%.

On February 5, 2015, the Company declared a cash distribution of \$0.86 per Class A share, which will be paid on February 27, 2015 to holders of record on February 17, 2015.

On February 6, 2015, the Company issued 225,000 Class A shares in exchange for AOG Units. This issuance did not cause a material change to the Company's ownership interest in the Apollo Operating Group.

On February 10, 2015, the Company issued 3,946,444 Class A shares in settlement of vested RSUs. This issuance caused the Company's ownership interest in the Apollo Operating Group to increase from 42.4% to 43.0%.

Apollo, through its subsidiary Apollo MidCap Holdings (Cayman), L.P., has entered into a subscription agreement providing for an aggregate commitment of \$50.0 million to subscribe for (i) Class A Variable Funding Subordinated Notes due 2114 ("Class A Notes") of Midcap Finco Limited ("FinCo"), an Irish company that includes the existing operations and assets of MidCap Financial LLC, a specialty finance company that originates commercial lending opportunities, and (ii) ordinary shares of Finco's holding company ("Ordinary Shares"). The subscription agreement has a commitment period of three years (subject to extension under certain circumstances), and \$8.0 million of the commitment was drawn on February 3, 2015. Pursuant to an investment management agreement, Apollo, through its subsidiary Apollo Capital Management, L.P., is acting as the investment manager of FinCo's credit business. Certain third parties have also entered into subscription agreements for Class A Notes and Ordinary Shares.

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22. QUARTERLY FINANCIAL DATA (UNAUDITED)

	For the Three Months Ended			
	March 31, 2014	June 30, 2014	September 30, 2014	December 31, 2014
Revenues	\$491,400	\$572,152	\$221,135	\$275,396
Expenses	314,119	354,369	177,388	197,687
Other Income (Loss)	314,912	69,556	(82,135)	58,314
Income (Loss) Before Provision for Taxes	\$492,193	\$287,339	\$(38,388)	\$136,023
Net Income (Loss)	\$459,644	\$252,302	\$(67,764)	\$85,740
Net income attributable to Apollo Global Management, LLC	\$72,169	\$71,668	\$2,210	\$22,182
Net Income per Class A Share - Basic	\$0.32	\$0.33	\$(0.05)	\$0.04
Net Income per Class A Share - Diluted	\$0.32	\$0.33	\$(0.05)	\$0.04

	For the Three Months Ended			
	March 31, 2013	June 30, 2013	September 30, 2013	December 31, 2013
Revenues	\$1,309,073	\$497,261	\$1,132,089	\$795,148
Expenses	622,602	322,787	600,115	396,211
Other Income (Loss)	132,173	(8,165)	210,820	354,879
Income Before Provision for Taxes	\$818,644	\$166,309	\$742,794	\$753,816
Net Income	\$800,065	\$148,170	\$695,590	\$730,169
Net income attributable to Apollo Global Management, LLC	\$248,978	\$58,737	\$192,516	\$159,160
Net Income per Class A Share - Basic	\$1.60	\$0.32	\$1.13	\$0.94
Net Income per Class A Share - Diluted	\$1.59	\$0.32	\$1.13	\$0.93

	For the Three Months Ended			
	March 31, 2012	June 30, 2012	September 30, 2012	December 31, 2012
Revenues	\$776,743	\$211,628	\$712,373	\$1,159,221
Expenses	523,230	316,962	520,008	687,645
Other Income	192,188	1,950,461	27,348	131,088
Income Before Provision for Taxes	\$445,701	\$1,845,127	\$219,713	\$602,664
Net Income	\$431,141	\$1,834,477	\$197,796	\$584,381
Net income (Loss) attributable to Apollo Global Management, LLC	\$98,043	\$(41,386)	\$82,791	\$171,509
Net Income (Loss) per Class A Share-Basic	\$0.66	\$(0.38)	\$0.55	\$1.12
Net Income (Loss) per Class A Share - Diluted	\$0.66	\$(0.38)	\$0.55	\$1.12

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OF FINANCIAL CONDITIONAPOLLO GLOBAL MANAGEMENT, LLC
CONSOLIDATING STATEMENTS OF FINANCIAL CONDITION (Unaudited)
(dollars in thousands, except share data)

	December 31, 2014			
	Apollo Global Management, LLC and Consolidated Subsidiaries	Consolidated Funds and VIE's	Eliminations	Consolidated
Assets:				
Cash and cash equivalents	\$1,204,052	\$—	\$—	\$1,204,052
Cash and cash equivalents held at consolidated funds	—	1,611	—	1,611
Restricted cash	6,353	—	—	6,353
Investments	857,391	2,173,989	(151,374)	2,880,006
Assets of consolidated variable interest entities				
Cash and cash equivalents	—	1,088,952	—	1,088,952
Investments, at fair value	—	15,658,948	(295)	15,658,653
Other assets	—	323,932	(692)	323,240
Carried interest receivable	958,846	—	(47,180)	911,666
Due from affiliates	278,632	—	(10,617)	268,015
Fixed assets, net	35,906	—	—	35,906
Deferred tax assets	606,717	—	—	606,717
Other assets	81,083	3,578	(277)	84,384
Goodwill	88,852	—	(39,609)	49,243
Intangible assets, net	60,039	—	—	60,039
Total Assets	\$4,177,871	\$19,251,010	\$ (250,044)	\$23,178,837
Liabilities and Shareholders' Equity				
Liabilities:				
Accounts payable and accrued expenses	43,772	474	—	44,246
Accrued compensation and benefits	59,278	—	—	59,278
Deferred revenue	199,614	—	—	199,614
Due to affiliates	564,799	354	—	565,153
Profit sharing payable	434,852	—	—	434,852
Debt	1,034,014	—	—	1,034,014
Liabilities of consolidated variable interest entities:				
Debt, at fair value	—	14,170,474	(47,374)	14,123,100
Other liabilities	—	728,957	(239)	728,718
Due to affiliates	—	58,526	(58,526)	—
Other liabilities	42,183	4,218	—	46,401
Total Liabilities	\$2,378,512	\$14,963,003	\$ (106,139)	\$17,235,376
Shareholders' Equity:				
Apollo Global Management, LLC shareholders' equity:				
Additional paid in capital	2,256,054	—	(1,771)	2,254,283

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Accumulated deficit	(1,433,759) 2,175,406	(2,142,308)	(1,400,661)
Appropriated partners' capital	—	972,774	(39,608)	933,166
Accumulated other comprehensive income (loss)	33,052	—	(33,358)	(306)
Total Apollo Global Management, LLC shareholders' equity	855,347	3,148,180	(2,217,045)	1,786,482
Non-Controlling Interests in consolidated entities	9,228	1,139,827	2,073,140	3,222,195
Non-Controlling Interests in Apollo Operating Group	934,784	—	—	934,784
Total Shareholders' Equity	1,799,359	4,288,007	(143,905)	5,943,461
Total Liabilities and Shareholders' Equity	\$4,177,871	\$19,251,010	\$ (250,044)	\$23,178,837

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APOLLO GLOBAL MANAGEMENT, LLC
CONSOLIDATING STATEMENTS OF FINANCIAL CONDITION (Unaudited)
(dollars in thousands, except share data)

	December 31, 2013			
	Apollo Global Management, LLC and Consolidated Subsidiaries	Consolidated Funds and VIE's	Eliminations	Consolidated
Assets:				
Cash and cash equivalents	\$1,078,120	\$—	\$—	\$1,078,120
Cash and cash equivalents held at consolidated funds	—	1,417	—	1,417
Restricted cash	9,199	—	—	9,199
Investments	509,712	1,971,654	(87,483)	2,393,883
Assets of consolidated variable interest entities				
Cash and cash equivalents	—	1,095,170	—	1,095,170
Investments, at fair value	—	14,127,480	(1,118)	14,126,362
Other assets	—	280,718	—	280,718
Carried interest receivable	2,366,766	—	(79,691)	2,287,075
Due from affiliates	323,177	—	(5,930)	317,247
Fixed assets, net	40,251	—	—	40,251
Deferred tax assets	660,199	—	—	660,199
Other assets	42,333	1,837	—	44,170
Goodwill	88,852	—	(39,609)	49,243
Intangible assets, net	94,927	—	—	94,927
Total Assets	\$5,213,536	\$17,478,276	\$ (213,831)	\$22,477,981
Liabilities and Shareholders' Equity				
Liabilities:				
Accounts payable and accrued expenses	37,880	279	—	38,159
Accrued compensation and benefits	41,711	—	—	41,711
Deferred revenue	279,479	—	—	279,479
Due to affiliates	594,518	853	—	595,371
Profit sharing payable	992,240	—	—	992,240
Debt	750,000	—	—	750,000
Liabilities of consolidated variable interest entities:				
Debt, at fair value	—	12,424,839	(877)	12,423,962
Other liabilities	—	609,413	(4,350)	605,063
Due to affiliates	—	81,272	(81,272)	—
Other liabilities	60,647	2,627	—	63,274
Total Liabilities	\$2,756,475	\$13,119,283	\$ (86,499)	\$15,789,259
Shareholders' Equity:				
Apollo Global Management, LLC shareholders' equity:				
Additional paid in capital	2,624,113	—	469	2,624,582
Accumulated deficit	(1,587,536	) 1,971,682	(1,952,633)	(1,568,487)
Appropriated partners' capital	—	1,620,928	(39,849)	1,581,079
Accumulated other comprehensive income (loss)	33,774	—	(33,679)	95
Total Apollo Global Management, LLC shareholders' equity	1,070,351	3,592,610	(2,025,692)	2,637,269

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Non-Controlling Interests in consolidated entities	4,987	766,383	1,898,360	2,669,730
Non-Controlling Interests in Apollo Operating Group	1,381,723	—	—	1,381,723
Total Shareholders' Equity	2,457,061	4,358,993	(127,332)	6,688,722
Total Liabilities and Shareholders' Equity	\$5,213,536	\$17,478,276	\$ (213,831)	\$22,477,981

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

None.

ITEM 9A. CONTROLS AND PROCEDURES

We maintain “disclosure controls and procedures”, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, that are designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure controls and procedures also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired objectives.

Our management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 under the Exchange Act as of the end of the period covered by this report based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control - Integrated Framework (2013 framework). Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) are effective at the reasonable assurance level to accomplish their objectives of ensuring that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. The effectiveness of our internal control over financial reporting as of December 31, 2014 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in its report which is included in Item 8 of this Annual Report on Form 10-K.

ITEM 9B. OTHER INFORMATION

None.

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PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Directors and Executive Officers

The following table presents certain information concerning our board of directors and executive officers:

Name	Age	Position(s)
Leon Black	63	Chairman, Chief Executive Officer and Director
Joshua Harris	50	Senior Managing Director and Director
Marc Rowan	52	Senior Managing Director and Director
Martin Kelly	47	Chief Financial Officer
John Suydam	55	Chief Legal Officer and Chief Compliance Officer
James Zelter	52	Managing Director-Credit
Christopher Weidler	39	Chief Accounting Officer and Controller
Michael Ducey	66	Director
Paul Fribourg	61	Director
Robert Kraft	73	Director
A.B. Krongard	78	Director
Pauline Richards	66	Director

Leon Black. Mr. Black is the Chairman of the board of directors and Chief Executive Officer of Apollo and a Managing Partner of Apollo Management, L.P. In 1990, Mr. Black founded Apollo Management, L.P. and Lion Advisors, L.P. to manage investment capital on behalf of a group of institutional investors, focusing on corporate restructuring, leveraged buyouts and taking minority positions in growth-oriented companies. From 1977 to 1990, Mr. Black worked at Drexel Burnham Lambert Incorporated, where he served as a Managing Director, head of the Mergers & Acquisitions Group, and co-head of the Corporate Finance Department. Mr. Black also serves on the board of directors of the general partner of AAA and previously served on the board of directors of Sirius XM Radio Inc. Mr. Black is a trustee of The Museum of Modern Art, The Mount Sinai Medical Center, The Metropolitan Museum of Art, and The Asia Society. He is also a member of The Council on Foreign Relations and The Partnership for New York City. He is also a member of the boards of directors of FasterCures and the Port Authority Task Force. Mr. Black graduated summa cum laude from Dartmouth College in 1973 with a major in Philosophy and History and received an MBA from Harvard Business School in 1975. Mr. Black has significant experience making and managing private equity investments on behalf of Apollo and has over 35 years' experience financing, analyzing and investing in public and private companies. In his prior positions with Drexel and in his positions at Apollo, Mr. Black is responsible for leading and overseeing teams of professionals. His extensive experience allows Mr. Black to provide insight into various aspects of Apollo's business and is of significant value to the board of directors.

Joshua Harris. Mr. Harris is a Senior Managing Director and a member of the board of directors of Apollo and a Managing Partner of Apollo Management, L.P., which he co-founded in 1990. Prior to 1990, Mr. Harris was a member of the Mergers and Acquisitions group of Drexel Burnham Lambert Incorporated. Mr. Harris has previously served on the board of directors of Berry Plastics Group Inc., EP Energy Corporation, EPE Acquisition, LLC, CEVA Logistics, Momentive Performance Materials Holdings LLC, Constellium N.V., LyondellBasell Industries B.V., Momentive Specialty Chemicals Inc. and Momentive Specialty Chemicals Holdings LLC. Mr. Harris is a member of the Federal Reserve Bank of New York's Investor Advisory Committee, the Council of Foreign Relations, and is on the Board of Trustees of Mount Sinai Medical Center. He participates on the University of Pennsylvania's Wharton School's Board of Overseers, the Board of Dean's Advisors at the Harvard Business School and certain other charitable and educational boards. Mr. Harris is the Managing Partner of the Philadelphia 76ers and the Managing Member of the New Jersey Devils. Mr. Harris graduated summa cum laude and Beta Gamma Sigma from the University of Pennsylvania's Wharton School of Business with a B.S. in Economics and received his M.B.A. from the Harvard

Business School, where he graduated as a Baker and Loeb Scholar. Mr. Harris has significant experience in making and managing private equity investments on behalf of Apollo and has over 25 years' experience in financing, analyzing and investing in public and private companies. Mr. Harris's extensive knowledge of Apollo's business and experience in a variety of senior leadership roles enhance the breadth of experience of the board of directors.

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Marc Rowan. Mr. Rowan is a Senior Managing Director and member of the board of directors of Apollo and a Managing Partner of Apollo Management, L.P., which he co-founded in 1990. Prior to 1990, Mr. Rowan was a member of the Mergers & Acquisitions Group of Drexel Burnham Lambert Incorporated, with responsibilities in high yield financing, transaction idea generation and merger structure negotiation. Mr. Rowan currently serves on the boards of directors of Athene Holding Ltd, Caesars Entertainment Corporation, Caesars Acquisition Co. and Caesars Entertainment Operating Co. He has previously served on the boards of directors of the general partner of AAA, AMC Entertainment, Inc., Cablecom GmbH, Culligan Water Technologies, Inc., Countrywide Holdings Limited, Furniture Brands International Inc., Mobile Satellite Ventures, LLC, National Cinemedia, Inc., National Financial Partners, Inc., New World Communications, Inc., Norwegian Cruise Lines, Quality Distribution, Inc., Samsonite Corporation, SkyTerra Communications Inc., Unity Media SCA, Vail Resorts, Inc. and Wyndham International, Inc. Mr. Rowan is also active in charitable activities. He is a founding member and Chairman of the Youth Renewal Fund and is a member of the Board of Overseers of the University of Pennsylvania's Wharton School of Business and serves on the boards of directors of Jerusalem Online and the New York City Police Foundation. Mr. Rowan graduated summa cum laude from the University of Pennsylvania's Wharton School of Business with a B.S. and an M.B.A. in Finance. Mr. Rowan has significant experience making and managing private equity investments on behalf of Apollo and has over 26 years' experience financing, analyzing and investing in public and private companies. Mr. Rowan's extensive financial background and expertise in private equity investments enhance the breadth of experience of the board of directors.

Martin Kelly. Mr. Kelly joined Apollo in 2012 as Chief Financial Officer. Mr. Kelly also oversees the Firm's IT, Risk, Operations and Audit groups. From 2008 to 2012, Mr. Kelly was with Barclays Capital and, from 2000 to 2008, Mr. Kelly was with Lehman Brothers Holdings Inc. Prior to departing Barclays Capital, Mr. Kelly served as Managing Director, CFO of the Americas, and Global Head of Financial Control for their Corporate and Investment Bank. Prior to joining Lehman Brothers in 2000, Mr. Kelly spent 13 years with PricewaterhouseCoopers LLP, including serving in the Financial Services Group in New York from 1994 to 2000. Mr. Kelly was appointed a Partner of the firm in 1999. Mr. Kelly received a degree in Commerce, majoring in Finance and Accounting, from the University of New South Wales in 1989.

John Suydam. Mr. Suydam joined Apollo in 2006 and serves as Apollo's Chief Legal Officer. From 2002 to 2006, Mr. Suydam was a partner at O'Melveny & Myers LLP where he served as head of Mergers and Acquisitions and co-head of the Corporate Department. Prior to that time, Mr. Suydam served as Chairman of the law firm O'Sullivan, LLP which specialized in representing private equity investors. Mr. Suydam serves on the boards of The Legal Action Center, Environmental Solutions Worldwide, Inc. and New York University School of Law, and is a member of the Department of Medicine Advisory Board of the Mount Sinai Medical Center. Mr. Suydam received his J.D. from New York University and graduated magna cum laude with a B.A. in History from the State University of New York at Albany.

James Zelter. Mr. Zelter joined Apollo in 2006. Mr. Zelter is the Managing Director of Apollo's credit business, Chief Executive Officer and director of AINV. Prior to joining Apollo, Mr. Zelter was with Citigroup Inc. and its predecessor companies from 1994 to 2006. From 2003 to 2005, Mr. Zelter was Chief Investment Officer of Citigroup Alternative Investments, and prior to that he was responsible for the firm's Global High Yield franchise. Prior to joining Citigroup in 1994, Mr. Zelter was a High Yield Trader at Goldman, Sachs & Co. Mr. Zelter has significant experience in global credit markets and has overseen the broad expansion of Apollo's credit platform. Mr. Zelter is a board member of DUMAC, the investment management company that oversees the Duke Endowment and Duke Foundation, and is on the board of the Dalton School. Mr. Zelter has a B.A. in Economics from Duke University.

Christopher Weidler. Mr. Weidler joined Apollo in 2013. Prior to joining Apollo, Mr. Weidler was with Barclays, where he most recently served as a Managing Director and the Financial Controller of the Americas. Since February 2005, Mr. Weidler served in a variety of leadership roles at Barclays that included Global Head of U.S. GAAP Technical Accounting and Global Head of Financial Reporting and Legal Entity Control for the Investment Bank. Prior to joining Barclays, Mr. Weidler spent eight years with PricewaterhouseCoopers LLP in the firm's New York Audit and Assurance practice and in London in the firm's Global Capital Markets Group. Mr. Weidler received a B.S. in Accounting from Villanova University in 1997.

Michael Ducey. Mr. Ducey has served as an independent director of Apollo and a member of the audit committee and as Chairman of the conflicts committee of our board of directors since 2011. Most recently, Mr. Ducey was with Compass Minerals International, Inc., from March 2002 to May 2006, where he served in a variety of roles, including as President, Chief Executive Officer and Director prior to his retirement in May 2006. Prior to joining Compass Minerals International, Inc., Mr. Ducey worked for nearly 30 years at Borden Chemical, Inc., in various management, sales, marketing, planning and commercial development positions, and ultimately as President, Chief Executive Officer and Director. Mr. Ducey is currently a director of and serves as the Chairman of the audit committee of Verso Paper Holdings, Inc. He is also the Chairman of the compliance and governance committee and the nominations committee of the board of directors of HaloSource, Inc. From September 2009 to December 2012, Mr. Ducey was the non-executive Chairman of TPC Group, Inc. and served on the audit committee and the environmental health and safety committee. From June 2006 to May 2008, Mr. Ducey served on the board of directors of and as a member of the governance and compensation committee of the board of directors of UAP Holdings Corporation. Also, from July 2010 to May

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2011, Mr. Ducey was a member of the board of directors and served on the audit committee of Smurfit-Stone Container Corporation. Mr. Ducey graduated from Otterbein University with a degree in Economics and an M.B.A. in finance from the University of Dayton. Mr. Ducey's comprehensive corporate background and his experience serving on various boards and committees add significant value to the board of directors.

Paul Fribourg. Mr. Fribourg has served as an independent director of Apollo and as a member of the conflicts committee of our board of directors since 2011. From 1997 to the present, Mr. Fribourg has served as Chairman and Chief Executive Officer of Continental Grain Company. Prior to 1997, Mr. Fribourg served in a variety of other roles at Continental Grain Company, including Merchandiser, Product Line Manager, Group President and Chief Operating Officer. Mr. Fribourg serves on the boards of directors of Restaurant Brands International Inc., Loews Corporation, Castleton Commodities International LLC and The Estee Lauder Companies, Inc. He also serves as a board member of the Rabobank International North American Agribusiness Advisory Board, the New York University Mitchell Jacobson Leadership Program in Law and Business Advisory Board and Endeavor Global Inc. Mr. Fribourg is also a member of the Council on Foreign Relations, the Brown University Advisory Council on China and the International Business Leaders Advisory Council for The Mayor of Shanghai. Mr. Fribourg graduated magna cum laude from Amherst College and completed the Advanced Management Program at Harvard Business School. Mr. Fribourg's extensive corporate experience enhances the breadth of experience and independence of the board of directors.

Robert Kraft. Mr. Kraft has served as an independent director of Apollo and as a member of the conflicts committee of our board of directors since 2014. Mr. Kraft is Chairman and Chief Executive Officer of The Kraft Group, which includes the New England Patriots, New England Revolution, Gillette Stadium, Rand-Whitney Group and International Forest Products Corporation. Mr. Kraft serves on a number of NFL Committees, including the Executive Committee, Finance Committee and Broadcast Committee (Chairman). Since 2006, Mr. Kraft has been a member of the board of directors of Viacom Inc. He also serves as Chairman for both the New England Patriots Charitable Foundation and the Robert and Myra Kraft Family Foundation, and is a director of the Dana Farber Cancer Institute. Mr. Kraft's corporate strategic and operational experience combined with his strong relationships in the business community make him a valuable member of the board of directors.

A.B. Krongard. Mr. Krongard has served as an independent director of Apollo and as a member of the audit committee of our board of directors since 2011. From 2001 to 2004, Mr. Krongard served as Executive Director of the Central Intelligence Agency. From 1998 to 2001, Mr. Krongard served as Counselor to the Director of Central Intelligence. Prior to 1998, Mr. Krongard served in various capacities at Alex Brown, Incorporated, including serving as Chief Executive Officer beginning in 1991 and assuming additional duties as Chairman of the board of directors in 1994. Upon the merger of Alex Brown, Incorporated with Bankers Trust Corporation in 1997, Mr. Krongard served as Vice-Chairman of the Board of Bankers Trust Corporation and served in such capacity until joining the Central Intelligence Agency. Mr. Krongard serves as the Lead Director and audit committee Chairman of Under Armour, Inc. and also serves as a board member of Iridium Communications Inc., Seventy-Seven Energy Inc. and In-Q-Tel, Inc. Mr. Krongard graduated with honors from Princeton University and received a J.D. from the University of Maryland School of Law, where he also graduated with honors. Mr. Krongard also serves as the Vice Chairman of the Johns Hopkins Health System. Mr. Krongard's comprehensive corporate background contributes to the range of experience of the board of directors.

Pauline Richards. Ms. Richards has served as an independent director of Apollo and as Chairman of the audit committee of our board of directors since 2011. Ms. Richards currently serves as Chief Operating Officer of Armour Group Holdings Limited, a position she has held since 2008. Ms. Richards also serves as a member of the Audit and Compensation Committees of the board of directors of Wyndham Worldwide, a position she has held since 2006; is a director of Hamilton Insurance Group, serving on the audit and investment committees, a position she has held since 2013; and is the Treasurer of the board of directors of PRIDE Bermuda, a drug prevention organization of which she has been a member for over 20 years. Prior to 2008, Ms. Richards served as Director of Development of Saltus Grammar School from 2003 to 2008, as Chief Financial Officer of Lombard Odier Darier Hentsch (Bermuda) Limited from 2001 to 2003, and as Treasurer of Gulf Stream Financial Limited from 1999 to 2000. Ms. Richards also served as a member of the Audit Committee and chair of the Corporate Governance Committee of the board of directors of Butterfield Bank from 2006 to 2013. Ms. Richards graduated from Queen's University, Ontario, Canada, with a BA in

psychology and has obtained certification as a CPA, CMA. Ms. Richards' extensive finance experience and her service on the boards of other public companies add significant value to the board of directors.

Our Manager

Our operating agreement provides that so long as the Apollo Group beneficially owns at least 10% of the aggregate number of votes that may be cast by holders of outstanding voting shares, our manager, which is owned and controlled by our Managing Partners, will manage all of our operations and activities and will have discretion over significant corporate actions, such as the issuance of securities, payment of distributions, sales of assets, making certain amendments to our operating agreement and other matters, and our board of directors will have no authority other than that which our manager chooses to delegate to it. We refer to the Apollo Group's beneficial ownership of at least 10% of such voting power as the "Apollo control condition." For

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purposes of our operating agreement, the “Apollo Group” means (i) our manager and its affiliates, including their respective general partners, members and limited partners, (ii) Holdings and its affiliates, including their respective general partners, members and limited partners, (iii) with respect to each Managing Partner, such Managing Partner and such Managing Partner’s “group” (as defined in Section 13(d) of the Exchange Act), (iv) any former or current investment professional of or other employee of an “Apollo employer” (as defined below) or the Apollo Operating Group (or such other entity controlled by a member of the Apollo Operating Group), (v) any former or current executive officer of an Apollo employer or the Apollo Operating Group (or such other entity controlled by a member of the Apollo Operating Group); and (vi) any former or current director of an Apollo employer or the Apollo Operating Group (or such other entity controlled by a member of the Apollo Operating Group). With respect to any person, “Apollo employer” means Apollo Global Management, LLC or such other entity controlled by Apollo Global Management, LLC or its successor as may be such person’s employer but does not include any portfolio companies. Decisions by our manager are made by its executive committee, which is composed of our three Managing Partners. Each Managing Partner will remain on the executive committee for so long as he is employed by us, provided that Mr. Black, upon his retirement, may at his option remain on the executive committee until his death or disability or any commission of an act that would constitute cause if Mr. Black had still been employed by us. Other than those actions that require unanimous consent, actions by the executive committee are determined by majority vote of its voting members, except as to the following matters, as to which Mr. Black will have the right of veto: (i) the designations of directors to our board, or (ii) a sale or other disposition of the Apollo Operating Group and/or its subsidiaries or any portion thereof, through a merger, recapitalization, stock sale, asset sale or otherwise, to an unaffiliated third party (other than through an exchange of Apollo Operating Group units, transfers by a founder or a permitted transferee to another permitted transferee, or the issuance of bona fide equity incentives to any of our non-founder employees) that constitutes (x) a direct or indirect sale of a ratable interest (or substantially ratable interest) in each entity that constitutes the Apollo Operating Group or (y) a sale of all or substantially all of the assets of Apollo (this clause (ii), an “LB Approval Event”). Exchanges of Apollo Operating Group units for Class A shares that are not pro rata among our Managing Partners or in which each Managing Partner has the option not to participate are not subject to Mr. Black’s right of veto.

Subject to limited exceptions described in our operating agreement, our manager may not sell, exchange or otherwise dispose of all or substantially all of our assets and those of our subsidiaries, taken as a whole, in a single transaction or a series of related transactions without the approval of holders of a majority of the aggregate number of voting shares outstanding; provided, however, that this does not preclude or limit our manager’s ability, in its sole discretion, to mortgage, pledge, hypothecate or grant a security interest in all or substantially all of our assets and those of our subsidiaries (including for the benefit of persons other than us or our subsidiaries, including affiliates of our manager) and does not apply to any forced sale of any or all of our assets pursuant to the foreclosure of, or other realization upon, any such encumbrance.

We will reimburse our manager and its affiliates for all costs incurred in managing and operating us, and our operating agreement provides that our manager will determine the expenses that are allocable to us. The agreement does not limit the amount of expenses for which we will reimburse our manager and its affiliates.

Board Composition and Limited Powers of Our Board of Directors

For so long as the Apollo control condition is satisfied, our manager shall (i) nominate and elect all directors to our board of directors, (ii) set the number of directors of our board of directors and (iii) fill 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. Our board currently consists of eight members. For so long as the Apollo control condition is satisfied, our manager may remove any director, with or without cause, at anytime. After such condition is no longer satisfied, a director or the entire board of directors may be removed by the affirmative vote of holders of 50% or more of the total voting power of our shares.

As noted, so long as the Apollo control condition is satisfied, our manager will manage all of our operations and activities, and our board of directors will have 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.

Pursuant to a delegation of authority from our manager, which may be revoked, our board of directors has established and at all times will maintain audit and conflicts committees of the board of directors that have the responsibilities described below under “-Committees of the Board of Directors-Audit Committee” and “-Committees of the Board of Directors-Conflicts Committee.”

Where action is required or permitted to be taken by our board of directors or a committee thereof, a majority of the directors or committee members present at any meeting of our board of directors or any committee thereof at which there is a quorum shall be the act of our board or such committee, as the case may be. Our board of directors or any committee thereof may also act by unanimous written consent.

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Under the Agreement Among Managing Partners (as described under “Item 13. Certain Relationships and Related Transactions-Lenders Rights Agreement-Amendments to Managing Partner Transfer Restrictions”), the vote of a majority of the independent members of our board of directors will decide the following: (i) in the event that a vacancy exists on the executive committee of our manager and the remaining members of the executive committee cannot agree on a replacement (other than a replacement for Mr. Black nominated by Mr. Black or his representative, which requires the approval of only one member of the executive committee), the independent members of our board of directors shall select one of the two nominees to the executive committee of our manager presented to them by the remaining members of such executive committee to fill the vacancy on such executive committee and (ii) in the event that Mr. Black wishes to exercise his ability to cause an LB Approval Event, the affirmative vote of the majority of the independent members of our board of directors shall be required to approve such a transaction. We are not a party to the Agreement Among Managing Partners, and neither we nor our shareholders (other than our Strategic Investors, as described under “Item 13. Certain Relationships and Related Transactions-Lenders Rights Agreement-Amendments to Managing Partner Transfer Restrictions”) have any right to enforce the provisions described above. Such provisions can be amended or waived upon agreement of our Managing Partners at any time.

Committees of the Board of Directors

We have established an audit committee as well as a conflicts committee. Our audit committee has adopted a charter that complies with current SEC and NYSE rules relating to corporate governance matters. Our board of directors may from time to time establish other committees of our board of directors.

Audit Committee

The primary purpose of our audit committee is to assist our manager in overseeing and monitoring (i) the quality and integrity of our financial statements, (ii) our compliance with legal and regulatory requirements, (iii) our independent registered public accounting firm’s qualifications and independence and (iv) the performance of our independent registered public accounting firm.

The current members of our audit committee are Messrs. Ducey and Krongard and Ms. Richards. Ms. Richards currently serves as Chairperson of the committee. Each of the members of our audit committee meets the independence standards and financial literacy requirements for service on an audit committee of a board of directors pursuant to the Exchange Act and NYSE rules applicable to audit committees and corporate governance. Furthermore, our manager has determined that Ms. Richards is an “audit committee financial expert” within the meaning of Item 407(d)(5) of Regulation S-K. Our audit committee has a charter which is available on our website at www.agm.com under the “Investor Relations” section.

Conflicts Committee

The current members of our conflicts committee are Messrs. Ducey, Fribourg and Kraft. Mr. Ducey currently serves as Chairman of the committee. The purpose of the conflicts committee is to review specific matters that our manager believes may involve conflicts of interest. The conflicts committee will determine whether the resolution of any conflict of interest submitted to it is fair and reasonable to us. Any matters approved by the conflicts committee will be conclusively deemed to be fair and reasonable to us and not a breach by us of any duties that we may owe to our shareholders. In addition, the conflicts committee may review and approve any related person transactions, other than those that are approved pursuant to our related person policy, as described under “Item 13. Certain Relationships and Related Party Transactions-Statement of Policy Regarding Transactions with Related Persons,” and may establish guidelines or rules to cover specific categories of transactions.

Code of Business Conduct and Ethics

We have a Code of Business Conduct and Ethics, which applies to, among others, our principal executive officer, principal financial officer and principal accounting officer. A copy of our Code of Business Conduct and Ethics is available on our website at www.agm.com under the “Investor Relations” section. We intend to disclose any amendment to or waiver of the Code of Business Conduct and Ethics on behalf of an executive officer or director either on our website or in an 8-K filing.

Corporate Governance Guidelines

We have Corporate Governance Guidelines that address significant issues of corporate governance and set forth procedures by which our manager and board of directors carry out their respective responsibilities. The guidelines are

available for viewing on our website at www.agm.com under the “Investor Relations” section. We will also provide the guidelines, free of charge, to shareholders who request them. Requests should be directed to our Secretary at Apollo Global Management, LLC, 9 West 57th Street, 43rd Floor, New York, New York 10019.
Communications with the Board of Directors

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A shareholder or other interested party who wishes to communicate with our directors, a committee of our board of directors, our independent directors as a group or our board of directors generally may do so in writing. Any such communications may be sent to our board of directors by U.S. mail or overnight delivery and should be directed to our Secretary at Apollo Global Management, LLC, 9 West 57th Street, 43rd Floor, New York, New York 10019, who will forward them to the intended recipient(s). Any such communications may be made anonymously. Unsolicited advertisements, invitations to conferences or promotional materials, in the discretion of our Secretary, are not required, however, to be forwarded to the directors.

Executive Sessions of Independent Directors

The independent directors serving on our board of directors meet periodically in executive sessions during the year at regularly scheduled meetings of our board of directors. These executive sessions will be presided over by one of the independent directors serving on our board of directors selected on an ad-hoc basis.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our executive officers and directors, and persons who own more than ten percent of a registered class of the Company's equity securities to file initial reports of ownership and reports of changes in ownership with the SEC and furnish us with copies of all Section 16(a) forms they file. To our knowledge, based solely on our review of the copies of such reports furnished to us or written representations from such persons that they were not required to file a Form 5 to report previously unreported ownership or changes in ownership, we believe that, with respect to the fiscal year ended December 31, 2014, such persons complied with all such filing requirements.

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ITEM 11. EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Overview of Compensation Philosophy

Alignment of Interests with Investors and Shareholders. Our principal compensation philosophy is to align the interests of our Managing Partners, Contributing Partners, and other senior professionals with those of our Class A shareholders and fund investors. This alignment, which we believe is a key driver of our success, has been achieved principally by our Managing Partners', Contributing Partners', and other investment professionals' direct beneficial ownership of equity in our business in the form of AOG Units and Class A shares, their ownership of rights to receive a portion of the incentive income earned from our funds, the direct investment by our investment professionals in our funds, and our practice of paying annual incentive compensation partly in the form of equity-based grants that are subject to vesting. As a result of this alignment, the compensation of our professionals is closely tied to the performance of our businesses.

Significant Personal Investment. Our investment professionals generally make significant personal investments in our funds (as more fully described under "Item 13. Certain Relationships and Related Party Transactions"), directly or indirectly, and our professionals who receive carried interests in our funds are generally required to invest their own capital in the funds they work on in amounts that are generally proportionate to the size of their participation in incentive income. We believe that these investments help to ensure that our professionals have capital at risk and reinforce the linkage between the success of the funds we manage, the success of the Company and the compensation paid to our professionals.

Long-Term Performance and Commitment. Most of our professionals have been issued RSUs, which provide rights to receive Class A shares and distributions on those shares. The vesting requirements and minimum retained ownership requirements for these awards contribute to our professionals' focus on long-term performance while enhancing retention of these professionals.

Discouragement of Excessive Risk-Taking. Although investments in alternative assets can pose risks, we believe that our compensation program includes significant elements that discourage excessive risk-taking while aligning the compensation of our professionals with our long-term performance. For example, notwithstanding that we accrue compensation for our carried interest programs (described below) as increases in the value of the portfolio investments are recorded in the related funds, we generally make payments in respect of carried interest allocations to our employees only after profitable investments have actually been realized. This helps to ensure that our professionals take a long-term view that is consistent with the interests of the Company, our shareholders and the investors in our funds. Moreover, if a fund fails to achieve specified investment returns due to diminished performance of later investments, our carried interest program relating to that fund generally permits, for the benefit of the limited partner investors in that fund, the return of carried interest payments (generally net of tax) previously made to us, our Contributing Partners or our other employees. These provisions discourage excessive risk-taking and promote a long-term view that is consistent with the interests of our investors and shareholders. Our general requirement that our professionals invest in the funds we manage further aligns the interests of our professionals, fund investors and Class A shareholders. Finally, the minimum retained ownership requirements of our RSUs, options and AOG Units, as well as a requirement that certain investment professionals use a portion of their distributions of carried interest income and incentive fees to purchase Class A restricted shares, discourage excessive risk-taking because the value of these interests is tied directly to the long-term performance of our Class A shares.

Compensation Elements for Named Executive Officers

Consistent with our emphasis on alignment of interests with our fund investors and Class A shareholders, compensation elements tied to the profitability of our different businesses and that of the funds that we manage are the primary means of compensating our six executive officers listed in the tables below, or the "named executive officers." The key elements of the compensation of our named executive officers during fiscal year 2014 are described below. We distinguish among the compensation components applicable to our named executive officers as appropriate in the below summary. Mr. Black is a member of the group referred to elsewhere in this report as the "Managing Partners," and Mr. Zelter is a member of the group referred to elsewhere in this report as the "Contributing Partners."

Annual Salary. Each of our named executive officers receives an annual salary. The base salaries of our named executive officers are set forth in the Summary Compensation Table below, and those base salaries were set by our Managing Partners in their judgment after considering the historic compensation levels of the officer, competitive market dynamics, and each officer's level of responsibility and anticipated contributions to our overall success. RSUs. In 2014, a portion of our named executive officers' compensation (other than for Messrs. Black and Spilker) was paid in the form of RSUs. We refer to our annual grants of RSUs as Bonus Grants. The RSUs are subject to multi-year vesting and minimum retained ownership requirements. In 2014, all named executive officers were required to retain at least 85% of any Class A shares issued to them pursuant to RSU awards, net of the number of gross shares sold or netted to pay applicable income or employment taxes. The named executive officer Plan Grants and Bonus Grants are described below under "—Narrative

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Disclosure to the Summary Compensation Table and Grants of Plan-Based Awards Table—Awards of Restricted Share Units Under the Equity Plan.”

Carried Interest and Incentive Fees. Carried interests and incentive fee entitlements with respect to our funds confer rights to receive distributions if a distribution is made to investors following the realization of an investment or receipt of operating profit from an investment by the fund. These rights provide their holders with substantial incentives to attain strong returns in a manner that does not subject their capital investment in the Company to excessive risk.

Distributions of carried interest generally are subject to contingent repayment (generally net of tax) if the fund fails to achieve specified investment returns due to diminished performance of later investments, while distributions in respect of incentive fees are not subject to contingent repayment. The actual gross amount of carried interest allocations or incentive fees available are a function of the performance of the applicable fund. For these reasons, we believe that participation in carried interest and incentive fees generated by our funds aligns the interests of our professionals with those of our Class A shareholders and fund investors.

We currently have two principal types of carried interest programs, which we refer to as dedicated and incentive pool. Messrs. Zelter and Suydam have been awarded rights to participate in a dedicated percentage of the carried interest or incentive fee income earned by the general partners of certain of our funds. Participation in dedicated carried interest in our private equity funds is typically subject to vesting, which rewards long-term commitment to the firm and thereby enhances the alignment of participants’ interests with the Company. As with our distributions in respect of incentive fees, our financial statements characterize the carried interest income allocated to participating professionals in respect of their dedicated carried interests as compensation. Actual distributions in respect of dedicated carried interests and incentive fees are included in the “All Other Compensation” column of the summary compensation table. Our performance based incentive arrangement referred to as the incentive pool further aligns the overall compensation of our professionals to the realized performance of our business. The incentive pool provides for compensation based on carried interest realizations earned by us during the year and enhances our capacity to offer competitive compensation opportunities to our professionals. “Carried interest realizations earned” means carried interest earned by the general partners of our funds under the applicable fund limited partnership agreements based upon transactions that have closed or other rights to cash that have become fixed in the applicable calendar year period. Under this arrangement, Messrs. Kelly, Zelter, Suydam and Weidler, among other of our professionals, were awarded incentive pool compensation based on carried interest realizations we earned during 2014. Allocations to participants in the incentive pool contain both a fixed component and a discretionary component, both of which may vary year-to-year, including as a result of our overall realized performance and the contributions and performance of each participant. The managing partners determine the amount of the carried interest realizations to place into the incentive pool in their discretion after considering various factors, including Company profitability, management company cash requirements and anticipated future costs, provided that the incentive pool consists of an amount equal to at least one percent (1%) of the carried interest realizations attributable to profits generated after creation of the incentive pool program that were taxable in the applicable year and not allocable to dedicated carried interests. Each participant in the incentive pool is entitled to receive, as a fixed component of participation in the incentive pool, his or her pro rata allocation of this 1% amount each year, provided the participant remains employed by us at the time of allocation. Our financial statements characterize the carried interest income allocated to participating professionals in respect of incentive pool interests as compensation. The “All Other Compensation” column of the summary compensation table includes actual distributions paid from the incentive pool.

Restricted Shares. In 2014, we began to require that a portion of the carried interest and incentive fee distributions in respect of certain of the investment funds we manage be used by our employees who receive those distributions to purchase restricted Class A shares issued under our 2007 Omnibus Equity Incentive Plan. This practice further promotes alignment with our shareholders and encourages investment professionals to maximize the success of the Company as a whole. Like our RSUs, the restricted shares are subject to multi-year vesting, which fosters retention. The first purchases pursuant to this requirement were made in 2015. As a result of this requirement, Mr. Zelter purchased 58,817 restricted Class A shares on February 6, 2015 in respect of realizations for which he received the cash portion of the distributions in 2014. In accordance with SEC rules, these shares will be included in next year’s Summary Compensation Table and Grants of Plan-Based Awards Table if Mr. Zelter is one of our named executive

officers for 2015. These shares are subject to vesting on June 16th of 2015, 2016 and 2017.

Bonus. One of our named executive officers, Mr. Zelter, received a cash bonus in 2014. The inclusion of discretionary annual bonuses as part of our overall compensation rewards superior performance and enables us to attract and retain talented professionals by enhancing our capacity to offer competitive compensation opportunities while retaining our flexibility to adjust or eliminate these payments from year to year.

Determination of Compensation of Named Executive Officers

Our Managing Partners make all final determinations regarding named executive officer compensation. Decisions about the variable elements of a named executive officer's compensation, including participation in our carried interest and incentive

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fee programs and grants of equity-based awards, are based primarily on our Managing Partners' assessment of such named executive officer's individual performance, operational performance for the department or division in which the officer (other than a Managing Partner) serves, and the officer's impact on our overall operating performance and potential to contribute to long-term shareholder value. In evaluating these factors, our Managing Partners do not utilize quantitative performance targets but rather rely upon their judgment about each named executive officer's performance to determine an appropriate reward for the current year's performance. The determinations by our Managing Partners are ultimately subjective, are not tied to specified annual, qualitative or individual objectives or performance factors, and reflect discussions among the Managing Partners. Factors that our Managing Partners typically consider in making such determinations include the named executive officer's type, scope and level of responsibilities and the named executive officer's overall contributions to our success. Our Managing Partners also consider each named executive officer's prior-year compensation, the appropriate balance between incentives for long-term and short-term performance, competitive market dynamics, compensation provided to the named executive officer by other entities, and the compensation paid to the named executive officer's peers within the Company.

Note on Distributions on Apollo Operating Group Units

We note that all of our Managing Partners and Contributing Partners, including Messrs. Black and Zelter, beneficially own AOG Units. In particular, as of December 31, 2014, the Managing Partners beneficially owned, through their interest in Holdings, approximately 51% of the total limited partner interests in the Apollo Operating Group. When made, distributions on these units (which are made on both vested and unvested units) are in the same amount per unit as distributions made to us in respect of the AOG Units we hold. Accordingly, although distributions on AOG Units are distributions on equity rather than compensation, they play a central role in aligning our Managing Partners' and Contributing Partners' interests with those of our Class A shareholders, which is consistent with our compensation philosophy. In 2014, the Managing Partners, including Mr. Black, were required to retain 85% of their AOG Units. The same requirement applied to our Contributing Partners, including Mr. Zelter.

Compensation Committee Interlocks and Insider Participation

Our board of directors does not have a compensation committee. Our Managing Partners make all such compensation determinations, as discussed above under “—Determination of Compensation of Named Executive Officers.” For a description of certain transactions between us and the managing partners, see “Item 13. Certain Relationships and Related Party Transactions.”

Compensation Committee Report

As noted above, our board of directors does not have a compensation committee. The executive committee of our manager identified below has reviewed and discussed with management the foregoing Compensation Discussion and Analysis and, based on such review and discussion, has determined that the Compensation Discussion and Analysis should be included in this Annual Report on Form 10-K.

Leon Black

Joshua Harris

Marc Rowan

Summary Compensation Table

The following summary compensation table sets forth information concerning the compensation earned by, awarded to or paid to our principal executive officer, our principal financial officer, and our three other most highly compensated executive officers for the fiscal year ended December 31, 2014. In accordance with SEC rules, the table also describes the compensation of our former president, Mr. Spilker. Although he ceased to be one of our executive officers on March 19, 2014, Mr. Spilker's compensation for 2014 placed him among the three most highly paid individuals (other than our principal executive officer and our principal financial officer) who served as an executive officer for a portion of 2014. Managing Partners Messrs. Harris and Rowan are not included in the table because their compensation, as tabulated in accordance with applicable rules, does not result in either of them being among the three most highly compensated executive officers after our principal executive officer and principal financial officer. Our Managing Partners' earnings derive predominantly from distributions they receive as a result of their indirect beneficial ownership of AOG Units and their rights under the tax receivable agreement (described elsewhere in this report, including above under “Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer

Purchases of Equity Securities—Cash Distribution Policy”), rather than from compensation, and accordingly are not included in the below tables. The executive officers named in the table are referred to as the named executive officers.

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Name and Principal Position	Year	Salary (\$)	Bonus (\$) ⁽¹⁾	Stock Awards (\$) ⁽²⁾	Option Awards (\$) ⁽³⁾	Non-Equity Incentive Plan (\$)	All Other Compensation (\$) ⁽⁴⁾	Total (\$)
Leon Black,	2014	100,000	—	—	—	—	173,980	273,980
Chairman, Chief Executive Officer and Director	2013	100,000	—	—	—	—	173,053	273,053
	2012	100,000	—	—	—	—	187,368	287,368
Martin Kelly,	2014	1,000,000	—	698,444	—	—	1,300,000	2,998,444
Chief Financial Officer	2013	1,000,000	—	541,246	—	—	950,000	2,491,246
	2012	300,000	200,000	4,687,530	—	—	1,433,411	6,620,941
James Zelter,	2014	1,200,000	1,049,219	478,927	—	—	28,009,206	30,737,352
Managing Director, Credit	2013	—	3,749,788	3,065,771	—	—	32,599,739	39,415,298
	2012	—	—	2,606,310	—	5,099,193	14,959,920	22,665,423
John Suydam,	2014	3,000,000	—	511,370	—	—	5,420,540	8,931,910
Chief Legal Officer	2013	3,000,000	949,788	504,345	—	—	7,148,168	11,602,301
	2012	3,000,000	—	496,715	—	—	3,405,953	6,902,668
Christopher Weidler,	2014	400,000	—	199,549	—	—	600,000	1,199,549
Chief Accounting Officer and Controller								
Marc Spilker,	2014	765,151	—	12,337,500	21,025,000	—	950,000	35,077,651
Ceased serving as President on March 19, 2014	2013	2,000,000	—	—	—	—	—	2,000,000

(1) Amount shown for 2014 represents a cash bonus earned in 2014.

For Messrs. Kelly, Zelter, Suydam and Weidler, represents the aggregate grant date fair value of stock awards granted, as applicable, computed in accordance with FASB ASC Topic 718. For Mr. Spilker, represents the incremental fair value of an RSU award granted on December 2, 2010 and modified on March 26, 2014 in connection with his employment termination, computed in accordance with FASB ASC Topic 718. The amounts shown do not reflect compensation actually received by the named executive officers, but instead represent the aggregate grant date fair value (in the case of Mr. Spilker, the modification date incremental fair value) of the awards. See note 16 to our consolidated financial statements for further information concerning the assumptions made in valuing our RSU awards. Mr. Zelter's employment agreement entered into on June 20, 2014 provides that (2) if he resigns for good reason, is terminated without cause, or terminates employment due to death or disability in the last six months of 2016 and applicable performance measures are attained, he will be entitled to a grant of 500,000 RSUs in early 2017. Consequently, for accounting purposes the compensation expense for these RSUs, which will not be granted to Mr. Zelter under our equity incentive plan earlier than 2017 (if at all), is treated as established on the date shown, and the associated grant date fair value under FASB ASC Topic 718 is reported as zero in the table because as of June 20, 2014 the accounting recognition requirements for these RSUs had not been met. If all applicable performance measures are attained, the grant date fair value of these RSUs would be \$13,555,000.

(3) Represents the modification date incremental fair value of an option award granted on December 2, 2010 to Mr. Spilker and modified on March 26, 2014 in connection with his employment termination, computed in accordance with FASB ASC Topic 718. The amount shown does not reflect compensation actually received by Mr. Spilker,

but instead represents the incremental fair value of the award on the date modified.

Amounts included for 2014 represent, in part, actual cash distributions in respect of dedicated carried interest allocations for Messrs. Zelter and Suydam of \$25,892,649 and \$4,884,786, respectively. Of such amount distributed to Mr. Zelter, \$4,645,709 was paid in euros and converted to dollars based on the conversion rate on the date of payment. Also included for Mr. Zelter are cash distributions of \$2,065,776 received in 2014 in respect of dedicated incentive fees. The 2014 amounts also include actual incentive pool cash distributions of \$1,300,000 for Mr. Kelly, \$600,000 for Mr. Weidler, \$500,000 for Mr. Suydam and \$50,781 for Mr. Zelter. The amount shown for Mr. Spilker represents his one-time lump sum payment received in connection with his employment termination under his transition agreement. The "All Other Compensation" column for 2014 also includes costs relating to Company-provided cars and drivers for the business and personal use of Messrs. Black and Suydam. We provide this benefit because we believe that its cost is outweighed by the convenience, increased efficiency and added (4) security and confidentiality that it offers. The personal use cost was approximately \$165,730 for Mr. Black and \$34,254 for Mr. Suydam. For Mr. Black, this amount includes both fixed and variable costs, including lease costs, driver compensation, driver meals, fuel, parking, tolls, repairs, maintenance and insurance. For Mr. Suydam, this amount includes the costs to the Company associated with his use of a car service. Except as discussed in this paragraph, no 2014 perquisites or personal benefits individually exceeded the greater of \$25,000 or 10% of the total amount of all perquisites and other personal benefits reported for the named executive officer. The cost of excess liability insurance provided to our named executive officers falls below this threshold. None of Messrs. Kelly, Zelter, Spilker or Weidler received perquisites or personal benefits in 2014, except for incidental benefits having an aggregate value of less than \$10,000 per individual. Our named executive officers also receive occasional secretarial support with respect to personal matters. We incur no incremental cost for the provision of such additional benefits. Accordingly, no such amount is included in the Summary Compensation Table.

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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

In July 2012, we entered into an employment, non-competition and non-solicitation agreement with Leon Black, our chairman and chief executive officer and a member of our manager's executive committee, which agreement superseded and is substantially similar to the agreement we entered into with Mr. Black dated July 13, 2007. The term of the agreement concludes on July 19, 2015. Mr. Black is entitled during his employment to an annual salary of \$100,000 and to participate in our employee benefit plans, as in effect from time to time.

Employment, Non-Competition and Non-Solicitation Agreement with Chief Financial Officer

On July 2, 2012, we entered into an employment, non-competition and non-solicitation agreement with Martin Kelly, our chief financial officer. His annual base salary is \$1,000,000. As provided in his employment agreement, Mr. Kelly received a Plan Grant of 375,000 RSUs in connection with his commencement of employment. He is eligible for an annual bonus in an amount to be determined by us in our discretion. Mr. Kelly participates in the incentive pool and is eligible to receive distributions thereunder.

Employment, Non-Competition and Non-Solicitation Agreement with Managing Director-Credit

We entered into an amended and restated employment agreement with our Managing Director-Credit, James Zelter, on June 20, 2014. The agreement provides that Mr. Zelter is entitled to base pay of \$1,200,000 per year and to distributions of carried interest (including incentive pool) income and a bonus equaling an additional \$1,800,000 per year. A portion of any such bonus shall be payable in the form of Bonus Grant RSUs. Under the agreement, Mr. Zelter will be eligible to receive a grant of one million RSUs in early 2017 and another one million RSUs in early 2019, in each case if approved by the committee that administers our 2007 Omnibus Equity Incentive Plan and if applicable performance measures regarding profitability of our credit business are attained. We do not currently believe that the performance measures are likely to be attained. Because Mr. Zelter would be entitled to 500,000 of the 2017 RSUs if both (i) the performance measures are attained as of December 31, 2016 and (ii) during the last six months of 2016 Mr. Zelter's employment terminates for good reason, without cause or due to death or disability, we treat the compensation expense for these RSUs, which will not be granted under our equity incentive plan earlier than 2017 (if at all), as established on June 20, 2014 and, in accordance with SEC rules, include these RSUs in the tables as if they had been granted on that date. Pursuant to his employment agreement, Mr. Zelter holds dedicated carried interests and incentive fee rights in respect of certain of the investment funds we manage. His carried interests are subject to vesting or to the right to retain such interests for a limited period following his employment termination. Mr. Zelter receives a portion of his total annual compensation in the form of a Bonus Grant, as discussed below under the section entitled, "Awards of Restricted Share Units Under the Equity Plan." As required by his employment agreement, Mr. Zelter has made investments of his own capital in various of our funds.

Employment, Non-Competition and Non-Solicitation Agreement with Chief Accounting Officer and Controller

On June 4, 2013, we entered into a letter agreement with Christopher Weidler, our Chief Accounting Officer and Controller. The letter agreement provides for a base salary of \$400,000 per year. Mr. Weidler is eligible for discretionary annual bonuses, and a portion of any such bonus is payable in the form of Bonus Grant RSUs. In connection with his commencement of employment, Mr. Weidler received a Plan Grant of 35,001 RSUs. Mr. Weidler participates in the incentive pool and is eligible to receive distributions thereunder.

Employment Terms of Chief Legal Officer

John Suydam, our chief legal officer, does not have an employment agreement with us.

Transition Agreement with President

On March 19, 2014, we entered into a transition agreement with Marc Spilker, who stepped down from his service as our president and a non-voting member of our executive committee on March 19, 2014. For the remainder of 2014, Mr. Spilker served as a senior advisor to the Company, assisting the Company with transitioning his duties, and did not receive a base salary. Pursuant to the agreement, he received a one-time lump sum payment of \$950,000 in connection with the transition. The transition agreement provided that he forfeited one half of his unvested RSUs and one half of his unvested options to purchase Class A shares on March 19, 2014. Mr. Spilker's employment agreement dated November 24, 2010 had provided for vesting in one half of his unvested options and RSUs in connection with certain employment terminations, and under the transition agreement Mr. Spilker vested in his remaining 625,000

RSUs and 1,250,000 options on March 26, 2014.

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Table of Contents**Awards of Restricted Share Units Under the Equity Plan**

On October 23, 2007, we adopted our 2007 Omnibus Equity Incentive Plan. Grants of RSUs under the plan have been made to certain of our named executive officers primarily pursuant to two programs, which we call the “Plan Grants” and the “Bonus Grants.” Following the 2007 Reorganization, Plan Grants were made to Mr. Suydam and a broad range of our other employees. Plan Grants have also been made to subsequent hires, including Messrs. Kelly, Weidler and Spilker. The Plan Grants generally vest over six years, with the first installment becoming vested approximately one year after grant and the balance vesting thereafter in equal quarterly installments. Holders of Plan Grant RSUs become entitled to distribution equivalents on their vested RSUs if we pay ordinary distributions on our outstanding Class A shares. The administrator of the 2007 Omnibus Equity Incentive Plan determines when shares issued pursuant to the RSU Awards may be disposed of, except that a participant will generally be permitted to sell shares if necessary to cover taxes. Under our retained ownership requirements, in 2014, all executive officers were required to retain at least 85% of any Class A shares issued to them pursuant to RSU awards (net of the number of gross shares sold or netted to pay applicable income or employment taxes).

The RSUs advance several goals of our compensation program. The Plan Grants align employee interests with those of our shareholders by making our employees, upon delivery of the underlying Class A shares, shareholders themselves. Because they vest over time, the Plan Grants reward employees for sustained contributions to the Company and foster retention. The size of the Plan Grants is determined by the Plan administrator based on the grantee’s level of responsibility and contributions to the Company. The restrictive covenants contained in the RSU agreements reinforce our culture of fiduciary protection of our investors by requiring RSU holders to abide by the provisions regarding non-competition, confidentiality and other limitations on behavior described in the immediately preceding paragraph.

The Bonus Grants are also grants of RSUs under the 2007 Omnibus Equity Incentive Plan. However, the Bonus Grants constitute payment of a portion of the annual compensation earned by certain of our professionals, including Messrs. Kelly, Zelter, Suydam and Weidler, subject to the employee’s continued service through the vesting dates. Our named executive officers’ Bonus Grants generally differ from their Plan Grants in the following principal ways:

- The RSU Shares underlying Bonus Grants are scheduled to vest in three equal annual installments.

- Distribution equivalents are earned on Bonus Grant RSUs (whether or not vested) when ordinary distributions are made on Class A shares after the grant date, but distribution equivalents are earned on Plan Grant RSUs only after they have vested.

In determining how many RSUs to grant to Mr. Zelter for services performed in 2014, the committee that administers our 2007 Omnibus Equity Incentive Plan took into account that the independent compensation committees of two publicly traded REITs that we manage, ARI and AMTG, consistent with recommendations they received from us, had authorized grants to Mr. Zelter of 7,500 restricted share units (having a grant date fair value of \$124,425) and 6,226 restricted share units (having a grant date fair value of \$99,678), respectively, in respect of ARI’s and AMTG’s publicly traded shares for services provided during the same period.

Grants of Plan-Based Awards

The following table presents information regarding RSUs granted to Messrs. Kelly, Zelter, Suydam and Weidler under our 2007 Omnibus Equity Incentive Plan in 2014 and a modification made to Mr. Spilker’s outstanding RSUs in 2014. No options were granted to a named executive officer in 2014, but Mr. Spilker’s outstanding options were modified in 2014 in connection with his employment termination.

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Name	Grant Date	Estimated Future Payouts under Equity Incentive Plan Awards Target (#)	Stock Awards: Number of Shares of Stock or Units (#) ⁽²⁾	Option Awards: Number of Shares Underlying Options (#)	Grant Date Fair Value or Modification Date Incremental Fair Value of Stock and Option Awards (\$) ⁽³⁾
Leon Black	—	—	—	—	—
Martin Kelly	December 29, 2014	—	30,850	—	698,444
James Zelter	June 20, 2014	500,000	(1) —	—	—
John Suydam	December 29, 2014	—	21,154	—	478,927
Christopher Weidler	December 29, 2014	—	22,587	—	511,370
Marc Spilker	December 2, 2010 (modified March 26, 2014)	—	8,814	—	199,549
	December 2, 2010 (modified March 26, 2014)	—	625,000	—	12,337,500
	December 2, 2010 (modified March 26, 2014)	—	—	1,250,000	21,025,000

Mr. Zelter's employment agreement entered into on the date shown provides that if he resigns for good reason, is terminated without cause, or terminates employment due to death or disability in the last six months of 2016 and applicable performance measures regarding profitability of our credit business are attained, he will be entitled to a grant of 500,000 RSUs in early 2017. Consequently, in accordance with applicable accounting rules we treat the (1) compensation expense for these RSUs, which will not be granted under our equity incentive plan earlier than 2017 (if at all), as established on the date shown and, in accordance with SEC rules, include the award in the above table as if it had been granted on that date. These RSUs have no "threshold" or "maximum" values separate from the above "target" number of shares. The grant date fair value of these RSUs as of June 20, 2014 is considered to be zero because as of that date the accounting recognition requirements for these RSUs had not been met.

Represents the aggregate number of RSUs covering our Class A shares (none of the Bonus Grants awarded in 2014 vested in 2014). For a discussion of these grants, please see the discussion above under "(2) Summary Compensation Table and Grants of Plan-Based Awards Table—Awards of Restricted Share Units Under the Equity Plan."

For Messrs. Kelly, Zelter, Suydam and Weidler, represents the aggregate grant date fair value of the RSUs granted in 2014, computed in accordance with FASB ASC Topic 718. For Mr. Spilker, represents the incremental fair value of options and RSUs granted on December 2, 2010 computed in accordance with FASB ASC Topic 718 as of (3) the date such awards were modified on March 26, 2014 in connection with Mr. Spilker's termination of employment. The amounts shown do not reflect compensation actually received, but instead represent the aggregate grant date fair value (in the case of Mr. Spilker, the modification date incremental fair value) of the award.

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Outstanding Equity Awards at Fiscal Year-End

The following table presents information regarding unvested RSU awards made by us to our named executive officers under our 2007 Omnibus Equity Incentive Plan that were outstanding at December 31, 2014. Our named executive officers did not hold any options at fiscal year-end.

Name		Stock Awards			
		Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$) ⁽⁷⁾	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights that Have Not Vested (#) ⁽⁸⁾	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights that Have not Vested (\$) ⁽⁹⁾
Leon Black	—	—	—	—	—
	December 29, 2014	30,850	(1) 727,443	—	—
	December 26, 2013	12,076	(2) 284,752	—	—
Martin Kelly	December 28, 2012	9,011	(3) 212,479	—	—
	September 30, 2012	234,375	(4) 5,526,563	—	—
	December 29, 2014	21,154	(1) 498,811	—	—
	June 20, 2014	—	—	500,000	11,790,000
James Zelter	December 26, 2013	31,838	(2) 750,740	—	—
	May 9, 2013	22,480	(3) 530,078	—	—
	December 28, 2012	98,677	(5) 2,326,804	—	—
	December 29, 2014	22,587	(1) 532,601	—	—
John Suydam	December 26, 2013	11,253	(2) 265,346	—	—
	December 28, 2012	10,115	(3) 238,512	—	—
	December 29, 2014	8,814	(1) 207,834	—	—
Christopher Weidler	September 30, 2013	27,710	(6) 653,402	—	—
Marc Spilker	December 2, 2010	—	—	—	—

(1) Bonus Grant RSUs that vest in substantially equal annual installments on December 31 of each of 2015, 2016 and 2017.

(2) Bonus Grant RSUs that vest in substantially equal annual installments on December 31 of each of 2015 and 2016.

(3) Bonus Grant RSUs that vest on December 31, 2015.

(4) Plan Grant RSUs that vest in substantially equal installments over the 15 calendar quarters beginning March 31, 2015.

(5) Plan Grant RSUs that vest in substantially equal installments over the 16 calendar quarters beginning March 31, 2015.

(6) Plan Grant RSUs that vest in substantially equal installments over the 19 calendar quarters beginning March 31, 2015.

(7) Amounts calculated by multiplying the number of unvested RSUs held by the named executive officer by the closing price of \$23.58 per Class A share on December 31, 2014.

(8) Bonus RSUs that vest in substantially equal annual installments on December 31 of each of 2017, 2018 and 2019 but that have not yet been granted (except for accounting purposes). Mr. Zelter's employment agreement entered into on the date shown provides that if he resigns for good reason, is terminated without cause, or terminates employment due to death or disability in the last six months of 2016 and applicable performance measures regarding profitability of our credit business are attained, he will be entitled to a grant of 500,000 RSUs in early 2017. Consequently, for accounting purposes we treat the compensation expense for these RSUs, which will not be granted under our equity plan earlier than 2017 (if at all), as established on the date shown, and, in accordance with SEC rules, include the award in the table as if it were outstanding.

(9) Amount calculated by multiplying the 500,000 RSUs described in the immediately preceding footnote by the closing price of \$23.58 per Class A share on December 31, 2014.

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Option Exercises and Stock Vested

The following table presents information regarding the number of outstanding initially unvested RSUs held by our named executive officers that vested during 2014 and the number of options exercised by our named executive officers in 2014. With respect to the RSUs, the amounts shown below do not reflect compensation actually received by the named executive officers, but instead are calculations of the number of RSUs that vested during 2014 based on the closing price of our Class A shares on the date of vesting. Shares received by our named executive officers are subject to our retained ownership requirements.

Name	Type of Award	Option Awards		Stock Awards	
		Number of Shares Acquired on Exercise(#)	Value Realized on Exercise(\$)	Number of Shares Acquired on Vesting(#)	Value Realized on Vesting(\$)
Leon Black	—	—	—	—	—
Martin Kelly	RSUs	—	—	77,549	2,025,793 (2)
James Zelter	RSUs	—	—	81,370	1,996,540 (2)
John Suydam	RSUs	—	—	29,595	697,850 (2)
Christopher Weidler	RSUs	—	—	7,291	173,438
Marc Spilker	Options	1,458,334	26,421,925 (1)	—	—
	RSUs	—	—	625,000	19,025,000 (2)

(1) Amounts calculated based on the difference between the exercise price of the options and the price of the underlying Class A shares on the applicable exercise date.

(2) Amounts calculated by multiplying the number of RSUs held by the named executive officer that vested on each applicable vesting date in 2014 by the closing price per Class A share on that date. Class A shares underlying these (2) vested RSUs are issued to the named executive officer in accordance with the schedules described above under “—Narrative Disclosure to the Summary Compensation Table and Grants of Plan-Based Awards Table—Awards of Restricted Share Units Under the Equity Plan.”

Potential Payments upon Termination or Change in Control

None of the named executive officers is entitled to payment or other benefits in connection with a change in control. Mr. Black’s employment agreement does not provide for severance or other payments or benefits in connection with an employment termination. We may not terminate Mr. Black except for cause or by reason of disability (as such terms are defined in his employment agreement). Under his employment agreement, Mr. Black is required to protect the confidential information of Apollo both during and after employment. In addition, until one year after his employment terminates, Mr. Black is required to refrain from soliciting employees under specified circumstances or interfering with our relationships with investors and to refrain from competing with us in a business that involves primarily (i.e., more than 50%) third-party capital, whether or not the termination occurs during the term of the agreement or thereafter. These post-termination covenants survive any termination or expiration of the Agreement Among Managing Partners (described elsewhere in this report under “Item 13. Certain Relationships and Related Party Transactions—Agreement Among Managing Partners”). If Mr. Black becomes subject to a potential termination for cause or by reason of disability, our manager may appoint an investment professional to perform his functional responsibilities and duties until cause or disability definitively results in his termination or is determined not to have occurred, but the manager may so appoint an investment professional only if Mr. Black is unable to perform his responsibilities and duties or, as a matter of fiduciary duty, should be prohibited from doing so. During any such period, Mr. Black shall continue to serve on the executive committee of our manager unless otherwise prohibited from doing so pursuant to the Agreement Among Managing Partners.

If Mr. Kelly’s employment is terminated by us without cause or he resigns for good reason, Mr. Kelly will be entitled to severance of six months’ base pay and reimbursement of health insurance premiums paid in the six months following his employment termination. If Mr. Kelly’s employment is terminated by us without cause or he resigns for good reason, he will vest in 50% of any unvested portion of his Plan Grant RSUs. If his employment is terminated by reason of death or disability, he will vest in 50% of any unvested portion of his Plan Grant and Bonus Grant RSUs.

We may terminate Mr. Kelly's employment with or without cause, and we will provide 90 days' notice (or payment in lieu of such period of notice) prior to a termination without cause. Mr. Kelly is required to give us 90 days' notice prior to a resignation for any reason. He is required to protect the confidential information of Apollo both during and after employment. In addition, during employment and for 12 months after employment, Mr. Kelly is also obligated to refrain from soliciting our employees, interfering with our relationships with investors or other business relations, and competing with us in a business that manages or invests in assets substantially similar to those managed or invested in by Apollo or its affiliates.

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We may terminate Mr. Zelter's employment with or without cause, and we will provide 90 days' notice (or payment in lieu of such period of notice) prior to a termination without cause. Mr. Zelter is required to provide 90 days' notice prior to a resignation for any reason. Upon his termination of employment by reason of death or disability, Mr. Zelter will vest in 50% of his then unvested RSUs and restricted shares. Subject to his execution of a release of claims in favor of the Company, upon his termination by the Company other than for cause, Mr. Zelter will vest in 50% of his then unvested restricted shares. Upon his termination of employment other than for cause, his annual cash bonus will be prorated through the last day of his employment termination. If Mr. Zelter's employment is terminated for good reason, without cause or by reason of disability or death, subject to his continued compliance with the restrictive covenants to which he is subject and to his execution of a release of claims in favor of the Company, he will vest in 50% of his then unvested performance award RSUs and, if the employment termination occurs in the last six months of 2016, or if he terminates his employment or service due to the failure of the committee that administers the 2007 Omnibus Equity Incentive Plan to approve the 2016 performance award, then he will vest in 50% of the RSUs covered by that award. Similarly, if that type of employment termination occurs in the last six months of 2018, or if Mr. Zelter terminates his employment or service due to the failure of the committee that administers the 2007 Omnibus Equity Incentive Plan to approve the 2018 performance award, then he will vest in 50% of the RSUs covered by that award. If Mr. Zelter's employment is terminated without cause, or he resigns for good reason, he will retain his dedicated carried interest rights that are not otherwise subject to vesting in respect of certain investment funds we manage in declining percentages for up to three years following his employment termination (100% for the first year, 50% for the second year, and 25% for the third year following employment termination) and the Class A shares that he is required to purchase with a portion of those amounts following his employment termination shall be fully vested shares. He will also be entitled to retain his dedicated carried interests that are subject to vesting to the extent then vested. Mr. Zelter is required to give us 90 days' notice prior to a resignation for any reason. During his employment and for 12 months thereafter, he is also obligated to refrain from soliciting our employees, interfering with our relationships with investors or other business relations, and competing with us in a business that manages or invests in assets substantially similar to those invested in or managed by Apollo or its affiliates.

If Mr. Suydam's employment is terminated by reason of death or disability, he will vest in 50% of his then unvested RSUs. Mr. Suydam is required to protect our confidential information at all times. During his employment and for 12 months thereafter, Mr. Suydam is also obligated to refrain from soliciting our employees, interfering with our relationships with investors or other business relations, and competing with us in a business that manages or invests in assets substantially similar to those invested in or managed by Apollo or its affiliates. Mr. Suydam is required to provide 90 days' notice prior to a resignation for any reason.

Pursuant to Mr. Spilker's transition agreement, he received a lump sum payment of \$950,000 in July 2014 in connection with stepping down on March 19, 2014 as our president and as a non-voting member of our executive committee. In connection with his cessation of employment on May 19, 2014, Mr. Spilker also vested in 50% of his then unvested Plan Grant RSUs and options. Under the transition agreement, as in his employment agreement, Mr. Spilker is required to protect the confidential information of Apollo both during and after employment, and, for 12 months after the date of the transition agreement, to refrain from soliciting our employees, interfering with our relationships with investors and other business relations, and competing with us in a business that manages or invests in assets substantially similar to those of Apollo or its affiliates.

If Mr. Weidler's employment is terminated by reason of death or disability, he will vest in 50% of any unvested portion of his RSUs. We may terminate Mr. Weidler's employment with or without cause, and we will provide 90 days' notice (or payment in lieu of such period of notice) prior to a termination without cause. Mr. Weidler is required to provide 90 days' notice prior to a resignation for any reason. Mr. Weidler is required to protect the confidential information of Apollo both during and after employment. In addition, pursuant to his 2014 Bonus Grant, during and for 12 months after his employment with us, he is obligated to refrain from soliciting our employees and interfering with our relationships with investors or other business relations. In addition, during and for three months after his employment with us, he may not compete with us in a business that manages or invests in assets substantially similar to those managed or invested in by Apollo or its affiliates.

The named executive officers' obligations during and after employment were considered by the Managing Partners in determining appropriate post-employment payments and benefits for the named executive officers.

The following table lists the estimated amounts that would have been payable to each of our named executive officers in connection with a termination that occurred on the last day of our last completed fiscal year and the value of any additional equity that would vest upon such termination, except that for Mr. Spilker the table shows the amounts received by him in connection with his actual employment termination on May 19, 2014. When listing the potential payments to named executive officers under the plans and agreements described above, we have assumed that the applicable triggering event occurred on December 31, 2014 and that the price per share of our Class A shares was \$23.58, which is equal to the closing price on such date. For purposes of this table, RSU and option acceleration values are based on the \$23.58 closing price.

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Name	Reason for Employment Termination	Estimated Value of Cash Payments (\$)	Estimated Value of Equity Acceleration (\$)	
Leon Black	Cause	—	—	
	Death, disability	—	—	
Martin Kelly	Without cause; by executive for good reason	517,592	(1) 2,763,281	(4)
	Death, disability	—	3,375,618	(4)
James Zelter	Without cause; by executive for good reason	11,861,478	(2) 11,790,000	(4)
	Death, disability	—	13,843,217	(4)
John Suydam	Without cause; by executive for good reason	—	—	
	Death; disability	—	518,229	(4)
Christopher Weidler	Without cause; by executive for good reason	—	—	
	Death, disability	—	430,618	(4)
Marc Spilker	Actual termination effective May 19, 2014	950,000	(3) 40,342,767	(5)

(1) This amount would have been payable to the named executive officer had his employment been terminated by the Company without cause (and other than by reason of death or disability) or for good reason on December 31, 2014.

Pursuant to Mr. Zelter's employment agreement, had his employment terminated on December 31, 2014, he would have been treated as if he had remained employed, for purposes of receiving carried interest distributions in respect of certain specified funds that remained in existence, for up to 36 additional months (100% in the first year, 50% in

(2) the second year, and 25% in the third year). For purposes of the above illustration, we have assumed that these percentages were applied in each of 2015, 2016 and 2017 to the amount of the distributions that he received in 2014 (including the portion of such distributions he was required to use to purchase Class A shares in 2015), and we have included in the amount shown the portion of his projected 2015, 2016 and 2017 distributions that would be required to be used to purchase Class A shares of the Company.

(3) This amount represents the cash payment actually made to Mr. Spilker in connection with his termination of employment on May 19, 2014.

(4) This amount represents the additional equity vesting that the named executive officer would have received had his employment terminated in the circumstances described in the column, "Reason for Employment Termination," on December 31, 2014, based on the closing price of a Class A share on such date. Please see our "Outstanding Equity Awards at Fiscal Year-End" table above for information regarding the named executive officer's unvested equity as of December 31, 2014.

(5) This amount represents the value received by Mr. Spilker from the additional vesting he received on March 26, 2014 in connection with entering into his transition agreement. The portion of this total that relates to options is calculated by multiplying the spread between the option exercise price and the closing price of a Class A share on the date he exercised the options (May 12, 2014) that vested in connection with entering into his transition agreement. The portion of this total that relates to RSUs is calculated by multiplying the number of RSUs that so vested by the closing price on the vesting date (March 26, 2014).

Director Compensation

We do not pay additional remuneration to our employees, including Messrs. Black, Harris and Rowan, for their service on our board of directors. The 2014 compensation of Mr. Black is set forth above on the Summary Compensation Table.

During 2014, each independent director received (1) a base annual director fee of \$125,000, (2) an additional annual director fee of \$25,000 if he or she a member of the audit committee, (3) an additional annual director fee of \$10,000 if he or she was a member of the conflicts committee, (4) an additional annual director fee of \$25,000 (incremental to the fee described in (2)) if he or she served as the chairperson of the audit committee, and (5) an additional annual director fee of \$15,000 (incremental to the fee described in (3)) if he or she served as the chairperson of the conflicts committee. In addition, independent directors were reimbursed for reasonable expenses incurred in attending board

meetings.

Currently, upon initial election to the board of directors, an independent director receives a grant of RSUs with a value of \$300,000 that vests in equal annual installments on June 30 of each of the first, second and third years following the year that the grant is made. Mr. Kraft received this type of award on July 14, 2014 in connection with his appointment to the board of directors. Incumbent independent directors receive an annual RSU award with a value of \$100,000 that vests on June 30 of the year following the year that the grant is made, and the directors listed on the below table (other than Mr. Kraft) received that award on July 14, 2014.

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The following table provides the compensation for our independent directors during the year ended December 31, 2014.

Name	Fees Earned or Paid in Cash	Stock Awards (#) ⁽¹⁾	Total
Michael Ducey	\$175,000	85,540	\$260,540
Paul Fribourg	\$135,000	85,540	\$220,540
Robert Kraft	\$101,250	214,919	\$316,169
A. B. Krongard	\$150,000	85,540	\$235,540
Pauline Richards	\$175,000	85,540	\$260,540

Represents the aggregate grant date fair value of stock awards granted, as applicable, computed in accordance with FASB ASC Topic 718. See note 16 to our consolidated financial statements for further information concerning the assumptions made in valuing our RSU Plan Grants. The amounts shown do not reflect compensation actually received by the independent directors, but instead represent the aggregate grant date fair value of the awards.

⁽¹⁾ Unvested director RSUs are not entitled to distributions or distribution equivalents. As of December 31, 2014, all 10,860 RSUs covered by Mr. Kraft's 2014 award were unvested and outstanding, and for each of Ms. Richards and Messrs. Ducey Fribourg and Krongard, all 3,620 RSUs covered by his or her 2014 award were unvested and outstanding.

Table of ContentsITEM SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND
12. RELATED STOCKHOLDER MATTERS

The following table sets forth information regarding the beneficial ownership of our Class A shares as of February 26, 2015 by (i) each person known to us to beneficially own more than 5% of the voting Class A shares of Apollo Global Management, LLC, (ii) each of our directors, (iii) each person who is a named executive officer for 2014 and (iv) all directors and executive officers as a group.

Beneficial ownership is determined in accordance with the rules of the SEC. To our knowledge, each person named in the table below has sole voting and investment power with respect to all of the Class A shares and interests in our Class B share shown as beneficially owned by such person, except as otherwise set forth in the notes to the table and pursuant to applicable community property laws. Unless otherwise indicated, the address of each person named in the table is c/o Apollo Global Management, LLC, 9 West 57th Street, New York, NY 10019.

In respect of our Class A shares, the table set forth below assumes the exchange by Holdings of all AOG Units for our Class A shares with respect to which the person listed below has the right to direct such exchange pursuant to the exchange agreement described under “Item 13. Certain Relationships and Related Party Transactions—Exchange Agreement,” and the distribution of such shares to such person as a limited partner of Holdings.

	Class A Shares Beneficially Owned			Class B Share Beneficially Owned		
	Number of Shares	Percent ⁽¹⁾	Total Percentage of Voting Power ⁽²⁾	Number of Shares	Percent	Total Percentage of Voting Power ⁽²⁾
Directors and Executive Officers:						
Leon Black ⁽³⁾⁽⁴⁾	92,727,166	35.6%	63.8%	1	100%	63.8%
Joshua Harris ⁽³⁾⁽⁴⁾	54,382,643	24.5%	63.8%	1	100%	63.8%
Marc Rowan ⁽³⁾⁽⁴⁾	50,157,022	23.0%	63.8%	1	100%	63.8%
Pauline Richards	21,443	*	*	—	—	—
Alvin Bernard Krongard ⁽⁵⁾	270,043	*	*	—	—	—
Michael Ducey ⁽⁶⁾	27,496	*	*	—	—	—
Robert Kraft ⁽⁷⁾	40,000	*	*	—	—	—
Paul Fribourg	25,443	*	*	—	—	—
Marc Spilker ⁽⁸⁾	1,554,321	*	*	—	—	—
Martin Kelly ⁽⁹⁾	100,685	*	*	—	—	—
John Suydam ⁽¹⁰⁾	765,749	*	*	—	—	—
James Zelter ⁽¹¹⁾	2,609,313	1.5%	*	—	—	—
Christopher Weidler ⁽¹²⁾	5,924	*	*	—	—	—
All directors and executive officers as a group (twelve persons) ⁽¹³⁾	201,132,927	54.7%	57.7%	1	100%	63.8%
BRH ⁽⁴⁾	—	—	—	1	100%	63.8%
AP Professional Holdings, L.P. ⁽¹⁴⁾	222,455,477	57.0%	63.8%	—	—	—
5% Stockholders:						
TimesSquare Capital Management, LLC ⁽¹⁵⁾	8,998,700	5.4%	2.6%	—	—	—

*Represents less than 1%.

(1) The percentage of beneficial ownership of our Class A shares is based on voting and non-voting Class A shares outstanding.

(2) The total percentage of voting power is based on voting Class A shares and the Class B share.

The number of Class A shares presented are held by estate planning vehicles, for which this individual disclaims beneficial ownership except to the extent of his pecuniary interest therein. The number of Class A shares presented do not include any Class A shares owned by Holdings with respect to which this individual, as one of the three owners of all of the interests in BRH, the general partner of Holdings, or as a party to the Agreement Among (3) Managing Partners described under “Item 13. Certain Relationships and Related Party Transactions—Agreement Among Managing Partners” or the Managing Partner Shareholders Agreement described under “Item 13. Certain Relationships and Related Party Transactions—Managing Partner Shareholders Agreement,” may be deemed to have shared voting or dispositive power. Each of these individuals disclaims any beneficial ownership of these shares, except to the extent of his pecuniary interest therein.

BRH, the holder of the Class B share, is one third owned by Mr. Black, one third owned by Mr. Harris and one third owned by Mr. Rowan. Pursuant to the Agreement Among Managing Partners, the Class B share is to be voted (4) and disposed of by BRH based on the determination of at least two of the three Managing Partners; as such, they share voting and dispositive power with respect to the Class B share.

Includes 250,000 Class A shares held by a trust for the benefit of Mr. Krongard’s children, for which Mr. Krongard’s (5) children are the trustees. Mr. Krongard disclaims beneficial ownership with respect to such shares, except to the extent of his pecuniary interest therein.

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(6) Includes 1,500 Class A shares held by two trusts for the benefit of Mr. Ducey’s grandchildren, for which Mr. Ducey and several of Mr. Ducey’s immediate family members are trustees and have shared investment power. Mr. Ducey disclaims beneficial ownership of the Class A shares held in the trusts, except to the extent of his pecuniary interest therein.

(7) Includes 40,000 Class A shares held by an entity, which is under the sole control of Mr. Kraft, and may be deemed to be beneficially owned by Mr. Kraft.

(8) Information is as of March 19, 2014, the date Mr. Spilker ceased to be an executive officer. Includes 26,350 Class A shares held by a trust for the benefit of Mr. Spilker’s children, for which one of Mr. Spilker’s immediate family members is a trustee and has investment power. The amount also includes 26,350 Class A shares held by a not-for-profit tax exempt foundation for which Mr. Spilker and his spouse are trustees with investment power. Mr. Spilker disclaims beneficial ownership with respect to such shares, except to the extent of his pecuniary interest therein.

(9) Includes 15,625 RSUs covering Class A shares which have vested or with respect to which Mr. Kelly has the right to acquire beneficial ownership within 60 days of February 26, 2015.

(10) Includes 114,584 RSUs covering Class A shares which have vested or with respect to which Mr. Suydam has the right to acquire beneficial ownership within 60 days of February 26, 2015. Does not include 343,751 Class A shares that will be delivered to Mr. Suydam, more than 60 days after February 26, 2015 in settlement of vested RSUs. Includes 120,488 Class A shares held by a trust for the benefit of Mr. Suydam’s spouse and children, for which Mr. Suydam’s spouse is the trustee. Mr. Suydam disclaims beneficial ownership with respect to such shares, except to the extent of his pecuniary interest therein.

(11) Includes 6,167 RSUs covering Class A shares which have vested or with respect to which Mr. Zelter has the right to acquire beneficial ownership within 60 days of February 26, 2015. Includes 300,698 Class A shares held by vehicles, over which Mr. Zelter exercises voting and investment control.

(12) Includes 1,459 RSUs covering Class A shares which have vested or with respect to which Mr. Weidler has the right to acquire beneficial ownership within 60 days of February 26, 2015.

(13) Refers to shares beneficially owned by the individuals who were directors and executive officers as of February 26, 2015. The shares beneficially owned by the directors and executive officers reflected above do not include 343,751 Class A shares that will be delivered to Mr. Suydam more than 60 days after February 26, 2015 in settlement of vested RSUs.

(14) Assumes that no Class A shares are distributed to the limited partners of Holdings. The general partner of Holdings, is BRH, which is one third owned by Mr. Black, one third owned by Mr. Harris and one third owned by Mr. Rowan. BRH is also the general partner of BRH Holdings, L.P., the limited partnership through which Messrs. Black, Harris and Rowan indirectly beneficially own (through estate planning vehicles) their limited partner interests in Holdings. These individuals disclaim any beneficial ownership of these Class A shares, except to the extent of their pecuniary interest therein.

(15) Based on a Schedule 13G filed on February 11, 2015, by TimesSquare Capital Management, LLC (“TimesSquare”). All of the shares reported on this Schedule 13G are owned by investment advisory clients of TimesSquare and in its role as investment advisor, TimesSquare has voting and dispositive power with respect to these shares. The address of TimesSquare Capital Management, LLC is 7 Times Square, 42nd floor, New York, New York 10036.

Securities Authorized for Issuance under Equity Incentive Plans

The following table sets forth information concerning the awards that may be issued under the Company’s Omnibus Equity Incentive Plan as of December 31, 2014.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights ⁽¹⁾	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation
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	(a)	(b)	Plans (excluding securities reflected in column (a)) ⁽²⁾ (c)
Equity Compensation Plans Approved by Security Holders	28,306,686	\$16.60	38,090,824
Equity Compensation Plans Not Approved by Security Holders	—	—	—
Total	28,306,686	\$16.60	38,090,824

(1) Reflects the aggregate number of outstanding options and RSUs granted under the Company's 2007 Omnibus Equity Incentive Plan (the "Equity Plan") as of December 31, 2014.

The Class A shares reserved under the Equity 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 AOG Units exchangeable for Class A shares on a fully converted and diluted basis on the last day of the immediately

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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. The number of shares reserved under the Equity Plan is also subject to adjustment in the event of a share split, share dividend, or other change in our capitalization. Generally, employee shares that are forfeited, canceled, surrendered or exchanged from awards under the Equity Plan will be available for future awards. We have filed a registration statement and intend to file additional registration statements on Form S-8 under the Securities Act to register Class A shares under the Equity Plan (including pursuant to automatic annual increases). Any such Form S-8 registration statement will automatically become effective upon filing. Accordingly, Class A shares registered under such registration statement will be available for sale in the open market.

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ITEM 13. CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Agreement Among Managing Partners

Our Managing Partners have entered into the Agreement Among Managing Partners. The Managing Partners own Holdings in accordance with their respective sharing percentages, or “Sharing Percentages,” as set forth in the Agreement Among Managing Partners. For the purposes of the Agreement Among Managing Partners, “Pecuniary Interest” means, with respect to each Managing Partner, the number of AOG Units that would be distributable to such Managing Partner assuming that Holdings was liquidated and its assets distributed in accordance with its governing agreements.

Pursuant to the Agreement Among Managing Partners, each of Messrs. Harris and Rowan vested in his interest in the AOG Units in 60 equal monthly installments, and Mr. Black vested in his interest in the AOG Units in 72 equal monthly installments. For the purposes of the vesting provisions of the Agreement Among Managing Partners, our Managing Partners were credited for their employment with us since January 1, 2007. Each is now vested in full. We may not terminate a Managing Partner except for cause or by reason of disability.

The transfer by a Managing Partner of any portion of his Pecuniary Interest to a permitted transferee will in no way affect any of his obligations under the Agreement Among Managing Partners; provided, that all permitted transferees are required to sign a joinder to the Agreement Among Managing Partners.

The Managing Partners’ respective Pecuniary Interests in certain funds, or the “Heritage Funds,” within the Apollo Operating Group are not held in accordance with the Managing Partners’ respective Sharing Percentages. Instead, each Managing Partner’s Pecuniary Interest in such Heritage Funds is held in accordance with the historic ownership arrangements among the Managing Partners, and the Managing Partners continue to share the operating income in such Heritage Funds in accordance with their historic ownership arrangement with respect to such Heritage Funds. The Agreement Among Managing Partners may be amended and the terms and conditions of the Agreement Among Managing Partners may be changed or modified upon the unanimous approval of the Managing Partners. We, our shareholders (other than the Strategic Investors, as set forth under “-Lenders Rights Agreement-Amendments to Managing Partner Transfer Restrictions”) and the Apollo Operating Group have no ability to enforce any provision thereof or to prevent the Managing Partners from amending the Agreement Among Managing Partners.

Managing Partner Shareholders Agreement

We have entered into the Managing Partner Shareholders Agreement with our Managing Partners. The Managing Partner Shareholders Agreement provides the Managing Partners with certain rights with respect to the approval of certain matters and the designation of nominees to serve on our board of directors, as well as registration rights for our securities that they own.

Board Representation

The Managing Partner Shareholders Agreement requires our board of directors, so long as the Apollo control condition is satisfied, to nominate individuals designated by our manager such that our manager will have a majority of the designees on our board.

Transfer Restrictions

The Managing Partner Shareholders Agreement provides that no Managing Partner may, nor shall any of such Managing Partner’s permitted transferees, directly or indirectly, voluntarily effect cumulative transfers of Pecuniary Interests (as defined in the Managing Partner Shareholders Agreement), representing more than: (i) 15% of his Pecuniary Interests at any time on or after the third anniversary and prior to the fourth anniversary of our IPO; (ii) 22.5% of his Pecuniary Interests at any time on or after the fourth anniversary and prior to the fifth anniversary of our IPO; (iii) 30% of his Pecuniary Interests at any time on or after the fifth anniversary and prior to the sixth anniversary of our IPO; and (iv) 100% of his Pecuniary Interests at any time on or after the sixth anniversary of our IPO, other than, in each case, with respect to transfers (a) from one founder to another founder, (b) to a permitted transferee of such Managing Partner, or (c) in connection with a sale by one or more of our Managing Partners in one or a related series of transactions resulting in the Managing Partners owning or controlling, directly or indirectly, less than 50.1%

of the economic or voting interests in us or the Apollo Operating Group, or any other person exercising control over us or the Apollo Operating Group by contract, which would include a transfer of control of our manager.

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The percentages referenced in the preceding paragraph will apply to the aggregate amount of Equity Interests held by each Managing Partner (and his permitted transferees) as of July 13, 2007. After six years, each Managing Partner and his permitted transferees may transfer all of the Equity Interests of such Managing Partner to any person or entity in accordance with Rule 144, in a registered public offering or in a transaction exempt from the registration requirements of the Securities Act. The above transfer restrictions will lapse with respect to a Managing Partner if such Managing Partner dies or becomes disabled.

A “permitted transferee” means, with respect to each Managing Partner and his permitted transferees, (i) such Managing Partner’s spouse, (ii) a lineal descendant of such Managing Partner’s parents (or any such descendant’s spouse), (iii) a charitable institution controlled by such Managing Partner, (iv) a trustee of a trust (whether inter vivos or testamentary), the current beneficiaries and presumptive remaindermen of which are one or more of such Managing Partner and persons described in clauses (i) through (iii) above, (v) a corporation, limited liability company or partnership, of which all of the outstanding shares of capital stock or interests therein are owned by one or more of such Managing Partner and persons described in clauses (i) through (iv) above, (vi) an individual mandated under a qualified domestic relations order, (vii) a legal or personal representative of such Managing Partner in the event of his death or disability, (viii) any other Managing Partner with respect to transactions contemplated by the Managing Partner Shareholders Agreement, and (ix) any other Managing Partner who is then employed by Apollo or any of its affiliates or any permitted transferee of such Managing Partner in respect of any transaction not contemplated by the Managing Partner Shareholders Agreement, in each case that agrees in writing to be bound by these transfer restrictions.

Any waiver of the above transfer restrictions may only occur with our consent. As our Managing Partners control the management of our company, however, they have discretion to cause us to grant one or more such waivers.

Accordingly, the above transfer restrictions might not be effective in preventing our Managing Partners from selling or transferring their Equity Interests.

Indemnity

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 partners of the 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, 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 Managing Partner 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 other investment professionals are required to pay amounts in connection with a general partner obligation for the return of previously made distributions 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.

Registration Rights

Pursuant to the Managing Partner Shareholders Agreement, we have granted Holdings, an entity through which our Managing Partners and Contributing Partners own their AOG units, and its permitted transferees the right, under certain circumstances and subject to certain restrictions, to require us to register under the Securities Act our Class A shares held or acquired by them. Under the Managing Partner Shareholders Agreement, the registration rights holders (i) have “demand” registration rights that require us to register under the Securities Act the Class A shares that they hold or acquire, (ii) may require us to make available registration statements permitting sales of Class A shares they hold or acquire in the market from time to time over an extended period and (iii) have the ability to exercise certain piggyback registration rights in connection with registered offerings requested by other registration rights holders or initiated by

us. We have agreed to indemnify each registration rights holder and certain related parties against any losses or damages resulting from any untrue statement or omission of material fact in any registration statement or prospectus pursuant to which they sell our shares, unless such liability arose from such holder's misstatement or omission, and each registration rights holder has agreed to indemnify us against all losses caused by his misstatements or omissions. We have filed a shelf registration statement in connection with the rights described above.

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Roll-Up Agreements

Pursuant to the Roll-Up Agreements, the Contributing Partners received interests in Holdings, which we refer to as AOG Units, in exchange for their contribution of assets to the Apollo Operating Group. The AOG Units received by our Contributing Partners and any units into which they are exchanged generally vested over six years in equal monthly installments and were fully vested on June 30, 2013. AOG Units were subject to a lock-up until two years after our IPO. Thereafter, 7.5% of the AOG Units became, or will become, tradable on each of the second, third, fourth and fifth anniversaries of our IPO, with the remaining AOG Units becoming tradable on the sixth anniversary of our IPO or upon subsequent vesting. An AOG Unit that is forfeited will revert to the Managing Partners. Our Contributing Partners have the ability to direct Holdings to exercise Holdings' registration rights described above under "-Managing Partner Shareholders Agreement-Registration Rights."

Under their Roll-Up Agreements, each of our Contributing Partners is subject to a noncompetition provision until the first anniversary of the date of termination of his service as a partner to us. During that period, our Contributing Partners are prohibited from (i) engaging in any business activity that we operate in, (ii) rendering any services to any alternative asset management business (other than that of us or our affiliates) that involves primarily (i.e., more than 50%) third-party capital or (iii) acquiring a financial interest in, or becoming actively involved with, any competitive business (other than as a passive holding of a specified percentage of publicly traded companies). In addition, our Contributing Partners are subject to nonsolicitation, nonhire and noninterference covenants during employment and for two years thereafter. Our Contributing Partners are also bound to a nondisparagement covenant with respect to us and our Contributing Partners and to confidentiality restrictions. Resignation by any of our Contributing Partners shall require ninety days' notice. Any restricted period applicable to a Contributing Partner will commence after the ninety day notice of termination period.

Amended and Restated Exchange Agreement

We have entered into an exchange agreement with Holdings under which, subject to certain procedures and restrictions (including any applicable transfer restrictions and lock-up agreements described above) upon 60 days' written notice prior to a designated quarterly date, each Managing Partner and Contributing Partner (or certain transferees thereof) has the right to cause Holdings to exchange the AOG Units that he owns through Holdings for our Class A shares and to sell such Class A shares at the prevailing market price (or at a lower price that such Managing Partner or Contributing Partner is willing to accept). To effect the exchange, Holdings distributes the AOG Units to be exchanged to the applicable Managing Partner or Contributing Partner. Under the exchange agreement, the Managing Partner or Contributing Partner must then simultaneously exchange one AOG Unit (being an equal limited partner interest in each Apollo Operating Group entity) for each Class A share received from our intermediate holding companies. As a Managing Partner or Contributing Partner exchanges his AOG Units, our interest in the AOG Units will be correspondingly increased and the voting power of the Class B share will be correspondingly decreased. The exchange agreement was amended and restated on May 6, 2013 and further amended and restated on March 5, 2014. The amendments to the original exchange agreement (i) permit exchanging holders certain rights to revoke exchanges of their AOG Units in whole, but not in part, in certain circumstances; (ii) permit transfers of a holder's exchanged shares to a qualifying entity that can sell them under a Rule 10b5-1 trading plan; (iii) require the Company to use its commercially reasonable efforts to file and keep effective a shelf registration statement relating to the exchange of Class A shares received upon an exchange of AOG Units; (iv) modify the exchange mechanics to address certain tax considerations of an exchange for exchanging holders; and (v) require exchanging holders to reimburse APO Corp. for any incremental U.S. federal income tax incurred by APO Corp. as a result of the modification of the exchange mechanics.

Amended and Restated Tax Receivable Agreement

As a result of each of AMH Holdings (Cayman), L.P. and the Apollo Operating Group entities controlled by it or Apollo Management Holdings, L.P. having made an election under Section 754 of the Internal Revenue Code, any exchanges by a Managing Partner or Contributing Partner of AOG Units (together with the corresponding interest in our Class B share), that he owns through Holdings, for our Class A shares in a taxable transaction may result in an adjustment to the tax basis of a portion of the assets owned by the Apollo Operating Group at the time of the exchange. The taxable exchanges may result in increases in the tax depreciation and amortization deductions from

depreciable and amortizable assets, as well as an increase in the tax basis of other assets, of the Apollo Operating Group that otherwise would not have been available. A portion of these increases in tax depreciation and amortization deductions, as well as the increase in the tax basis of such other assets, will reduce the amount of tax that APO Corp. would otherwise be required to pay in the future. Additionally, our acquisition of AOG Units from the Managing Partners or Contributing Partners, such as our acquisition of AOG Units from the Managing Partners in the Strategic Investors Transaction, have and may continue to result in increases in tax deductions and tax basis that reduces the amount of tax that APO Corp. would otherwise be required to pay in the future.

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APO Corp. has entered into a tax receivable agreement with our Managing Partners and Contributing Partners that provides for the payment by APO Corp. to an exchanging or selling Managing Partner or Contributing Partner of 85% of the amount of actual cash savings, if any, in U.S. Federal, state, local and foreign income tax 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 payments pursuant to the tax receivable agreement. APO Corp. expects to benefit from the remaining 15% of actual cash savings, if any, in income tax that it realizes. For purposes of the tax receivable agreement, cash savings in income tax will be computed by comparing our actual income tax liability to the amount of such taxes that APO Corp. would have been required to pay had there been no increase to the tax basis of the tangible and intangible assets of the applicable Apollo Operating Group entity as a result of the transaction and had APO Corp. not entered into the tax receivable agreement. The tax savings achieved may not ensure that we have sufficient cash available to pay our tax liability or generate additional distributions to our investors. Also, we may need to incur additional debt to repay the tax receivable agreement if our cash flow needs are not met. The term of the tax receivable agreement will continue until all such tax benefits have been utilized or expired, unless APO Corp. exercises the right to terminate the tax receivable agreement by paying an amount based on the present value of payments remaining to be made under the agreement with respect to units that have been exchanged or sold and units which have not yet been exchanged or sold. Such present value will be determined based on certain assumptions, including that APO Corp. would have sufficient taxable income to fully utilize the deductions that would have arisen from the increased tax deductions and tax basis and other benefits related to the tax receivable agreement. In the event that 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, each U.S. corporation will become subject to a tax receivable agreement with substantially similar terms. In connection with an amendment of the AMH partnership agreement in April 2010, the tax receivable agreement was revised to reflect the Managing Partners' agreement to defer 25% of required payments pursuant to the tax receivable agreement that are attributable to the 2010 fiscal year until 2015.

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 we claim as a result of such increase 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, our Managing Partners and Contributing Partners would not be obligated under the tax receivable agreement to reimburse APO Corp. for any payments previously made to it (although 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 APO Corp.'s actual cash tax savings. In general, estimating the amount of payments that may be made to our Managing Partners and Contributing Partners under the tax receivable agreement is by its nature, imprecise, in the absence of an actual transaction, insofar as the calculation of amounts payable depends on a variety of factors. The actual increase in tax basis and the amount and timing of any payments under the tax receivable agreement will vary depending upon a number of factors, including:

the timing of the transactions—for instance, the increase in any tax deductions will vary depending on the fair market value, which may fluctuate over time, of the depreciable or amortizable assets of the Apollo Operating Group entities at the time of the transaction;

the price of our Class A shares at the time of the transaction—the increase in any tax deductions, as well as tax basis increase in other assets, of the Apollo Operating Group entities, is directly proportional to the price of the Class A shares at the time of the transaction;

the taxability of exchanges - to the extent if an exchange is not taxable for any reason, increased deductions will not be available; and

- the amount and timing of our income—APO Corp. will be required to pay 85% of the tax savings as and when realized, if any. If APO Corp. does not have taxable income, it is not required to make payments under the tax

receivable agreement for that taxable year because no tax savings were actually realized.

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. As noted above, no payments will be made if a Managing Partner or Contributing Partner elects to exchange his or her AOG Units in a tax-free transaction.

In connection with the first amendment and restatement of the exchange agreement, the tax receivable agreement was amended and restated on May 6, 2013 to conform the agreement to the amended and restated exchange agreement, particularly to address the modified exchange mechanics, and to make non-substantive updates to recognize certain additional Apollo Operating Group entities that have been formed since the original tax receivable agreement was entered into in 2007.

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Strategic Investors Transaction

On July 13, 2007, we sold securities to the Strategic Investors in return for a total investment of \$1.2 billion. Through our intermediate holding companies, we used all of the proceeds from the issuance of such securities to the Strategic Investors to purchase from our Managing Partners 17.4% of their AOG Units for an aggregate purchase price of \$1,068 million, and to purchase from our Contributing Partners a portion of their points for an aggregate purchase price of \$156 million. The Strategic Investors hold non-voting Class A shares, which represented 27.6% of our issued and outstanding Class A shares and 11.7% of the economic interest in the Apollo Operating Group, in each case as of December 31, 2014.

As all of their holdings in us are non-voting, neither of the Strategic Investors has any means for exerting control over our company.

Strategic Relationship Agreement

On April 20, 2010, we announced a new strategic relationship agreement with CalPERS, whereby we agreed to reduce management fees and other fees charged to CalPERS on funds we manage, 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 we will not use a placement agent in connection with securing any future capital commitments from CalPERS. Through December 31, 2014, the Company has reduced fees charged to CalPERS on the funds it manages by approximately \$95.9 million.

Lenders Rights Agreement

In connection with the Strategic Investors Transaction, we entered into a shareholders agreement, or the “Lenders Rights Agreement,” with the Strategic Investors.

Transfer Restrictions

Following the registration effectiveness date, each Strategic Investor may transfer its non-voting Class A shares up to the percentages set forth below during the relevant periods identified:

Period	Maximum Cumulative Amount
Registration Effectiveness Date-2nd anniversary of our IPO	0%
2nd-3rd anniversary of our IPO	25%
3rd-4th anniversary of our IPO	50%
4th-5th anniversary of our IPO	75%
5th anniversary of our IPO (and thereafter)	100%

Notwithstanding the foregoing, at no time following the registration effectiveness date may a Strategic Investor make a transfer representing 2% or more of our total Class A shares to any one person or group of related persons.

Registration Rights

Pursuant to the Lenders Rights Agreement, each Strategic Investor is afforded four demand registrations with respect to non-voting Class A shares, covering offerings of at least 2.5% of our total equity ownership and customary piggyback registration rights. All cutbacks between the Strategic Investors and Holdings (or its members) in any such demand registration shall be pro rata based upon the number of shares available for sale at such time (regardless of which party exercises a demand).

Amendments to Managing Partner Transfer Restrictions

Each Strategic Investor has a consent right with respect to any amendment or waiver of any transfer restrictions that apply to our Managing Partners.

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Apollo Operating Group Limited Partnership Agreements

Pursuant to the partnership agreements of the Apollo Operating Group partnerships, the indirect wholly-owned subsidiaries of Apollo Global Management, LLC that are the general partners of those partnerships have the right to determine when distributions will be made to the partners of the Apollo Operating Group and the amount of any such distributions. If a distribution is authorized, such distribution will be made to the partners of the Apollo Operating Group pro rata in accordance with their respective partnership interests.

The partnership agreements of the Apollo Operating Group partnerships also provide that substantially all of our expenses, including substantially all expenses solely incurred by or attributable to Apollo Global Management, LLC (such as expenses incurred in connection with the Private Offering Transactions), will be borne by the Apollo Operating Group; provided that obligations incurred under the tax receivable agreement by Apollo Global Management, LLC and its wholly-owned subsidiaries (which currently consist of our three intermediate holding companies, APO Corp., APO (FC), LLC and APO Asset Co., LLC), income tax expenses of Apollo Global Management, LLC and its wholly-owned subsidiaries and indebtedness incurred by Apollo Global Management, LLC and its wholly-owned subsidiaries shall be borne solely by Apollo Global Management, LLC and its wholly-owned subsidiaries.

Employment Arrangements

Please see the section entitled “Item 11. Executive Compensation-Narrative Disclosure to the Summary Compensation Table and Grants of Plan-Based Awards Table” and “-Potential Payments upon Termination or Change in Control” for a description of the employment agreements of our named executive officers who have employment agreements.

In addition, Joshua Black and Benjamin Black, sons of Leon Black, are each employed by the Company as an Associate in the Company’s private equity business. They are each entitled to receive a base salary, incentive compensation and other employee benefits that are offered to similarly situated employees of the Company. Each is also eligible to receive an annual performance-based bonus in an amount determined by the Company in its discretion.

Reimbursements

In the normal course of business, our personnel have made use of aircraft owned as personal assets by Messrs. Black, Rowan and Harris. Messrs. Black, Rowan and Harris paid for their purchases of the aircraft and bear all operating, personnel and maintenance costs associated with their operation for personal use. Payment by us for the business use of these aircraft by Messrs. Black, Rowan and Harris and other of our personnel totaled \$608,894, \$928,572 and \$1,601,325 for 2014 to Mr. Black, Mr. Rowan and Mr. Harris, respectively (which amounts are determined based on the lower of the actual costs of operating the aircraft or a specified hourly market rate).

Investments In Apollo Funds

Our directors and executive officers are generally permitted to invest their own capital (or capital of estate planning vehicles that they control) directly in our funds. In general, such investments are not subject to management fees, and in certain instances, may not be subject to carried interest. The opportunity to invest in our funds is available to all of the senior Apollo professionals and to those of our employees whom we have determined to have a status that reasonably permits us to offer them these types of investments in compliance with applicable laws. From our inception through December 31, 2014, our professionals have committed or invested approximately \$1.2 billion of their own capital to our funds.

The amount invested in our investment funds by our directors and executive officers (and their estate planning vehicles) during 2014 was \$21,594,185, \$17,611,226, \$10,047,553, \$3,117,160, \$3,487,560, \$107,144, and \$93,369 for Messrs Black, Harris, Rowan, Zelter, Suydam, Kelly, and Weidler respectively. The amount of distributions, including profits and return of capital to our directors and executive officers (and their estate planning vehicles) during 2014 was \$62,371,465, \$24,873,467, \$20,342,373, \$7,535,306, \$4,208,409, \$15,421, and \$12,737 for Messrs. Black, Harris, Rowan, Zelter, Suydam, Kelly, and Weidler, respectively.

Sub-Advisory Arrangements and Strategic Investment Accounts

From time to time, we may enter into sub-advisory arrangements with, or establish strategic investment accounts for, our directors and executive officers or vehicles they manage. Such arrangements would be approved in advance in accordance with our policy regarding transactions with related persons. In addition, any such sub-advisory arrangement or strategic investment account would be entered into with, or advised by, an Apollo entity serving as

investment advisor registered under the Investment Advisers Act, and any fee arrangements, if applicable would be on an arms-length basis.

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Indemnification of Directors, Officers and Others

Under our operating agreement, in most circumstances we will indemnify the following persons, to the fullest extent permitted by law, from and against all losses, claims, damages, liabilities, joint or several, expenses (including legal fees and expenses), judgments, fines, penalties, interest, settlements or other amounts: our manager; any departing manager; any person who is or was an affiliate of our manager or any departing manager; any person who is or was a member, partner, tax matters partner, officer, director, employee, agent, fiduciary or trustee of us or our subsidiaries, our manager or any departing manager or any affiliate of us or our subsidiaries, our manager or any departing manager; any person who is or was serving at the request of our manager or any departing manager or any affiliate of our manager or any departing manager as an officer, director, employee, member, partner, agent, fiduciary or trustee of another person; or any person designated by our manager. We have agreed to provide this indemnification unless there has been a final and non-appealable judgment by a court of competent jurisdiction determining that these persons acted in bad faith or engaged in fraud or willful misconduct. We have also agreed to provide this indemnification for criminal proceedings. Any indemnification under these provisions will only be out of our assets. We may purchase insurance against liabilities asserted against and expenses incurred by persons for our activities, regardless of whether we would have the power to indemnify the person against liabilities under our operating agreement.

We have entered into indemnification agreements with each of our directors, executive officers and certain of our employees which set forth the obligations described above.

We have also agreed to indemnify each of our Managing Partners and certain Contributing Partners against certain amounts that they are required to pay in connection with a general partner obligation for the return of previously made carried interest distributions in respect of Fund IV, Fund V and Fund VI. See the above description of the indemnity provisions of the Managing Partner Shareholders Agreement.

Statement of Policy Regarding Transactions with Related Persons

Our board of directors has adopted a written statement of policy regarding transactions with related persons, which we refer to as our “related person policy.” Our related person policy requires that a “related person” (as defined in paragraph (a) of Item 404 of Regulation S-K) must promptly disclose to our Chief Legal Officer any “related person transaction” (defined as any transaction that is reportable by us under Item 404(a) of Regulation S-K in which we were or are to be a participant and the amount involved exceeds \$120,000 and in which any related person had or will have a direct or indirect material interest) and all material facts with respect thereto. Our Chief Legal Officer will then promptly communicate that information to our manager. No related person transaction will be consummated without the approval or ratification of the executive committee of our manager or any committee of our board of directors consisting exclusively of disinterested directors. It is our policy that persons interested in a related person transaction will recuse themselves from any vote of a related person transaction in which they have an interest.

Director Independence

Because more than fifty percent of our voting power is controlled by BRH, we are considered a “controlled company” as defined in the listing standards of the NYSE and we are exempt from the NYSE rules that require that:

- our board of directors be comprised of a majority of independent directors;
- we establish a compensation committee composed solely of independent directors; and
- we establish a nominating and corporate governance committee composed solely of independent directors.

While our board of directors is currently comprised of a majority of independent directors, we plan on availing ourselves of the controlled company exceptions. 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. Our board of directors has determined that five of our eight directors meet the independence standards under the NYSE and the SEC. These directors are Messrs. Ducey, Fribourg, Krongard and Kraft and Ms. Richards.

At such time that we are no longer deemed a controlled company, our board of directors will take all action necessary to comply with all applicable rules within the applicable time period under the NYSE listing standards.

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ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The following table summarizes the aggregate fees for professional services provided by Deloitte & Touche LLP, the member firms of Deloitte Touche Tohmatsu, and their respective affiliates (collectively, the "Deloitte Entities") for the years ended December 31, 2014 and 2013:

	Year Ended December 31,			
	2014	2013		
	(in thousands)			
Audit fees	\$12,810	(1)	\$13,465	(1)
Audit fees for Apollo fund entities	20,413	(2)	19,505	(2)
Audit-related fees	7,360	(3)(4)	2,340	(3)(4)
Tax fees	3,275	(5)	3,580	(5)
Tax fees for Apollo fund entities	16,857	(2)	13,835	(2)

Audit fees consisted of fees for (a) the audits of our consolidated financial statements in our Annual Report on (1) Form 10-K and services attendant to, or required by, statute or regulation; (b) reviews of the interim condensed consolidated financial statements included in our quarterly reports on Form 10-Q.

(2) Audit and Tax fees for Apollo fund entities consisted of services to investment funds managed by Apollo in its capacity as the general partner and/or manager of such entities.

(3) Audit-related fees consisted of comfort letters, consents and other services related to SEC and other regulatory filings.

(4) Includes audit-related fees for Apollo fund entities of \$0.3 million and \$0.5 million for the year ended December 31, 2014 and 2013, respectively.

(5) Tax fees consisted of fees for services rendered for tax compliance and tax planning and advisory services.

Our audit committee charter requires the audit committee of our board of directors to approve in advance all audit and non-audit related services to be provided by our independent registered public accounting firm. All services reported in the Audit, Audit-related, Tax and Other categories above were approved by the committee.

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PART IV

ITEM 15. EXHIBITS

Exhibit Number	Exhibit Description
3.1	Certificate of Formation of Apollo Global Management, LLC (incorporated by reference to Exhibit 3.1 to the Registrant’s Registration Statement on Form S-1 (File No. 333-150141)).
3.2	Amended and Restated Limited Liability Company Agreement of Apollo Global Management, LLC (incorporated by reference to Exhibit 3.2 to the Registrant’s Registration Statement on Form S-1 (File No. 333-150141)).
4.1	Specimen Certificate evidencing the Registrant’s Class A shares (incorporated by reference to Exhibit 4.1 to the Registrant’s Registration Statement on Form S-1 (File No. 333-150141)).
4.2	Indenture dated as of May 30, 2014, among Apollo Management Holdings, L.P., the Guarantors party thereto and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Registrant’s Form 8-K filed with the Securities and Exchange Commission on May 30, 2014 (File No. 001-35107)).
4.3	First Supplemental Indenture dated as of May 30, 2014, among Apollo Management Holdings, L.P., the Guarantors party thereto and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 4.2 to the Registrant’s Form 8-K filed with the Securities and Exchange Commission on May 30, 2014 (File No. 001-35107)).
4.4	Form of 4.000% Senior Note due 2024 (included in Exhibit 4.2 to the Registrant’s Form 8-K filed with the Securities and Exchange Commission on May 30, 2014 (File No. 001-35107), which is incorporated by reference).
*4.5	Second Supplemental Indenture dated as of January 30, 2015, among Apollo Management Holdings, L.P., the Guarantors party thereto, Apollo Principal Holdings X, L.P. and Wells Fargo Bank, National Association, as trustee.
10.1	Amended and Restated Limited Liability Company Operating Agreement of AGM Management, LLC dated as of July 10, 2007 (incorporated by reference to Exhibit 10.1 to the Registrant’s Registration Statement on Form S-1 (File No. 333-150141)).
10.2	Third Amended and Restated Limited Partnership Agreement of Apollo Principal Holdings I, L.P. dated as of April 14, 2010 (incorporated by reference to Exhibit 10.2 to the Registrant’s Registration Statement on Form S-1 (File No. 333-150141)).
10.3	Third Amended and Restated Limited Partnership Agreement of Apollo Principal Holdings II, L.P. dated as of April 14, 2010 (incorporated by reference to Exhibit 10.3 to the Registrant’s Registration Statement on Form S-1 (File No. 333-150141)).

10.4 Third Amended and Restated Exempted Limited Partnership Agreement of Apollo Principal Holdings III, L.P. dated as of April 14, 2010 (incorporated by reference to Exhibit 10.4 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).

10.5 Third Amended and Restated Exempted Limited Partnership Agreement of Apollo Principal Holdings IV, L.P. dated as of April 14, 2010 (incorporated by reference to Exhibit 10.5 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).

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+10.6	Apollo Global Management, LLC 2007 Omnibus Equity Incentive Plan, as amended and restated (incorporated by reference to Exhibit 10.8 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
10.7	Agreement Among Principals, dated as of July 13, 2007, by and among Leon D. Black, Marc J. Rowan, Joshua J. Harris, Black Family Partners, L.P., MJR Foundation LLC, AP Professional Holdings, L.P. and BRH Holdings, L.P. (incorporated by reference to Exhibit 10.9 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
10.8	Shareholders Agreement, dated as of July 13, 2007, by and among Apollo Global Management, LLC, AP Professional Holdings, L.P., BRH Holdings, L.P., Black Family Partners, L.P., MJR Foundation LLC, Leon D. Black, Marc J. Rowan and Joshua J. Harris (incorporated by reference to Exhibit 10.10 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
10.9	Second Amended and Restated Exchange Agreement, dated as of March 5, 2014, by and among Apollo Global Management, LLC, 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., AMH Holdings (Cayman), L.P. and the Apollo Principal Holders (as defined therein) from time to time party thereto (incorporated by reference to Exhibit 10.11 to the Registrant's Form 10-Q for the period ended March 31, 2014 (File No. 001-35107)).
10.10	Amended and Restated Tax Receivable Agreement, dated as of May 6, 2013, by and among APO Corp., Apollo Principal Holdings II, L.P., Apollo Principal Holdings IV, L.P., Apollo Principal Holdings VI, Apollo Principal Holdings VIII, L.P., AMH Holdings (Cayman), L.P. and each Holder defined therein (incorporated by reference to Exhibit 10.2 to the Registrant's Form 8-K filed with the Securities and Exchange Commission on May 7, 2013 (File No. 001-35107)).
+10.11	Employment Agreement with Leon D. Black (incorporated by reference to Exhibit 10.43 to the Registrant's Form 10-Q for the period ended June 30, 2012 (File No. 001-35107)).
+10.12	Employment Agreement with Marc J. Rowan (incorporated by reference to Exhibit 10.44 to the Registrant's Form 10-Q for the period ended June 30, 2012 (File No. 001-35107)).
+10.13	Employment Agreement with Joshua J. Harris (incorporated by reference to Exhibit 10.45 to the Registrant's Form 10-Q for the period ended June 30, 2012 (File No. 001-35107)).
10.14	Second Amended and Restated Limited Partnership Agreement of Apollo Principal Holdings V, L.P. dated as of April 14, 2010 (incorporated by reference to Exhibit 10.20 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
10.15	Second Amended and Restated Limited Partnership Agreement of Apollo Principal Holdings VI, L.P. dated as of April 14, 2010 (incorporated by reference to Exhibit 10.21 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).

- 10.16 Second Amended and Restated Exempted Limited Partnership Agreement of Apollo Principal Holdings VII, L.P. dated as of April 14, 2010 (incorporated by reference to Exhibit 10.22 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
- 10.17 Second Amended and Restated Limited Partnership Agreement of Apollo Principal Holdings VIII, L.P. dated as of April 14, 2010 (incorporated by reference to Exhibit 10.23 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).

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10.18	Second Amended and Restated Exempted Limited Partnership Agreement of Apollo Principal Holdings IX, L.P. dated as of April 14, 2010 (incorporated by reference to Exhibit 10.24 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
10.19	Fourth Amended and Restated Limited Partnership Agreement of Apollo Management Holdings, L.P. dated as of October 30, 2012 (incorporated by reference to Exhibit 10.25 to the Registrant's Form 10-Q for the Registration Statement on Form S-1 (File No. 333-150141)).
10.20	Settlement Agreement, dated December 14, 2008, by and among Huntsman Corporation, Jon M. Huntsman, Peter R. Huntsman, Hexion Specialty Chemicals, Inc., Hexion LLC, Nimbus Merger Sub, Inc., Craig O. Morrison, Leon Black, Joshua J. Harris and Apollo Global Management, LLC and certain of its affiliates (incorporated by reference to Exhibit 10.26 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
10.21	First Amendment and Joinder, dated as of August 18, 2009, to the Shareholders Agreement, dated as of July 13, 2007, by and among Apollo Global Management, LLC, AP Professional Holdings, L.P., BRH Holdings, L.P., Black Family Partners, L.P., MJR Foundation LLC, Leon D. Black, Marc J. Rowan and Joshua J. Harris (incorporated by reference to Exhibit 10.27 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
10.22	Form of Indemnification Agreement (incorporated by reference to Exhibit 10.28 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
+10.23	Amended and Restated Employment Agreement with James Zelter dated as of June 20, 2014 (incorporated by reference to Exhibit 10.27 to the Form 10-Q for the period ended June 30, 2014 (File No. 001-35107)).
+10.24	Roll-Up Agreement with James Zelter (incorporated by reference to Exhibit 10.30 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
+10.25	Form of Restricted Share Unit Award Agreement under the Apollo Global Management, LLC 2007 Omnibus Equity Incentive Plan (for Plan Grants) (incorporated by reference to Exhibit 10.31 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
+10.26	Form of Restricted Share Unit Award Agreement under the Apollo Global Management, LLC 2007 Omnibus Equity Incentive Plan (for Bonus Grants) (incorporated by reference to Exhibit 10.32 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
+10.27	Form of Restricted Share Unit Award Agreement under the Apollo Global Management, LLC 2007 Omnibus Equity Incentive Plan (for new independent directors) (incorporated by reference to Exhibit 10.31 to the Form 10-Q for the period ended June 30, 2014 (File No. 001-35107)).
+10.28	Form of Restricted Share Unit Award Agreement under the Apollo Global Management, LLC 2007 Omnibus Equity Incentive Plan (for continuing independent directors) (incorporated by reference to Exhibit 10.32 to the Form 10-Q for the period ended June 30,

2014 (File No. 001-35107)).

+10.29 Form of Restricted Share Award Grant Notice and Restricted Share Award Agreement under the Apollo Global Management, LLC 2007 Omnibus Equity Incentive Plan (incorporated by reference to Exhibit 10.33 to the Form 10-Q for the period ended June 30, 2014 (File No. 001-35107)).

+10.30 Form of Share Award Grant Notice and Share Award Agreement under the Apollo Global Management, LLC 2007 Omnibus Equity Incentive Plan (for Retired Partners) (incorporated by reference to Exhibit 10.34 to the Form 10-Q for the period ended June 30, 2014 (File No. 001-35107)).

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+10.31	Apollo Management Companies AAA Unit Plan (incorporated by reference to Exhibit 10.34 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
+10.32	Employment Agreement with Marc Spilker (incorporated by reference to Exhibit 10.35 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
*+10.33	Employment Agreement with Christopher Weidler, dated June 4, 2013.
+10.34	Non-Qualified Share Option Agreement pursuant to the Apollo Global Management, LLC 2007 Omnibus Equity Incentive Plan with Marc Spilker dated December 2, 2010 (incorporated by reference to Exhibit 10.40 to the Registrant's Registration Statement on Form S-1 (File No. 333-150141)).
10.35	Amended Form of Independent Director Engagement Letter (incorporated by reference to Exhibit 10.38 to the Registrant's Form 10-Q for the period ended March 31, 2014 (File No. 001-35107)).
+10.36	Employment Agreement with Martin Kelly, dated July 2, 2012 (incorporated by reference to Exhibit 10.42 to the Registrant's Form 10-Q for the period ended June 30, 2012 (File No. 001-35107)).
10.37	Amended and Restated Exempted Limited Partnership Agreement of AMH Holdings, L.P., dated October 30, 2012 (incorporated by reference to Exhibit 10.46 to the Registrant's Form 10-Q for the period ended September 30, 2012 (File No. 001-35107)).
+10.38	Amended and Restated Limited Partnership Agreement of Apollo Advisors VI, L.P., dated as of April 14, 2005 and amended as of August 26, 2005 (incorporated by reference to Exhibit 10.41 to the Registrant's Form 10-K for the period ended December 31, 2013 (File No. 001-35107)).
+10.39	Third Amended and Restated Limited Partnership Agreement of Apollo Advisors VII, L.P., dated as of July 1, 2008 and effective as of August 30, 2007 (incorporated by reference to Exhibit 10.42 to the Registrant's Form 10-K for the period ended December 31, 2013 (File No. 001-35107)).
+10.40	Third Amended and Restated Limited Partnership Agreement of Apollo Credit Opportunity Advisors I, L.P., dated January 12, 2011 and made effective as of July 14, 2009 (incorporated by reference to Exhibit 10.43 to the Registrant's Form 10-K for the period ended December 31, 2013 (File No. 001-35107)).
+10.41	Third Amended and Restated Limited Partnership Agreement of Apollo Credit Opportunity Advisors II, L.P., dated January 12, 2011 and made effective as of July 14, 2009 (incorporated by reference to Exhibit 10.44 to the Registrant's Form 10-K for the period ended December 31, 2013 (File No. 001-35107)).
+10.42	Third Amended and Restated Limited Partnership Agreement of Apollo Credit Liquidity Advisors, L.P., dated January 12, 2011 and made effective as of July 14, 2009 (incorporated by reference to Exhibit 10.45 to the Registrant's Form 10-K for the period ended December

31, 2013 (File No. 001-35107)).

+10.43

Second Amended and Restated Limited Partnership Agreement of Apollo Credit Liquidity CM Executive Carry, L.P., dated January 12, 2011 and made effective as of July 14, 2009 (incorporated by reference to Exhibit 10.46 to the Registrant's Form 10-K for the period ended December 31, 2013 (File No. 001-35107)).

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+10.44	Second Amended and Restated Limited Partnership Agreement Apollo Credit Opportunity CM Executive Carry I, L.P. dated January 12, 2011 and made effective as of July 14, 2009 (incorporated by reference to Exhibit 10.47 to the Registrant's Form 10-K for the period ended December 31, 2013 (File No. 001-35107)).
+10.45	Second Amended and Restated Limited Partnership Agreement of Apollo Credit Opportunity CM Executive Carry II, L.P. dated January 12, 2011 and made effective as of July 14, 2009 (incorporated by reference to Exhibit 10.48 to the Registrant's Form 10-K for the period ended December 31, 2013 (File No. 001-35107)).
+10.46	Second Amended and Restated Exempted Limited Partnership Agreement of AGM Incentive Pool, L.P., dated June 29, 2012 (incorporated by reference to Exhibit 10.49 to the Registrant's Form 10-K for the period ended December 31, 2013 (File No. 001-35107)).
10.47	Credit Agreement, dated as of December 18, 2013, by and among Apollo Management Holdings, L.P., as the Term Facility Borrower and a Revolving Facility Borrower, the other Revolving Facility Borrowers party thereto, the other guarantors party thereto from time to time, the lenders party thereto from time to time, the issuing banks party thereto from time to time and JPMorgan Chase Bank, N.A., as administrative agent (incorporated by reference to Exhibit 10.50 to the Registrant's Form 10-K for the period ended December 31, 2013 (File No. 001-35107)).
*10.48	Guarantor Joinder Agreement, dated as of January 30, 2015, by Apollo Principal Holdings X, L.P. to the Credit Agreement, dated as of December 18, 2013, by and among Apollo Management Holdings, L.P., as the Term Facility Borrower and a Revolving Facility Borrower, the other Revolving Facility Borrowers party thereto, the existing guarantors party thereto, the lenders party thereto from time to time, the issuing banks party thereto from time to time and JPMorgan Chase Bank, N.A., as administrative agent.
10.49	Transition Agreement, dated as of March 19, 2014, by and among Marc A. Spilker, Apollo Management Holdings, L.P. and Apollo Global Management, LLC (incorporated by reference to Exhibit 10.51 to the Registrant's Form 10-Q for the period ended March 31, 2014 (File No. 001-35107)).
+10.50	Form of Letter Agreement under the Amended and Restated Limited Partnership Agreement of Apollo Advisors VIII, L.P. effective as of January 1, 2014 (incorporated by reference to Exhibit 10.56 to the Form 10-Q for the period ended June 30, 2014 (File No. 001-35107)).
+10.51	Form of Award Letter under the Amended and Restated Limited Partnership Agreement of Apollo Advisors VIII, L.P. effective as of January 1, 2014 (incorporated by reference to Exhibit 10.57 to the Form 10-Q for the period ended June 30, 2014 (File No. 001-35107)).
*+10.52	Amended and Restated Limited Partnership Agreement of Apollo EPF Advisors, L.P., dated as of February 3, 2011.
*+10.53	First Amended and Restated Exempted Limited Partnership Agreement of Apollo EPF Advisors II, L.P. dated as of April 9, 2012.
*+10.54	

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Amended and Restated Agreement of Exempted Limited Partnership of Apollo CIP Partner Pool, L.P., dated as of December 18, 2014.

*+10.55

Form of Award Letter under the Amended and Restated Agreement of Exempted Limited Partnership Agreement of Apollo CIP Partner Pool, L.P.

*+10.56

Second Amended and Restated Agreement of Limited Partnership of Apollo Credit Opportunity Advisors III (APO FC), L.P., dated as of December 18, 2014.

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*+10.57	Form of Award Letter under Second Amended and Restated Agreement of Limited Partnership of Apollo Credit Opportunity Advisors III (APO FC), L.P.
*21.1	Subsidiaries of Apollo Global Management, LLC.
*23.1	Consent of Deloitte & Touche LLP.
*31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a).
*31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a).
*32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
*32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
*101.INS	XBRL Instance Document
*101.SCH	XBRL Taxonomy Extension Scheme Document
*101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
*101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
*101.LAB	XBRL Taxonomy Extension Label Linkbase Document
*101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
*	Filed herewith.
+	Management contract or compensatory plan or arrangement.

The agreements and other documents filed as exhibits to this report are not intended to provide factual information or other disclosure other than with respect to the terms of the agreements or other documents themselves, and you should not rely on them for that purpose. In particular, any representations and warranties made by us in these agreements or other documents were made solely within the specific context of the relevant agreement or document and may not describe the actual state of affairs as of the date they were made or at any other time.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Apollo Global Management, LLC
(Registrant)

Date: February 27, 2015

By: /s/ Martin Kelly
Name: Martin Kelly
Chief Financial Officer
Title: (principal financial officer and
authorized signatory)

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Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Name	Title	Date
/s/ Leon Black Leon Black	Chairman and Chief Executive Officer and Director (principal executive officer)	February 27, 2015
/s/ Martin Kelly Martin Kelly	Chief Financial Officer (principal financial officer)	February 27, 2015
/s/ Chris Weidler Chris Weidler	Chief Accounting Officer (principal accounting officer)	February 27, 2015
/s/ Joshua Harris Joshua Harris	Senior Managing Director and Director	February 27, 2015
/s/ Marc Rowan Marc Rowan	Senior Managing Director and Director	February 27, 2015
/s/ Michael Ducey Michael Ducey	Director	February 27, 2015
/s/ Paul Fribourg Paul Fribourg	Director	February 27, 2015
/s/ Robert Kraft Robert Kraft	Director	February 27, 2015
/s/ AB Krongard AB Krongard	Director	February 27, 2015
/s/ Pauline Richards Pauline Richards	Director	February 27, 2015

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