

# Ares Management, L.P. Reports Second Quarter 2018 Results



LOS ANGELES--Ares Management, L.P. (NYSE:ARES) today reported its financial results for its second quarter ended June 30, 2018.

“Our second quarter results demonstrate our continued strong growth with fee related earnings, realized income and assets under management all showing high teens or better growth on a year over year basis, said Michael Arougheti, Chief Executive Officer and President of Ares. “With \$12 billion of funds raised in the second quarter and \$19 billion in the first half of 2018, we expect this to be our best year yet of fundraising as we capitalize on our market leadership in global direct lending and private credit. We now expect to end 2018 with over \$125 billion of assets under management, setting us up for significant future growth in our earnings.”

“Following our election to corporate tax status made earlier this year, we are excited to announce our intent to move forward with a full legal conversion to a state law corporation,” said Michael McFerran, Chief Operating Officer and Chief Financial Officer of Ares. “We plan to structure the conversion in a manner that we believe may enable index inclusion, which could further broaden our investor base.”

## **Common Dividend**

Ares declared a quarterly dividend of \$0.28 per common share, payable on September 28, 2018 to common shareholders of record at the close of business on September 14, 2018.

## **Preferred Dividend**

Ares declared a quarterly dividend of \$0.4375 per Series A Preferred Share with a payment date of September 30, 2018 to preferred shareholders of record as of the close of business on September 15, 2018.

## **Corporate and Tax Status**

Following its corporate tax status election effective March 1, 2018, Ares Management, L.P. announced today the intent to convert its legal status from a Delaware limited partnership to a Delaware corporation. The conversion is expected to be completed by December 31, 2018. In connection with the conversion, Ares intends to adopt a structure designed to meet the eligibility requirements for certain indices, although no assurances can be provided regarding index inclusion. Because Ares Management, L.P. is already treated as a corporation for U.S. income tax purposes as of March 1, 2018, ownership of our shares does not generate any unrelated business taxable income (UBTI) or income effectively connected with a U.S. trade or business (ECI), and the conversion would not impact this treatment. As of March 1, 2018, ARES shareholders receiving dividends will see such dividends reported on Form 1099 DIV and are eligible for the favorable tax rates applicable to qualified dividend income. The conversion would not impact this treatment.

## **Additional Information**

Ares issued a full detailed presentation of its second quarter 2018 results, which can be viewed at [www.aresmgmt.com](http://www.aresmgmt.com) on the Investor Resources section of our home page under Events and Presentations. The presentation is titled "Second Quarter 2018 Earnings Presentation." We also filed our Second Quarter 2018 Earnings Presentation on Form 8-K for the quarter ended June 30, 2018 with the U.S. Securities and Exchange Commission on August 2, 2018 and will file our Quarterly Report on Form 10-Q for the quarter ended June 30, 2018 with the U.S. Securities and Exchange Commission on August 6, 2018.

### **Conference Call and Webcast Information**

Ares will host a conference call on August 2, 2018 at 12:00 p.m. ET to discuss second quarter results. All interested parties are invited to participate via telephone or the live webcast, which will be hosted on a webcast link located on the home page of the Investor Resources section of our website at <http://www.aresmgmt.com>. Please visit the website to test your connection before the webcast. Domestic callers can access the conference call by dialing (888) 317-6003. International callers can access the conference call by dialing +1 (412) 317-6061. All callers will need to enter the Participant Elite Entry Number 6797775 followed by the # sign and reference "Ares Management, L.P." once connected with the operator. All callers are asked to dial in 10-15 minutes prior to the call so that name and company information can be collected. For interested parties, an archived replay of the call will be available through September 3, 2018 (Eastern Time) to domestic callers by dialing (877) 344-7529 and to international callers by dialing +1 (412) 317-0088. For all replays, please reference conference number 10121846. An archived replay will also be available through September 3, 2018 on a webcast link located on the Home page of the Investor Resources section of our website.

### **About Ares Management, L.P.**

Ares Management, L.P. is a publicly traded, leading global alternative asset manager with approximately \$121.4 billion of assets under management as of June 30, 2018 and 18 offices in the United States, Europe, Asia and Australia. Since its inception in 1997, Ares has adhered to a disciplined investment philosophy that focuses on delivering strong risk-adjusted investment returns throughout market cycles. Ares believes each of its three distinct but complementary investment groups in Credit, Private Equity and Real Estate is a market leader based on assets under management and investment performance. Ares was built upon the fundamental principle that each group benefits from being part of the greater whole. For more information, visit [www.aresmgmt.com](http://www.aresmgmt.com).

### **Forward-Looking Statements**

Statements included herein may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, which relate to future events or our future performance or financial condition. These statements are not guarantees of future performance, condition or results and involve a number of risks and uncertainties. Actual results may differ materially from those in the forward-looking statements as a result of a number of factors, including those described from time to time in our filings with the Securities and Exchange Commission. Ares Management, L.P. undertakes no duty to update any forward-looking statements made herein or on the webcast/conference call.

Nothing in this press release constitutes an offer to sell or solicitation of an offer to buy any securities of Ares or an investment fund managed by Ares or its affiliates.

### **Investor Relations Contacts**

Carl Drake  
[cdrake@aresmgmt.com](mailto:cdrake@aresmgmt.com)  
(800) 340-6597

Veronica Mendiola  
[vmendiola@aresmgmt.com](mailto:vmendiola@aresmgmt.com)  
(212) 808-1150

Cameron Rudd  
[crudd@aresmgmt.com](mailto:crudd@aresmgmt.com)  
(800) 340-6597



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**Second Quarter 2018**  
Earnings Presentation



# Important Notice

This presentation contains “forward looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, that are subject to risks and uncertainties. Actual outcomes and results could differ materially from those suggested by this presentation due to the impact of many factors beyond the control of Ares Management, L.P. (“Ares” or “the Company”), including those listed in the “Risk Factors” section of our filings with the Securities and Exchange Commission (“SEC”). Any such forward-looking statements are made pursuant to the safe harbor provisions available under applicable securities laws and Ares assumes no obligation to update or revise any such forward-looking statements.

Certain information discussed in this presentation was derived from third party sources and has not been independently verified and, accordingly, Ares makes no representation or warranty in respect of this information.

The following slides contain summaries of certain financial and statistical information about Ares. The information contained in this presentation is summary information that is intended to be considered in the context of Ares’ SEC filings and other public announcements that Ares may make, by press release or otherwise, from time to time. Ares undertakes no duty or obligation to publicly update or revise the forward-looking statements or other information contained in this presentation. In addition, this presentation contains information about Ares, its affiliated funds and certain of their respective personnel and affiliates, and their respective historical performance. You should not view information related to the past performance of Ares and its affiliated funds as indicative of future results.

Certain information set forth herein includes estimates and targets and involves significant elements of subjective judgment and analysis. Further, such information, unless otherwise stated, is before giving effect to management and incentive fees and deductions for taxes. No representations are made as to the accuracy of such estimates or targets or that all assumptions relating to such estimates or targets have been considered or stated or that such estimates or targets will be realized.

This presentation does not constitute an offer to sell or the solicitation of an offer to buy any securities of Ares.

Management uses certain non-GAAP financial measures, including assets under management, fee paying assets under management, economic net income, fee related earnings and realized income, to evaluate Ares’ performance and that of its business segments. Management believes that these measures provide investors with a greater understanding of Ares’ business and that investors should review the same supplemental non-GAAP financial measures that management uses to analyze Ares’ performance. The measures described herein represent those non-GAAP measures used by management, in each case, before giving effect to the consolidation of certain funds with its results in accordance with GAAP. These measures should be considered in addition to, and not in lieu of, Ares’ financial statements prepared in accordance with GAAP. The definitions and reconciliations of these measures to the most directly comparable GAAP measures, as well as an explanation of why we use these measures, are included in the Appendix. Amounts and percentages may reflect rounding adjustments and consequently totals may not appear to sum.

For the definitions of certain terms used in this presentation, please refer to the "Glossary" slide in the appendix.



# Second Quarter Highlights

## Assets Under Management

- Assets Under Management ("AUM") of \$121.4 billion
- Fee Paying AUM ("FPAUM") of \$76.9 billion
- Available Capital of \$33.3 billion
- AUM Not Yet Earning Fees available for future deployment of \$19.9 billion
- Raised \$12.1 billion in gross new capital with net inflows of \$11.5 billion<sup>(1)</sup> for the quarter ended June 30, 2018
- Capital deployment of \$6.4 billion during the quarter ended June 30, 2018, including \$4.3 billion related to our drawdown funds

## Financial Results

- Q2-18 GAAP net loss attributable to Ares Management, L.P. of \$11.8 million<sup>(2)</sup>
- Q2-18 GAAP basic and diluted loss per common share of \$0.20<sup>(2)</sup>
- Q2-18 GAAP management fees of \$194.0 million<sup>(3)</sup>
- Q2-18 Unconsolidated management and other fees of \$209.5 million<sup>(3)</sup>
- Q2-18 Fee Related Earnings of \$62.0 million
- Q2-18 Performance Related Earnings of \$25.5 million
- Q2-18 Realized Income of \$108.1 million
- Q2-18 Economic Net Income of \$87.5 million and after-tax Economic Net Income of \$0.34 per share<sup>(4)</sup>

## Realized Income and Dividends

- Q2-18 after-tax Realized Income of \$0.40 per common share<sup>(5)</sup>
- Declared quarterly common dividend of \$0.28 per common share<sup>(6)</sup>
- Declared quarterly preferred dividend of \$0.4375 per preferred share<sup>(7)</sup>

## Recent Developments

- On July 9, 2018, we held the first closing for our first U.S. Senior Direct Lending commingled fund totaling \$1.4 billion of equity commitments
- On July 18, 2018, we held the final close at its hard cap of €6.5 billion of total commitments for our fourth commingled European direct lending fund, Ares Capital Europe IV ("ACE IV"), including ~€963 million of equity commitments that closed in Q3-18

1. Net inflows represents gross commitments less redemptions.

2. Q2-18 GAAP loss reflects a valuation allowance of \$28.9 million on a one-time deferred tax asset recognized in the first quarter 2018 related to the election to be taxed as a corporation. Neither the asset nor the corresponding valuation allowance will create or reduce future income tax expense and will ultimately be reversed through equity as we account for the book to tax timing differences.

3. Includes ARCC Part I Fees of \$29.9 million for the three months ended June 30, 2018. Difference between GAAP and Unconsolidated management fees represents \$8.3 million from Consolidated Funds that is eliminated upon consolidation and other fees represents \$7.2 million primarily of transaction based fees in Credit funds.

4. Pro forma shares of 224,957,119 includes the sum of average common shares, Ares Operating Group Units that are exchangeable for common shares on a one-for-one basis and the dilutive effects of the Company's equity-based awards. Please refer to slides 19 and 32 in this presentation for further information. After-tax Economic Net Income per share is presented net of the preferred dividends.

5. After-tax Realized Income per common share is net of the preferred share dividend.

6. Payable on September 28, 2018 to shareholders of record as of September 14, 2018.

7. Payable on September 30, 2018 to shareholders of record as of September 15, 2018.

# Gross New Capital Commitments<sup>(1)</sup> – Second Quarter of 2018

\$ in millions	Q2 2018	Comments
<b>Credit Group</b>		
Ares Capital Europe IV ("ACE IV")	\$6,462	Initial equity commitments of €5.6 billion included in first closing of ACE IV. Since quarter end, we raised additional equity commitments of €963 million, bringing total to €6.5 billion or \$7.6 billion
U.S. Direct Lending	1,444	New equity and debt commitments
ARCC and affiliates	1,349	New debt commitments
Structured Credit	914	New equity commitments
CLOs	513	Closed a new U.S. CLO
E.U. Direct Lending	655	New equity commitments
Other Credit Funds	63	Additional equity commitments to various funds
<b>Total Credit Group</b>	<b>\$11,400</b>	
<b>Private Equity Group</b>		
U.S. Power and Energy Infrastructure	\$350	New equity co-investment commitments
<b>Total Private Equity Group</b>	<b>\$350</b>	
<b>Real Estate Group</b>		
U.S. and E.U. Equity	\$307	New and additional equity commitments and co-investments
<b>Total Real Estate Group</b>	<b>\$307</b>	
<b>Total</b>	<b>\$12,057</b>	

1. Represents gross new commitments during Q2-18, including equity and debt commitments and gross inflows into our open-ended managed accounts and sub-advised accounts.



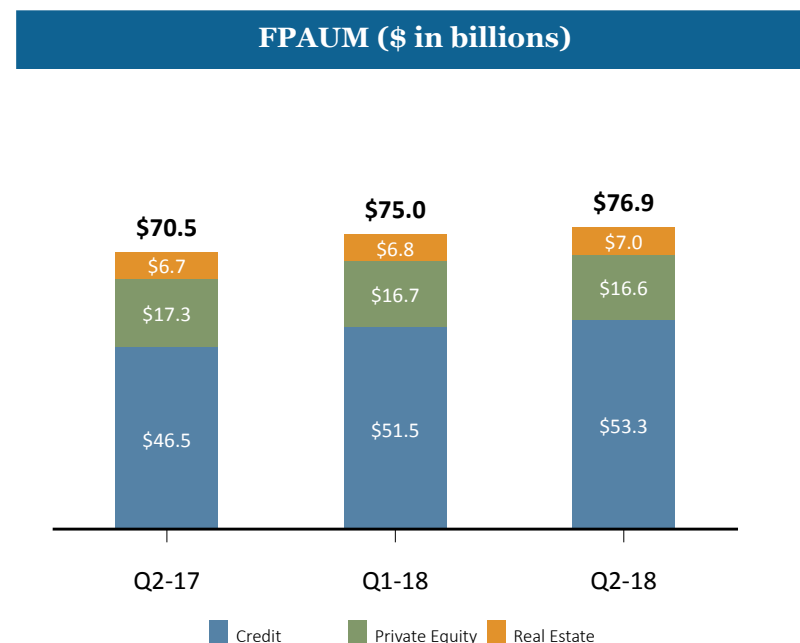
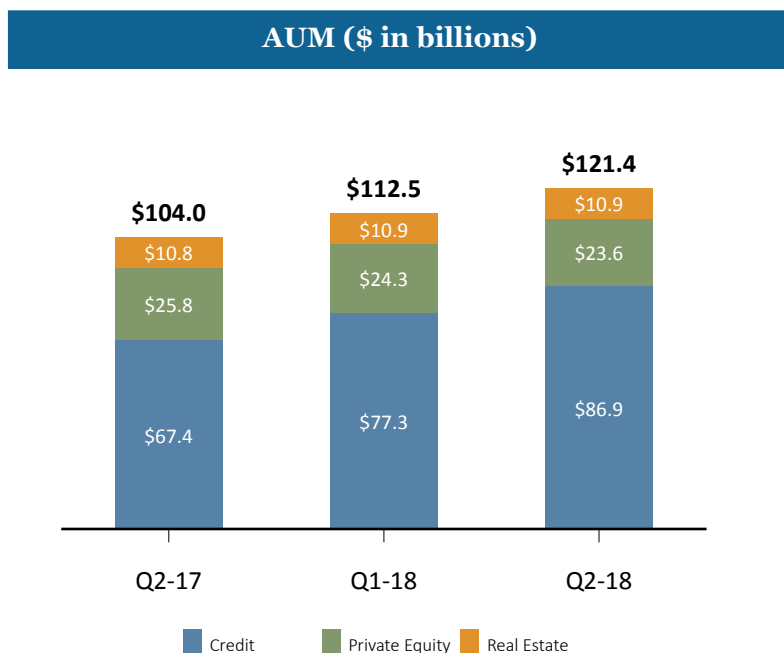
# Assets Under Management

## AUM of \$121.4 billion as of June 30, 2018 increased 16.7% year over year<sup>(1)</sup>

- Q2-18 gross new capital commitments of \$12.1 billion, including \$10.0 billion in equity commitments, \$0.5 billion of CLO commitments and \$1.6 billion in other debt commitments
  - Of the \$12.1 billion in new capital commitments raised during the quarter, \$1.3 billion is already earning fees and another \$9.2 billion is expected to become FPAUM upon deployment
- AUM growth was partially offset by distributions/redemptions of \$2.5 billion,<sup>(2)</sup> primarily in funds past their reinvestment periods in the Private Equity and Credit Groups, and by reduction in leverage of \$0.6 billion, primarily due to paydowns in CLOs

## FPAUM of \$76.9 billion as of June 30, 2018 increased 9.1% year over year

- Increase in FPAUM was primarily attributable to new commitments and deployment of capital in funds in the Credit Group



1. AUM amounts include funds managed by Ivy Hill Asset Management, L.P., a wholly owned portfolio company of Ares Capital Corporation and a registered investment adviser. ("IHAM")

2. For Q2-18, distributions totaled approximately \$1.9 billion and redemptions totaled approximately \$0.6 billion.



# AUM, FPAUM and Management Fee Duration

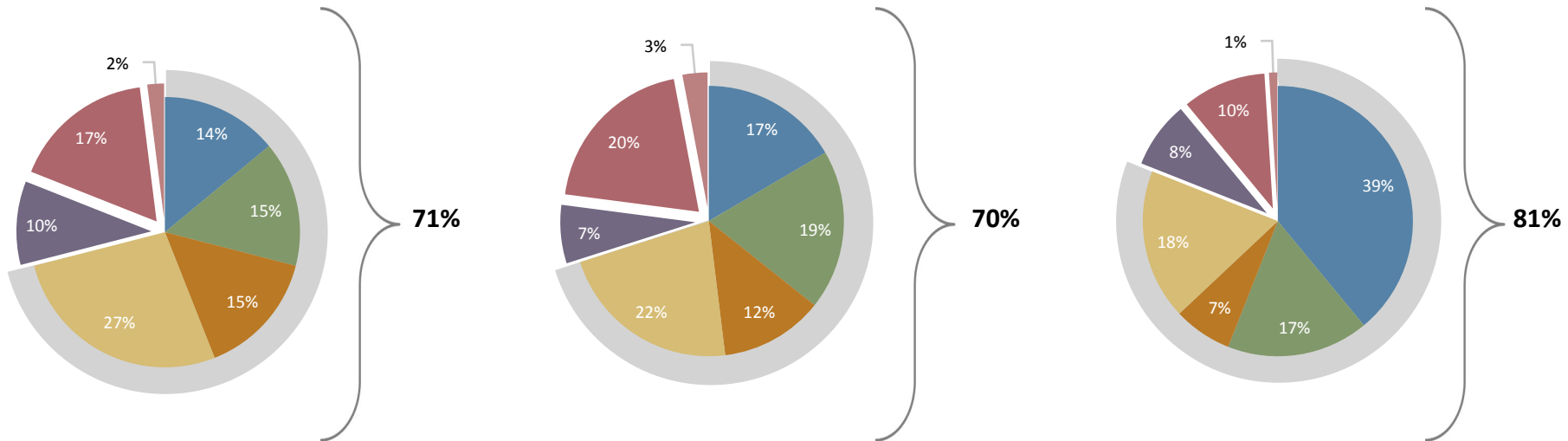
As of June 30, 2018, approximately 71% of AUM, 70% of FPAUM and 81% of management fees had a duration longer than 3 years

- At time of fund closing, approximately 81% of AUM and 78% of FPAUM had a duration longer than 3 years
- At time of fund closing, the initial duration of approximately 76% of AUM as of June 30, 2018 was greater than 7 years

**AUM: \$121.4 billion**

**FPAUM: \$76.9 billion**

**Management Fees: \$202.3 million**



Permanent Capital

10 or more years

7 to 9 years

3 to 6 years

Fewer Than 3 years

Differentiated Managed Accounts<sup>(1)</sup>

Managed Accounts

1. Differentiated Managed accounts are funds that have been managed by the firm for longer than three years that are in illiquid strategies or co-investments paying management fees.



# Available Capital and AUM Not Yet Earning Fees

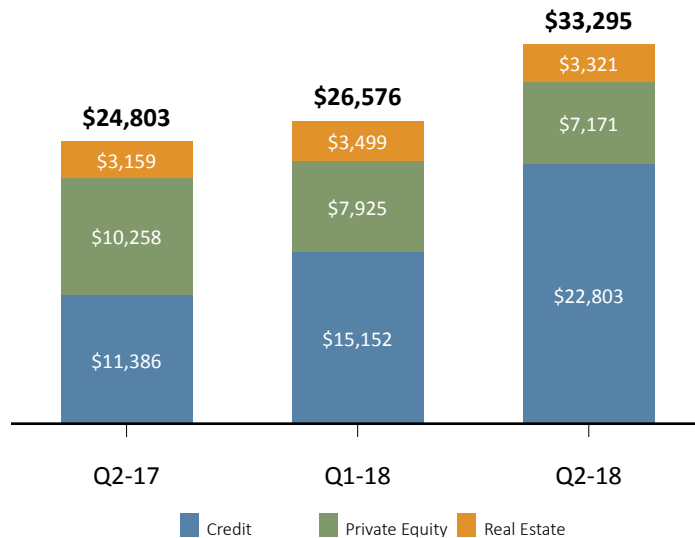
## Available Capital of \$33.3 billion as of June 30, 2018 increased 34.2% year over year

- The increase was primarily driven by new and additional commitments to E.U. and U.S. direct lending funds, partially offset by capital deployment in the Credit, Private Equity and Real Estate groups

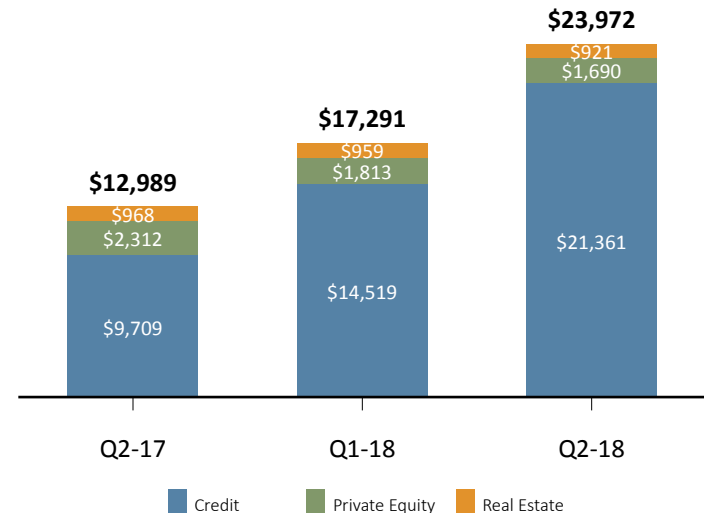
## AUM Not Yet Earning Fees of \$24.0 billion as of June 30, 2018 increased 84.6% year over year

- AUM Not Yet Earning Fees increased from \$13.0 billion as of Q2-17 to \$24.0 billion as of Q2-18 primarily driven by new and additional commitments to E.U. and U.S. direct lending funds

Available Capital (\$ in millions)



AUM Not Yet Earning Fees (\$ in millions)



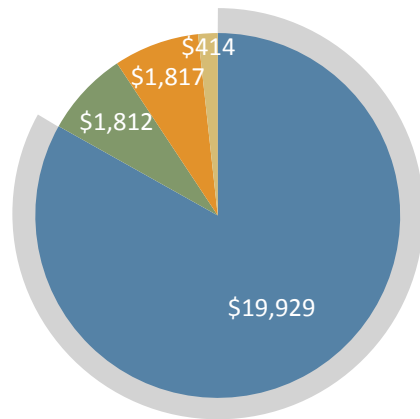
# AUM Not Yet Earning Fees

As of June 30, 2018, AUM Not Yet Earning Fees of \$24.0 billion could generate approximately \$264.4 million in potential incremental annual management fees, of which \$218.4 million relates to the \$19.9 billion of AUM available for future deployment<sup>(1)</sup>

- The \$19.9 billion of AUM not yet earning fees available for future deployment includes approximately \$16.6 billion relating to U.S. and E.U. direct lending funds and \$2.1 billion in structured credit funds

**AUM Not Yet Earning Fees: \$24.0 billion**

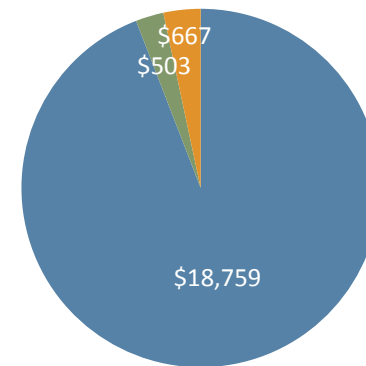
**AUM Not Yet Earning Fees Available for Future Deployment: \$19.9 billion**



(\$ in millions)



*\$19.9 billion of AUM Not Yet Earning Fees was available for future deployment as of June 30, 2018*



(\$ in millions)

- Capital Available for Future Deployment
- Capital Available for Deployment for Follow-on Investments<sup>(2)</sup>
- Available Capital Currently in Funds Unlikely to Be Drawn Due to Leverage Targets and Restrictions
- Funds in or Expected to Be in Wind-down

- Credit
- Private Equity
- Real Estate

1. No assurance can be made that such results will be achieved. Assumes the AUM Not Yet Earning Fees as of June 30, 2018 is invested and such fees are paid on an annual basis. Does not reflect any associated reductions in management fees from certain funds, some of which may be material. Reference to \$264.4 million includes approximately \$27.3 million in potential incremental management fees from deploying undrawn/available credit facilities at ARCC (in excess of 0.75X leverage), which may not be drawn due to leverage target limitations and restrictions until June 21, 2019. Excludes any potential ARCC Part I Fees. Note that ARCC has announced its intention to increase its target leverage to a range of 0.9X to 1.25X Debt to Equity beginning on June 21, 2019 as provided for in the 2018 Small Business Credit Availability Act. Such additional management fees and Part I Fees from deploying undrawn/available credit in excess of 1X leverage are not reflected above.

2. Capital available for deployment for follow-on investments represents capital committed to funds that are past their investment periods but for which capital is available to be called for follow-on investments in existing portfolio companies. As of June 30, 2018, capital available for deployment for follow-on investments could generate approximately \$18.7 million in potential management fees. There is no assurance such capital will be invested.

# Incentive Eligible AUM and Incentive Generating AUM

## Incentive Eligible AUM of \$73.2 billion as of June 30, 2018 increased by 23.0% year over year

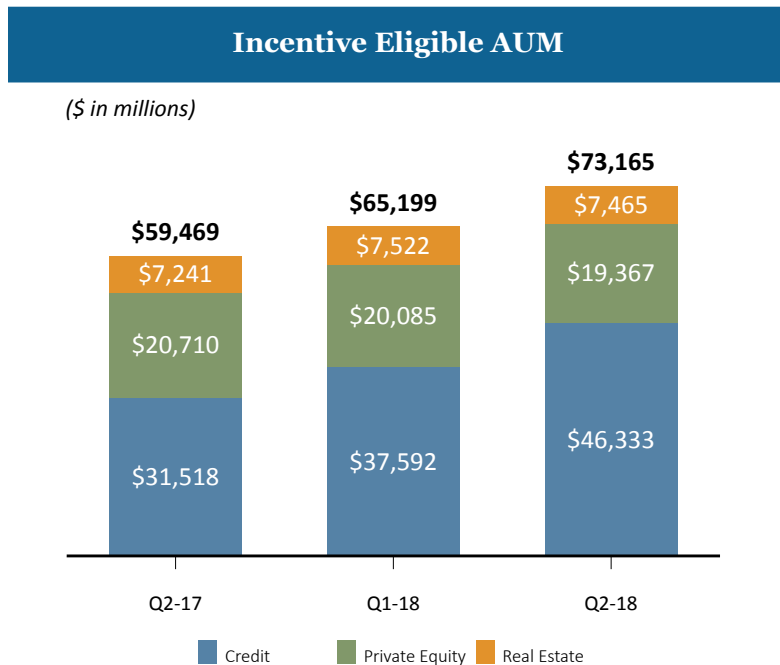
- The increase of \$13.7 billion was primarily driven by fundraising across E.U. and U.S. direct lending funds

## Incentive Generating AUM of \$24.5 billion as of June 30, 2018 increased by 11.0% year over year

- The increase was primarily driven by additional funds exceeding their hurdle rates in our Credit Group, as well as additional deployment of capital for funds exceeding hurdle rates as of June 30, 2017 and remaining above hurdle rates as of June 30, 2018

## Of the \$43.6 billion of Incentive Eligible AUM that is currently invested, 56.3% is Incentive Generating

- Excluding the capital gains fee potential from the largely debt oriented ARCC portfolio, 77.5% of Incentive Eligible AUM that is currently invested is Incentive Generating AUM



### Q2-18 Incentive Generating to Incentive Eligible AUM Reconciliation

(\$ in millions)

	Credit	Private Equity	Real Estate	Total
<b>Incentive Generating AUM</b>	<b>\$13,103</b>	<b>\$7,957</b>	<b>\$3,467</b>	<b>\$24,527</b>
+ Uninvested IEAUM	19,149	7,594	2,864	29,607
+ IEAUM below hurdle	2,180	3,816	1,134	7,130
+ ARCC Part II Fees below Hurdle <sup>(1)</sup>	11,901	-	-	11,901
<b>Incentive Eligible AUM</b>	<b>\$46,333</b>	<b>\$19,367</b>	<b>\$7,465</b>	<b>\$73,165</b>

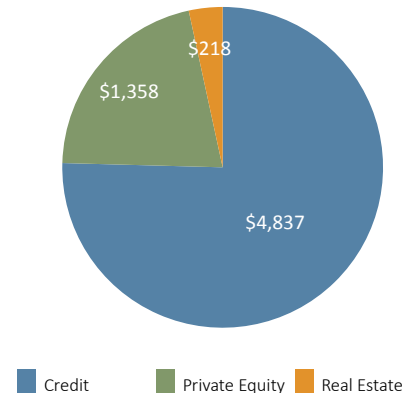
1. ARCC Part II Fees are paid when the cumulative aggregate net capital gains exceed cumulative aggregate realized capital losses and aggregate unrealized capital depreciation less any amounts paid in previous periods. As of June 30, 2018, the cumulative aggregate net capital gains were below the required hurdle by approximately 0.9% of the underlying portfolio.

# Capital Deployment<sup>(1)</sup>

- **Total gross invested capital during Q2-18 of \$6.4 billion compared to \$3.9 billion in Q2-17**
  - Of the total amount, \$4.3 billion was related to deployment in our drawdown funds compared to \$3.6 billion for the same period in 2017
  - Of our drawdown funds, the most active investment strategies were E.U. direct lending, U.S. direct lending, corporate private equity and special situations
- **Total gross invested capital for the six months ended June 30, 2018 of \$12.2 billion compared to \$7.5 billion for the six months ended June 30, 2017**
  - Of the total amount, \$8.7 billion was related to deployment in our drawdown funds compared to \$6.1 billion for the same period in 2017

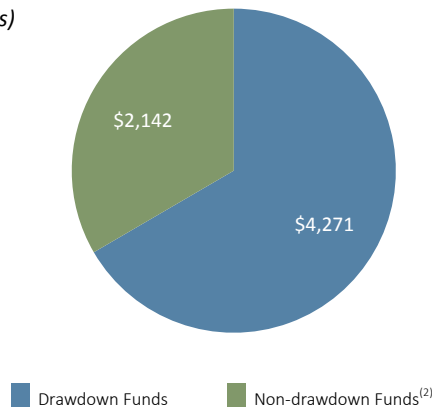
## Q2-18 Capital Deployment Breakdown: \$6.4 billion

(\$ in millions)



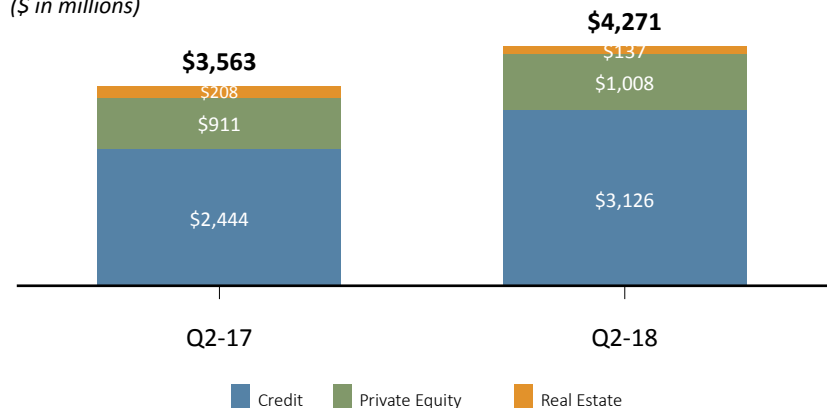
## Q2-18 Capital Deployment by Type: \$6.4 billion

(\$ in millions)



## Q2-18 Capital Deployment in Drawdown Funds: \$4.3 billion

(\$ in millions)



1. Capital deployment figures exclude deployment from permanent capital vehicles.  
 2. Non-drawdown funds includes new capital deployed by managed accounts and CLOs but excludes recycled capital.

# GAAP Statements of Operations

\$ in thousands, except share data	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
<b>Revenues</b>				
Management fees (includes ARCC Part I Fees of \$29,866, \$58,283 and \$19,143, \$52,400 for the three and six months ended June 30, 2018 and 2017, respectively)	\$194,032	\$180,768	\$383,547	\$352,813
Carried interest allocation	(13,444)	333,808	40,685	385,815
Incentive fees	7,740	4,216	12,811	7,381
Principal investment income	1,871	38,307	6,780	40,894
Administrative, transaction and other fees	13,964	15,098	26,429	29,538
<b>Total revenues</b>	<b>204,163</b>	<b>572,197</b>	<b>470,252</b>	<b>816,441</b>
<b>Expenses</b>				
Compensation and benefits	138,992	131,219	273,631	255,558
Performance related compensation	(13,005)	261,705	12,873	302,407
General, administrative and other expenses	59,918	50,751	104,368	98,089
Transaction support expense	—	—	—	275,177
Expenses of the Consolidated Funds	35,112	4,522	36,428	8,433
<b>Total expenses</b>	<b>221,017</b>	<b>448,197</b>	<b>427,300</b>	<b>939,664</b>
<b>Other income (expense)</b>				
Net realized and unrealized gain (loss) on investments	3,267	(6,588)	2,428	(5,700)
Interest and dividend income	2,356	1,462	5,703	3,386
Interest expense	(6,076)	(5,354)	(12,945)	(10,233)
Other income (expense), net	(1,987)	2,822	(2,298)	19,318
Net realized and unrealized gain (loss) on investments of Consolidated Funds	34,487	(12,713)	21,402	19,323
Interest and other income of the Consolidated Funds	92,633	38,326	157,055	79,818
Interest expense of the Consolidated Funds	(56,754)	(26,875)	(101,179)	(58,197)
<b>Total other income (expense)</b>	<b>67,926</b>	<b>(8,920)</b>	<b>70,166</b>	<b>47,715</b>
Income (loss) before taxes	51,072	115,080	113,118	(75,508)
Income tax expense (benefit)	36,903	1,253	24,528	(33,011)
<b>Net income (loss)</b>	<b>14,169</b>	<b>113,827</b>	<b>88,590</b>	<b>(42,497)</b>
Less: Net income (loss) attributable to non-controlling interests in Consolidated Funds	9,882	(8,647)	10,249	7,208
Less: Net income (loss) attributable to non-controlling interests in Ares Operating Group entities	16,062	72,596	49,168	(58,449)
<b>Net income (loss) attributable to Ares Management, L.P.</b>	<b>(11,775)</b>	<b>49,878</b>	<b>29,173</b>	<b>8,744</b>
Preferred equity dividends paid	5,425	5,425	10,850	10,850
<b>Net income (loss) attributable to Ares Management, L.P. common shareholders</b>	<b>\$(17,200)</b>	<b>\$44,453</b>	<b>\$18,323</b>	<b>\$(2,106)</b>
<b>Net income (loss) attributable to Ares Management, L.P. per common share:</b>				
Basic	\$(0.20)	\$0.54	\$0.16	\$(0.04)
Diluted	\$(0.20)	\$0.53	\$0.16	\$(0.04)
<b>Weighted-average common shares</b>				
Basic	<b>98,037,252</b>	<b>81,829,086</b>	<b>91,861,946</b>	<b>81,469,967</b>
Diluted	<b>98,037,252</b>	<b>84,319,882</b>	<b>91,861,946</b>	<b>81,469,967</b>
<b>Dividend declared and paid per common share</b>	<b>\$0.37</b>	<b>\$0.13</b>	<b>\$0.77</b>	<b>\$0.41</b>



# Financial Summary of RI, ENI and Other Measures

\$ in thousands, except share data (unless otherwise noted)	Three Months Ended June 30,			Six Months Ended June 30,		
	2018	2017	% Change	2018	2017	% Change
Management fees <sup>(1)</sup>	\$202,304	\$185,560	9%	\$399,130	\$362,341	10%
Other fees	7,221	6,020	20%	13,294	10,854	22%
Compensation and benefits expenses <sup>(2)</sup>	(110,391)	(103,846)	(6)%	(218,115)	(204,456)	(7)%
General, administrative and other expenses <sup>(3)</sup>	(37,096)	(34,346)	(8)%	(71,814)	(68,629)	(5)%
<b>Fee Related Earnings</b>	<b>\$62,038</b>	<b>\$53,388</b>	<b>16%</b>	<b>\$122,495</b>	<b>\$100,110</b>	<b>22%</b>
Realized net performance income	\$34,727	\$21,157	64%	\$42,965	\$24,661	74%
Realized net investment income	11,289	5,622	101%	14,667	9,069	62%
<b>Realized Income</b>	<b>\$108,054</b>	<b>\$80,167</b>	<b>35%</b>	<b>\$180,127</b>	<b>\$133,840</b>	<b>35%</b>
Unrealized net performance income	\$(23,457)	\$54,897	NM	\$652	\$68,757	(99)%
Unrealized net investment income (loss)	2,914	22,989	(87)%	(1,334)	31,312	NM
<b>Economic Net Income</b>	<b>\$87,511</b>	<b>\$158,053</b>	<b>(45)%</b>	<b>\$179,445</b>	<b>\$233,909</b>	<b>(23)%</b>
<b>After-tax Economic Net Income, net of preferred share dividend</b>	<b>\$75,954</b>	<b>\$147,837</b>	<b>(49)%</b>	<b>\$157,844</b>	<b>\$211,635</b>	<b>(25)%</b>
<b>After-tax Economic Net Income per share, net of preferred share dividend<sup>(4)</sup></b>	<b>\$0.34</b>	<b>\$0.69</b>	<b>(51)%</b>	<b>\$0.71</b>	<b>\$0.99</b>	<b>(28)%</b>
<b>After-tax Realized Income, net of preferred share dividend<sup>(5)</sup></b>	<b>\$94,421</b>	<b>\$68,720</b>	<b>37%</b>	<b>\$158,230</b>	<b>\$110,153</b>	<b>44%</b>
<b>After-tax Realized Income per common share, net of preferred share dividend<sup>(6)</sup></b>	<b>\$0.40</b>	<b>\$0.27</b>	<b>48%</b>	<b>\$0.67</b>	<b>\$0.42</b>	<b>60%</b>
Net performance income	\$11,270	\$76,054	(85)%	\$43,617	\$93,418	(53)%
Net investment income	14,203	28,611	(50)%	13,333	40,381	(67)%
<b>Performance Related Earnings</b>	<b>\$25,473</b>	<b>\$104,665</b>	<b>(76)%</b>	<b>\$56,950</b>	<b>\$133,799</b>	<b>(57)%</b>
<b>Other Data</b>						
<b>Total fee revenue<sup>(7)</sup></b>	<b>\$213,574</b>	<b>\$261,614</b>	<b>(18)%</b>	<b>\$442,747</b>	<b>\$455,759</b>	<b>(3)%</b>
<b>Effective management fee rate<sup>(8)</sup></b>	<b>1.05%</b>	<b>1.06%</b>	<b>—</b>	<b>1.06%</b>	<b>1.08%</b>	<b>—</b>

1. Includes ARCC Part I Fees of \$29.9 million and \$19.1 million for the three months ended June 30, 2018 and 2017, respectively, and \$58.3 million and \$52.4 million for the six months ended June 30, 2018 and 2017, respectively.
2. Includes compensation and benefits expenses attributable to the Operations Management Group of \$31.1 million and \$30.6 million for the three months ended June 30, 2018 and 2017, respectively, and \$61.7 million and \$56.5 million for the six months ended June 30, 2018 and 2017, respectively.
3. Includes G&A expenses attributable to Operations Management Group of \$19.5 million and \$18.9 million for the three months ended June 30, 2018 and 2017, respectively, and \$38.1 million and \$38.2 million for the six months ended June 30, 2018 and 2017, respectively, which are not allocated to an operating segment.
4. Pro-forma shares of 224,957,119 includes the sum of average common shares, Ares Operating Group Units that are exchangeable for common shares on a one-for-one basis and the dilutive effects of the Company's equity-based awards.
5. Q2-18 after-tax Realized Income includes \$4.7 million of current income tax related to realized performance income and \$3.6 million of current income tax related to FRE, of which \$4.6 million is entity level taxes and \$1.0 million is corporate level taxes benefit.
6. After-tax Realized Income attributable to common shareholders per share calculation uses total average common shares outstanding, assuming no exchange of Ares Operating Group Units.
7. Total fee revenue is calculated as management fees plus net performance income.
8. Effective management fee rate represents the quotient of management fees and the aggregate fee bases for the quarters presented. The effective rate shown excludes the effect of one-time catch-up fees.



# GAAP to Non-GAAP Reconciliation – Unconsolidated Reporting Basis

\$ in thousands	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
<b>Economic Net Income, Realized Income and Fee Related Earnings:</b>				
Income (loss) before taxes	\$51,072	\$115,080	\$113,118	\$(75,508)
Adjustments:				
Amortization of intangibles	3,285	5,274	6,572	10,549
Depreciation expense	4,426	2,774	8,315	5,990
Equity compensation expenses(1)	22,507	18,917	43,594	34,006
Acquisition and merger-related expenses	47	756	(272)	255,844
Placement fees and underwriting costs	1,852	6,383	3,516	9,822
Offering costs	3	(5)	3	655
Other expense, net(2)	13,551	—	13,558	—
Expense of non-controlling interests in consolidated subsidiaries	719	623	1,359	623
(Income) loss before taxes of non-controlling interests in Consolidated Funds, net of eliminations	(9,951)	8,251	(10,318)	(8,072)
<b>Economic Net Income</b>	<b>\$87,511</b>	<b>\$158,053</b>	<b>\$179,445</b>	<b>\$233,909</b>
Unconsolidated performance income - unrealized	\$124,343	\$(263,629)	\$89,225	\$(312,890)
Unconsolidated performance related compensation expense - unrealized	(100,886)	208,732	(89,877)	244,133
Unconsolidated net investment (income) loss - unrealized	(2,914)	(22,989)	1,334	(31,312)
<b>Realized Income</b>	<b>\$108,054</b>	<b>\$80,167</b>	<b>\$180,127</b>	<b>\$133,840</b>
Unconsolidated performance income - realized	\$(122,608)	\$(74,130)	\$(145,715)	\$(82,935)
Unconsolidated performance related compensation expense - realized	87,881	52,973	102,750	58,274
Unconsolidated net investment income - realized	(11,289)	(5,622)	(14,667)	(9,069)
<b>Fee Related Earnings</b>	<b>\$62,038</b>	<b>\$53,388</b>	<b>\$122,495</b>	<b>\$100,110</b>
<b>Performance Related Earnings</b>				
Economic Net Income	\$87,511	\$158,053	\$179,445	\$233,909
Less: Fee Related Earnings	(62,038)	(53,388)	(122,495)	(100,110)
<b>Performance Related Earnings</b>	<b>\$25,473</b>	<b>\$104,665</b>	<b>\$56,950</b>	<b>\$133,799</b>

Note: This table is a reconciliation of income (loss) before provision for income taxes on a consolidated basis to RI, ENI, FRE and PRE on unconsolidated basis, which shows the results of the reportable segments on a combined basis together with the Operations Management Group. Management believes that this presentation is more meaningful than a reconciliation to the reportable segments on a segment basis because such reconciliation would exclude the Operations Management Group. Differences may arise due to rounding.

- Equity compensation expense includes \$4.3 million, \$10.5 million and \$2.8 million, \$6.8 million, related to annual bonus program for the three and six months ended June 30, 2018 and 2017, respectively, and \$14.2 million, \$26.0 million and \$11.7 million and \$18.9 million, related to IPO and retention grants for restricted units for the three and six months ended June 30, 2018 and 2017, respectively.
- Includes \$11.8 million payment to ARCC for certain rent and utilities expenses for the years ended 2017, 2016, 2015 and 2014, and for the first quarter of 2018. The payment included \$0.6 million related to the first quarter of 2018 and \$0.6 million and \$1.3 million related to the three and six months ended June 30, 2017, respectively. Beginning April 1, 2018, the Company paid these expenses and recorded them as a direct operating expense within G&A, which totaled \$0.9 million for the quarter ended June 30, 2018.



## GAAP to Non-GAAP Reconciliation – Unconsolidated Reporting Basis (cont.)

\$ in thousands	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
<b>Performance fee and net investment income reconciliation:</b>				
Unconsolidated performance income - realized	\$122,608	\$74,130	\$145,715	\$82,935
Performance income - realized earned from Consolidated Funds	(4,000)	(4,664)	(4,000)	(8,086)
Performance income - realized reclass <sup>(1)</sup>	(521)	(1,200)	(521)	(1,200)
<b>Performance fee income - realized</b>	<b>\$118,087</b>	<b>\$68,266</b>	<b>\$141,194</b>	<b>\$73,649</b>
Unconsolidated performance income - unrealized	\$(124,343)	\$263,629	\$(89,225)	\$312,890
Performance income - unrealized earned from Consolidated Funds	—	5,146	—	5,698
Performance income - unrealized reclass <sup>(1)</sup>	552	983	1,527	959
<b>Performance income - unrealized</b>	<b>\$(123,791)</b>	<b>\$269,758</b>	<b>\$(87,698)</b>	<b>\$319,547</b>
Unconsolidated net investment income	14,203	\$28,611	\$13,333	\$40,381
Net investment income (loss) from Consolidated Funds	70,186	(3,560)	76,979	34,862
Performance income - reclass <sup>(1)</sup>	(31)	217	(1,006)	241
Principal investment income	(14,722)	(34,166)	(17,430)	(47,335)
Change in value of contingent consideration	—	(32)	—	20,216
Other non-cash expense	(1,715)	—	(1,722)	—
Offering costs	(3)	5	(3)	(655)
Other income of non-controlling interests in consolidated subsidiaries	8	5	15	5
<b>GAAP total other income</b>	<b>\$67,926</b>	<b>\$(8,920)</b>	<b>\$70,166</b>	<b>\$47,715</b>

Note: These tables are a reconciliation of consolidated performance income, realized and unrealized performance income and net investment income to unconsolidated basis, which assist in the reconciliation of GAAP Net Income (Loss) to Fee Related Earnings. These reconciliations show the results of the reportable segments on a combined basis together with the Operations Management Group. Management believes that this presentation is more meaningful than a reconciliation to the reportable segments on a segment basis because such reconciliation would exclude the Operations Management Group. Differences may arise due to rounding.

1. Related to performance income for AREA Sponsor Holdings LLC. Changes in value of this investment are reflected within other (income) expense in the Company's Condensed Consolidated Statements of Operations.



# Credit Group<sup>(1)</sup>

- Management and other fees increased by 21% for Q2-18 compared to Q2-17, primarily due to deployment in new U.S. and E.U. direct lending strategies and to an increase in ARCC Part I Fees
- Performance Related Earnings increased by \$14.4 million in Q2-18 from Q2-17, primarily driven by certain direct lending funds generating returns on increased capital deployment in excess of their hurdle rates compared to Q2-17
- Realized Income increased by \$24.7 million for Q2-18 compared to Q2-17, primarily driven by increases in fee related earnings and net realized performance income

## Financial Summary and Highlights<sup>(2)</sup>

\$ in thousands	Q2-18	Q2-17	% Change	YTD 2018	YTD 2017	% Change
Management and other fees <sup>(3)</sup>	\$142,725	\$118,317	21%	\$280,221	\$244,167	15%
<b>Fee Related Earnings</b>	<b>\$79,792</b>	<b>\$65,109</b>	<b>23%</b>	<b>\$157,379</b>	<b>\$131,215</b>	<b>20%</b>
Net performance income	\$16,286	\$4,999	226%	\$41,537	\$9,970	NM
Investment income	5,640	2,033	177%	8,338	6,921	20%
Interest expense	(3,596)	(3,065)	(17)%	(8,269)	(5,523)	(50)%
Net investment income (loss)	2,044	(1,032)	NM	69	1,398	(95)%
<b>Performance Related Earnings</b>	<b>\$18,330</b>	<b>\$3,967</b>	<b>NM</b>	<b>\$41,606</b>	<b>\$11,368</b>	<b>266%</b>
<b>Realized Income</b>	<b>\$97,921</b>	<b>\$73,181</b>	<b>34%</b>	<b>\$176,778</b>	<b>\$143,126</b>	<b>24%</b>
<b>Economic Net Income</b>	<b>\$98,122</b>	<b>\$69,076</b>	<b>42%</b>	<b>\$198,985</b>	<b>\$142,583</b>	<b>40%</b>
AUM (\$ in billions)	\$86.9	\$67.4	29%			
FPAUM (\$ in billions)	\$53.3	\$46.5	15%			

**23%**

Q2-18 increase in  
Fee Related Earnings

**29%**

Q2-18 increase in AUM

**E.U. Direct Lending: 3.9%<sup>(4)</sup>**  
**High Yield: 1.2%<sup>(5)</sup>**  
**Syndicated Loans: 0.7%<sup>(5)</sup>**

Q2-18 gross returns

NM - Not Meaningful

Note: Past performance is not indicative of future results. The Credit Group had ~244 investment professionals, over 1,500 portfolio companies and 152 active funds as of June 30, 2018.

1. Segment results are shown before the unallocated support costs of the Operations Management Group. See "GAAP to Non-GAAP Reconciliation – Unconsolidated Reporting Basis" on slides 13-14.

2. This table is a financial summary only. See slides 23 and 24 for complete financial results.

3. Includes ARCC Part I Fees of \$29.9 million and \$19.1 million for Q2-18 and Q2-17, respectively, and \$58.3 million and \$52.4 million for Q2-18 YTD and Q2-17 YTD, respectively. The 2018 and 2017 amounts are net of the \$10 million ARCC-ACAS transaction fee waiver which began in Q2-17 and will remain in place through Q3-19.

4. The net return for E.U. direct lending is 2.9% for Q2-18. Gross and net returns for E.U. direct lending are represented by a composite made up of the ACE II and ACE III Euro-denominated feeder funds. The gross and net returns for the composite made up of the ACE II and ACE III U.S. dollar denominated feeder funds are 3.2% and 2.1% for Q2-18. Returns in the chart are shown for the Euro-denominated composite as it is the larger of the two composites. Composite returns are calculated by asset-weighting the underlying fund-level returns. Returns include the reinvestment of income and other earnings from securities or other investments and reflect the deduction of all trading expenses. Gross returns do not reflect the deduction of management fees, carried interest, if applicable, or any other expenses. Net returns are reduced by applicable management fees, accrued carried interest, if applicable, and other expenses. We believe aggregated performance returns reflect overall quarterly performance returns in a strategy, but are not necessarily investable funds or products themselves.

5. Net performance returns: 0.6% for U.S. Syndicated Loan funds and 1.1% for U.S. High Yield funds. Performance for Syndicated Loans is represented by our U.S. Bank Loan Aggregate Composite. Performance for High Yield is represented by our U.S. High Yield composite.



# Private Equity Group<sup>(1)</sup>

- Management and other fees decreased 13% for Q2-18 compared to Q2-17 or 3% excluding the impact of a \$5.5 million one-time catch-up fee related to the final close of EIF V recognized during the three months ended June 30, 2017. The decrease was driven by monetizations and distributions in private equity funds past their respective investment periods
- Performance Related Earnings for Q2-18 decreased by \$86.9 million from Q2-17, primarily driven by decline in market value of certain portfolio investments in our ACOF III and ACOF IV portfolios compared to Q2-17. This decrease was partially offset by net investment income mainly from ACOF Asia and SSF IV portfolios
- Realized Income increased by \$3.3 million for Q2-18 compared to Q2-17, primarily driven by increases in net realized performance income and net realized investment income from portfolio investments in ACOF III

## Financial Summary and Highlights<sup>(2)</sup>

\$ in thousands	Q2-18	Q2-17	% Change	YTD 2018	YTD 2017	% Change	
Management and other fees	\$49,655	\$56,765	(13)%	\$99,882	\$96,924	3%	<b>3%</b>
<b>Fee Related Earnings</b>	<b>\$26,808</b>	<b>\$34,032</b>	<b>(21)%</b>	<b>\$53,795</b>	<b>\$56,775</b>	<b>(5)%</b>	YTD 2018 increase in Management Fees
Net performance income	\$(10,589)	\$58,592	NM	\$(7,379)	\$65,324	NM	
Investment income	12,345	30,054	(59)%	9,195	39,331	(77)%	
Interest expense	(1,440)	(1,397)	(3)%	(2,668)	(2,910)	(8)%	<b>6%</b>
Net investment income	10,905	28,657	(62)%	6,527	36,421	(82)%	Q2-18 increase in Realized Income
<b>Performance Related Earnings</b>	<b>\$316</b>	<b>\$87,249</b>	<b>(100)%</b>	<b>\$(852)</b>	<b>\$101,745</b>	<b>NM</b>	
<b>Realized Income</b>	<b>\$53,408</b>	<b>\$50,151</b>	<b>6%</b>	<b>\$80,735</b>	<b>\$72,496</b>	<b>11%</b>	
<b>Economic Net Income</b>	<b>\$27,124</b>	<b>\$121,281</b>	<b>(78)%</b>	<b>\$52,943</b>	<b>\$158,520</b>	<b>(67)%</b>	<b>Q2-18: (0.9%)</b>
AUM (\$ in billions)	\$23.6	\$25.8	(9)%				Gross return in Corporate Private Equity portfolio <sup>(3)</sup>
FPAUM (\$ in billions)	\$16.6	\$17.3	(4)%				

NM - Not Meaningful

Note: Past performance is not indicative of future results. The Private Equity Group had ~93 investment professionals, 41 portfolio companies, 57 U.S. Power and Energy Assets and 23 active funds and related co-investment vehicles as of June 30, 2018.

1. Segment results are shown before the unallocated support costs of the Operations Management Group. See "GAAP to Non-GAAP Reconciliation – Unconsolidated Reporting Basis" on slides 13-14.

2. This table is a financial summary only. See slides 23 and 24 for complete financial results.

3. Performance for corporate private equity portfolio is represented by the ACOF I-V Aggregate, which is comprised of investments held by ACOF I, ACOF II, ACOF III, ACOF IV and ACOF V. Performance returns are gross asset-level time-weighted rates of return calculated on a quarterly basis. Returns include the reinvestment of income and other earnings from securities or other investments and reflect the deduction of all trading expenses. Gross returns do not reflect the deduction of management fees, carried interest, if applicable, or any other expenses including taxes. Net returns are reduced by applicable management fees, accrued carried interest, if applicable, and other expenses. Net asset-level returns for corporate private equity portfolio was (1.0%) for Q2-18. We believe aggregated performance returns reflect overall quarterly performance returns in a strategy, but are not necessarily investable funds or products themselves.



# Real Estate Group<sup>(1)</sup>

- Management and other fees increased 4% for Q2-18 compared to Q2-17, primarily driven by a U.S. equity strategy fund and an E.U. equity strategy fund, partially offset by the liquidation of one of our E.U. equity strategy funds combined with the sale of investments within certain other real estate equity funds nearing the end of their fund terms
- Performance Related Earnings decreased by \$11.9 million for Q2-18 compared to Q2-17, primarily driven by a decrease in market appreciation of the Company's investments in U.S. and E.U. equity strategies
- Realized Income increased by \$1.3 million for Q2-18 compared to Q2-17, primarily driven by increases in fee related earnings, partially offset by lower net realized performance income and net realized investment income

## Financial Summary and Highlights<sup>(2)</sup>

\$ in thousands	Q2-18	Q2-17	% Change	YTD 2018	YTD 2017	% Change
Management and other fees	\$17,145	\$16,498	4%	\$32,321	\$32,104	1%
<b>Fee Related Earnings</b>	<b>\$5,986</b>	<b>\$3,693</b>	<b>62%</b>	<b>\$11,091</b>	<b>\$6,832</b>	<b>62%</b>
Net performance income	\$5,573	\$12,463	(55)%	\$9,459	\$18,124	(48)%
Investment income (loss) <sup>(4)</sup>	(1,993)	3,041	NM	1,142	4,199	(73)%
Interest expense	(452)	(429)	(5)%	(872)	(861)	(1)%
Net investment income (loss)	(2,445)	2,612	NM	270	3,338	(92)%
<b>Performance Related Earnings</b>	<b>\$3,128</b>	<b>\$15,075</b>	<b>(79)%</b>	<b>\$9,729</b>	<b>\$21,462</b>	<b>(55)%</b>
<b>Realized Income</b>	<b>\$6,479</b>	<b>\$5,181</b>	<b>25%</b>	<b>\$20,148</b>	<b>\$9,769</b>	<b>106%</b>
<b>Economic Net Income</b>	<b>\$9,114</b>	<b>\$18,768</b>	<b>(51)%</b>	<b>\$20,820</b>	<b>\$28,294</b>	<b>(26)%</b>
AUM (\$ in billions)	\$10.9	\$10.8	1%			
FPAUM (\$ in billions)	\$7.0	\$6.7	4%			

**25%**

Q2-18 increase in Realized Income

**4%**

Q2-18 growth in FPAUM

**U.S. Equity: 2.8%**

**E.U. Equity: 3.6%**

Q2-18 Gross Returns<sup>(3)</sup>

NM - Not Meaningful

Note: Past performance is not indicative of future results. The Real Estate Group had ~70 investment professionals, 177 properties and 43 active funds as of June 30, 2018.

1. Segment results are shown before the unallocated support costs of the Operations Management Group. See "GAAP to Non-GAAP Reconciliation – Unconsolidated Reporting Basis" on slides 13-14.

2. This table is a financial summary only. See slides 23 and 24 for complete financial results.

3. Returns are gross time-weighted rates of return and do not reflect the deduction of management fees, carried interest, if applicable, or fund expenses. Gross return for U.S. equity is represented by U.S. Fund VIII and gross return for E.U. equity is represented by EF IV. EF IV is made up of two feeder funds, one denominated in U.S. dollars and one denominated in Euros. The gross returns are for the U.S. dollar denominated feeder fund as that is the larger of the two feeders. Gross returns do not reflect the deduction of management fees, carried interest, if applicable, or any other expenses including taxes. Net returns are reduced by applicable management fees, accrued carried interest, if applicable, and other expenses. Net returns for U.S. equity and E.U. equity were 2.4% and 3.3% for Q2-18. The gross and net returns for the Euro denominated feeder fund were 6.2% and 6.3% for Q2-18.

4. Investment loss for the three months ended June 30, 2018 is principally composed of \$1.9 million unrealized foreign currency transaction loss.



# Realized Income per Share Data

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
<b>After-tax Realized Income, net of preferred share dividend</b>				
Realized Income before taxes	\$108,054	\$80,167	\$180,127	\$133,840
Entity level foreign, state and local taxes	(4,557)	827	(5,223)	(819)
Preferred share dividend <sup>(2)</sup>	(5,425)	(5,425)	(10,850)	(10,850)
<b>Realized Income, net of preferred share dividend</b>	<b>\$98,072</b>	<b>\$75,569</b>	<b>\$164,054</b>	<b>\$122,171</b>
Income tax <sup>(3)</sup>	(3,651)	(6,849)	(5,824)	(12,018)
<b>After-tax Realized Income, net of preferred share dividend</b>	<b>\$94,421</b>	<b>\$68,720</b>	<b>\$158,230</b>	<b>\$110,153</b>
<b>After-tax Realized Income per share<sup>(1)</sup></b>	<b>\$0.42</b>	<b>\$0.32</b>	<b>\$0.71</b>	<b>\$0.51</b>
<b>After-tax Realized Income per common share</b>				
Realized Net Income, net of preferred dividend	\$98,072	\$75,569	\$164,054	\$122,171
x Average common ownership %	44.92%	38.58%	42.35%	38.51%
<b>Realized Income attributable to common shareholders</b>	<b>\$44,050</b>	<b>\$29,158</b>	<b>\$70,466</b>	<b>\$47,030</b>
Income tax <sup>(3)</sup>	(3,651)	(6,849)	(5,824)	(12,018)
<b>After-tax Realized Income attributable to common shareholders</b>	<b>\$40,399</b>	<b>\$22,309</b>	<b>\$64,642</b>	<b>\$35,012</b>
<b>After-tax Realized Income per common share</b>	<b>\$0.40</b>	<b>\$0.27</b>	<b>\$0.67</b>	<b>\$0.42</b>

1. Pro forma shares of 224,957,119 includes the sum of common shares, Ares Operating Group Units that are exchangeable for common shares on a one-for-one basis and the dilutive effects of the Company's equity-based awards.
2. The Company has 12,400,000 of 7% Series A Preferred Shares outstanding as of June 30, 2018.
3. Effective Q1 -18, income tax on RI equals realized PRE multiplied by the effective tax rate (22.5% for Q2-18) for the period plus taxes on FRE. Taxes on FRE equals current estimated income tax (cash paid) less the taxes on realized PRE.



# Economic Net Income per Share Data

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
<b>After-tax Economic Net Income, net of preferred share dividend</b>				
Economic Net Income before taxes	\$87,511	\$158,053	\$179,445	\$233,909
Entity level foreign, state and local taxes	(4,557)	827	(5,223)	(819)
Preferred share dividend <sup>(2)</sup>	(5,425)	(5,425)	(10,850)	(10,850)
<b>Economic Net Income, net of preferred share dividend</b>	<b>\$77,529</b>	<b>\$153,455</b>	<b>\$163,372</b>	<b>\$222,240</b>
Income tax <sup>(3)</sup>	(1,575)	(5,618)	(5,528)	(10,605)
<b>After-tax Economic Net Income, net of preferred share dividend</b>	<b>\$75,954</b>	<b>\$147,837</b>	<b>\$157,844</b>	<b>\$211,635</b>
<b>After-tax Economic Net Income per share<sup>(1)</sup></b>	<b>\$0.34</b>	<b>\$0.69</b>	<b>\$0.71</b>	<b>\$0.99</b>
<b>After-tax Economic Net Income per common share</b>				
Economic Net Income, net of preferred dividend	\$77,529	\$153,455	\$163,372	\$222,240
x Average common ownership %	44.92%	38.58%	42.35%	38.51%
<b>Economic Net Income attributable to common shareholders</b>	<b>\$34,823</b>	<b>\$59,210</b>	<b>\$69,191</b>	<b>\$85,589</b>
Income tax <sup>(3)</sup>	(1,575)	(5,618)	(5,528)	(10,605)
<b>After-tax Economic Net Income attributable to common shareholders</b>	<b>\$33,248</b>	<b>\$53,592</b>	<b>\$63,663</b>	<b>\$74,984</b>
<b>After-tax Economic Net Income per common share</b>	<b>\$0.33</b>	<b>\$0.65</b>	<b>\$0.67</b>	<b>\$0.91</b>

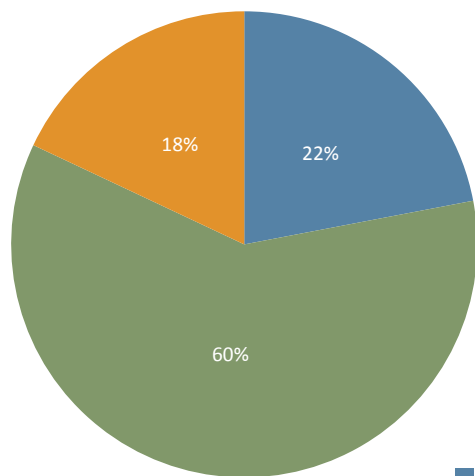
1. Pro forma shares of 224,957,119 includes the sum of common shares, Ares Operating Group Units that are exchangeable for common shares on a one-for-one basis and the dilutive effects of the Company's equity-based awards.
2. The Company has 12,400,000 of 7% Series A Preferred Shares outstanding as of June 30, 2018.
3. Effective Q1-18, income tax on ENI represents income tax on RI plus taxes on unrealized PRE, which is the product of unrealized PRE and the effective tax rate (22.5% for Q2-18) for the period.

# Balance Sheet

- **Substantial balance sheet value related to investments in Ares managed vehicles and net performance income receivable**
  - \$125.4 million in cash and cash equivalents, \$370.6 million in debt obligations with \$125.0 million drawn against our \$1.065 billion revolving credit facility as of June 30, 2018
  - As of June 30, 2018, the value of our corporate investment portfolio was \$481.2 million in accordance with GAAP. On an unconsolidated basis, our corporate investment portfolio was \$671.6 million<sup>(1)</sup>
    - During the second quarter, as U.S. risk retention rules were removed for CLO managers, we liquidated \$219.3 million of CLO assets held for risk retention purposes and retired \$206.0 million of non-recourse debt collateralized by the CLO assets
  - As of June 30, 2018, gross accrued carried interest allocation reported on a GAAP and unconsolidated basis was \$985.0 million
    - As of June 30, 2018, net accrued carried interest allocation, net of performance related compensation reported on a GAAP and unconsolidated basis was \$254.3 million, which decreased by 6.4% from December 31, 2017

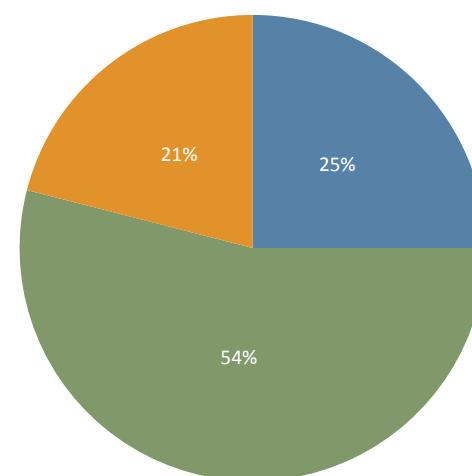
## Net Accrued Carried Interest Allocation by Group – GAAP and Unconsolidated basis

Q4 2017: \$271.7 million



## Net Accrued Carried Interest Allocation by Group – GAAP and Unconsolidated basis

Q2 2018: \$254.3 million



■ Credit   ■ Private Equity   ■ Real Estate

1. As of June 30, 2018, \$85.8 million was invested in non-Ares managed vehicles. Difference between GAAP and unconsolidated investments represents investments of \$190.4 million in Consolidated Funds that are eliminated upon consolidation. Corporate investment portfolio excludes accrued carried interest allocation of \$985.0 million.

# Corporate Data

## Board of Directors

**Michael Arougheti**

Co-Founder, Chief Executive Officer and President of Ares

**Paul G. Joubert**

Founding Partner of EdgeAdvisors and Investing Partner in Common Angels Ventures

**David Kaplan**

Co-Founder and Partner of Ares, Co-Head of Private Equity Group

**John Kissick**

Co-Founder and Former Partner of Ares

**Michael Lynton**

Chairman of Snap Inc.

**Dr. Judy D. Olian**

President of Quinnipiac University

**Antony P. Ressler**

Co-Founder and Executive Chairman

**Bennett Rosenthal**

Co-Founder and Partner of Ares, Co-Head of Private Equity Group

## Executive Officers

**Michael Arougheti**

Co-Founder, Chief Executive Officer and President

**Ryan Berry**

Partner, Chief Marketing Officer and Strategy Officer

**Kipp deVeer**

Partner, Global Head of Credit

**David Kaplan**

Co-Founder and Partner

**Michael McFerran**

Partner, Chief Operating Officer and Chief Financial Officer

**Antony P. Ressler**

Co-Founder and Executive Chairman

**Bennett Rosenthal**

Co-Founder and Partner

**Michael Weiner**

Executive Vice President, Chief Legal Officer of Ares

## Corporate Headquarters

2000 Avenue of the Stars  
12<sup>th</sup> Floor  
Los Angeles, CA 90067  
Tel: (310) 201-4100  
Fax: (310) 201-4170

## Corporate Counsel

**Proskauer Rose LLP**  
Los Angeles, CA

## Independent Registered Public Accounting Firm

**Ernst & Young LLP**  
Los Angeles, CA

## Research Coverage

**Bank of America Merrill Lynch**

Michael Carrier  
(646) 855-5004

**Credit Suisse**

Craig Siegenthaler  
(212) 325-3104

**Goldman Sachs**

Alexander Blostein  
(212) 357-9976

**Jefferies**

Gerald O'Hara  
(415) 229-1510

**JP Morgan**

Kenneth Worthington  
(212) 622-6613

**Keefe, Bruyette & Woods**

Robert Lee  
(212) 887-7732

**Morgan Stanley**

Michael Cyprys  
(212) 761-7619

**Oppenheimer & Co**

Allison Rudary  
(212) 667-5366

**RBC Capital Markets**

Kenneth Lee  
(212) 905-5995

**UBS Investment Bank**

Brent Dilts  
(212) 713-1841

**Wells Fargo Securities**

Christopher Harris  
(443) 263-6513

## Investor Relations Contacts

**Carl Drake**

Partner/Head of Ares Management, LLC  
Public Investor Relations and Communications  
Tel: (678) 538-1981  
cdrake@aresmgmt.com

**Veronica Mendiola**

Vice President  
Tel: (212) 808-1150

**General IR Contact**

Tel (U.S.):  
(800) 340-6597  
Tel (International):  
(212) 808-1101  
IRARES@aresmgmt.com

Please visit our website at:  
[www.aresmgmt.com](http://www.aresmgmt.com)

## Transfer Agent

American Stock Transfer & Trust Company, LLC  
6201 15th Avenue  
Brooklyn, NY 11210  
Tel: (877) 681-8121  
Fax: (718) 236-2641  
info@amstock.com  
[www.amstock.com](http://www.amstock.com)

## Securities Listing

NYSE: ARES  
NYSE: ARES PR A



# Appendix

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# Financial Details – Segments

## Three Months Ended June 30, 2018

\$ in thousands	Credit Group	Private Equity Group	Real Estate Group	Operations Management Group	Total <sup>(1)</sup>
Management fees (Credit Group includes ARCC Part I Fees of \$29,866)	\$135,848	\$49,318	\$17,138	\$—	\$202,304
Other fees	6,877	337	7	—	7,221
Compensation and benefits	(51,892)	(18,672)	(8,768)	(31,059)	(110,391)
General, administrative and other expenses	(11,041)	(4,175)	(2,391)	(19,489)	(37,096)
<b>Fee Related Earnings</b>	<b>\$79,792</b>	<b>\$26,808</b>	<b>\$5,986</b>	<b>\$(50,548)</b>	<b>\$62,038</b>
Performance fees - realized	\$41,672	\$80,415	\$521	\$—	\$122,608
Performance income - unrealized	(4,568)	(133,605)	13,830	—	(124,343)
Performance fee compensation - realized	(23,577)	(64,311)	7	—	(87,881)
Performance fee compensation - unrealized	2,759	106,912	(8,785)	—	100,886
<b>Net performance income</b>	<b>\$16,286</b>	<b>\$(10,589)</b>	<b>\$5,573</b>	<b>\$—</b>	<b>\$11,270</b>
Investment income (loss)—realized	\$595	\$9,016	\$(250)	\$798	\$10,159
Investment income (loss)—unrealized	1,617	290	(525)	2,866	4,248
Interest and other investment income (expense)	3,428	3,039	(1,218)	623	5,872
Interest expense	(3,596)	(1,440)	(452)	(588)	(6,076)
<b>Net investment income (loss)</b>	<b>\$2,044</b>	<b>\$10,905</b>	<b>\$(2,445)</b>	<b>\$3,699</b>	<b>\$14,203</b>
<b>Performance Related Earnings</b>	<b>\$18,330</b>	<b>\$316</b>	<b>\$3,128</b>	<b>\$3,699</b>	<b>\$25,473</b>
<b>Realized Income<sup>(2)</sup></b>	<b>\$97,921</b>	<b>\$53,408</b>	<b>\$6,479</b>	<b>\$(49,754)</b>	<b>\$108,054</b>
<b>Economic Net Income</b>	<b>\$98,122</b>	<b>\$27,124</b>	<b>\$9,114</b>	<b>\$(46,849)</b>	<b>\$87,511</b>

## Three Months Ended June 30, 2017

\$ in thousands	Credit Group	Private Equity Group	Real Estate Group	Operations Management Group	Total <sup>(1)</sup>
Management fees (Credit Group includes ARCC Part I Fees of \$19,143)	\$112,654	\$56,427	\$16,479	\$—	\$185,560
Other fees	5,663	338	19	—	6,020
Compensation and benefits	(45,160)	(18,388)	(9,714)	(30,584)	(103,846)
General, administrative and other expenses	(8,048)	(4,345)	(3,091)	(18,862)	(34,346)
<b>Fee Related Earnings</b>	<b>\$65,109</b>	<b>\$34,032</b>	<b>\$3,693</b>	<b>\$(49,446)</b>	<b>\$53,388</b>
Performance fees - realized	\$7,883	\$64,780	\$1,467	\$—	\$74,130
Performance fees - unrealized	5,093	228,747	29,789	—	263,629
Performance fee compensation - realized	(1,898)	(50,914)	(161)	—	(52,973)
Performance fee compensation - unrealized	(6,079)	(184,021)	(18,632)	—	(208,732)
<b>Net performance income</b>	<b>\$4,999</b>	<b>\$58,592</b>	<b>\$12,463</b>	<b>\$—</b>	<b>\$76,054</b>
Investment income—realized	\$2,525	\$2,717	\$373	\$1,340	\$6,955
Investment income (loss)—unrealized	(3,450)	25,354	1,134	(2,728)	20,310
Interest and other investment income	2,958	1,983	1,534	225	6,700
Interest expense	(3,065)	(1,397)	(429)	(463)	(5,354)
<b>Net investment income (loss)</b>	<b>\$(1,032)</b>	<b>\$28,657</b>	<b>\$2,612</b>	<b>\$(1,626)</b>	<b>\$28,611</b>
<b>Performance Related Earnings</b>	<b>\$3,967</b>	<b>\$87,249</b>	<b>\$15,075</b>	<b>\$(1,626)</b>	<b>\$104,665</b>
<b>Realized Income</b>	<b>\$73,181</b>	<b>\$50,151</b>	<b>\$5,181</b>	<b>\$(48,346)</b>	<b>\$80,167</b>
<b>Economic Net Income</b>	<b>\$69,076</b>	<b>\$121,281</b>	<b>\$18,768</b>	<b>\$(51,072)</b>	<b>\$158,053</b>

1. Includes results of the reportable segments on a combined basis together with the Operations Management Group. See "GAAP to Non-GAAP Reconciliation – Unconsolidated Reporting Basis" on slides 13-14.

2. Realized Income excludes unrealized FX related transaction gains (losses), which are reported within interest and other investment income (expense) of, \$393, \$119, \$(1,885) and \$39 for the Credit, Private Equity, Real Estate and Operation Management groups, respectively.

# Financial Details – Segments

## Six Months Ended June 30, 2018

\$ in thousands	Credit Group	Private Equity Group	Real Estate Group	Operations Management Group	Total <sup>(1)</sup>
Management fees (Credit Group includes ARCC Part I Fees of \$58,283)	\$267,614	\$99,205	\$32,311	\$—	\$399,130
Other fees	12,607	677	10	—	13,294
Compensation and benefits	(102,172)	(37,871)	(16,407)	(61,665)	(218,115)
General, administrative and other expenses	(20,670)	(8,216)	(4,823)	(38,105)	(71,814)
<b>Fee Related Earnings</b>	<b>\$157,379</b>	<b>\$53,795</b>	<b>\$11,091</b>	<b>\$(99,770)</b>	<b>\$122,495</b>
Performance fees - realized	\$46,743	\$84,813	\$14,159	\$—	\$145,715
Performance income - unrealized	11,524	(112,539)	11,790	—	(89,225)
Performance fee compensation - realized	(26,665)	(67,871)	(8,214)	—	(102,750)
Performance fee compensation - unrealized	9,935	88,218	(8,276)	—	89,877
<b>Net performance income</b>	<b>\$41,537</b>	<b>\$(7,379)</b>	<b>\$9,459</b>	<b>\$—</b>	<b>\$43,617</b>
Investment income—realized	\$1,366	\$9,687	\$3,100	\$1,636	\$15,789
Investment income (loss)—unrealized	1,348	(3,860)	(1,757)	4,097	(172)
Interest and other investment income (expense)	5,624	3,368	(201)	1,870	10,661
Interest expense	(8,269)	(2,668)	(872)	(1,136)	(12,945)
<b>Net investment income</b>	<b>\$69</b>	<b>\$6,527</b>	<b>\$270</b>	<b>\$6,467</b>	<b>\$13,333</b>
<b>Performance Related Earnings</b>	<b>\$41,606</b>	<b>\$(852)</b>	<b>\$9,729</b>	<b>\$6,467</b>	<b>\$56,950</b>
<b>Realized Income<sup>(2)</sup></b>	<b>\$176,778</b>	<b>\$80,735</b>	<b>\$20,148</b>	<b>\$(97,534)</b>	<b>\$180,127</b>
<b>Economic Net Income</b>	<b>\$198,985</b>	<b>\$52,943</b>	<b>\$20,820</b>	<b>\$(93,303)</b>	<b>\$179,445</b>

## Six Months Ended June 30, 2017

\$ in thousands	Credit Group	Private Equity Group	Real Estate Group	Operations Management Group	Total <sup>(1)</sup>
Management fees (Credit Group includes ARCC Part I Fees of \$52,400)	\$234,001	\$96,246	\$32,094	\$—	\$362,341
Other fees	10,166	678	10	—	10,854
Compensation and benefits	(96,863)	(31,606)	(19,450)	(56,537)	(204,456)
General, administrative and other expenses	(16,089)	(8,543)	(5,822)	(38,175)	(68,629)
<b>Fee Related Earnings</b>	<b>\$131,215</b>	<b>\$56,775</b>	<b>\$6,832</b>	<b>\$(94,712)</b>	<b>\$100,110</b>
Performance fees - realized	\$16,661	\$64,780	\$1,494	\$—	\$82,935
Performance fees - unrealized	8,029	260,984	43,877	—	312,890
Performance fee compensation - realized	(7,183)	(50,914)	(177)	—	(58,274)
Performance fee compensation - unrealized	(7,537)	(209,526)	(27,070)	—	(244,133)
<b>Net performance income</b>	<b>\$9,970</b>	<b>\$65,324</b>	<b>\$18,124</b>	<b>\$—</b>	<b>\$93,418</b>
Investment income—realized	\$2,843	\$3,296	\$2,156	\$3,199	\$11,494
Investment income (loss)—unrealized	1,139	33,900	690	(4,135)	31,594
Interest and other investment income	2,939	2,135	1,353	1,099	7,526
Interest expense	(5,523)	(2,910)	(861)	(939)	(10,233)
<b>Net investment income (loss)</b>	<b>\$1,398</b>	<b>\$36,421</b>	<b>\$3,338</b>	<b>\$(776)</b>	<b>\$40,381</b>
<b>Performance Related Earnings</b>	<b>\$11,368</b>	<b>\$101,745</b>	<b>\$21,462</b>	<b>\$(776)</b>	<b>\$133,799</b>
<b>Realized Income</b>	<b>\$143,126</b>	<b>\$72,496</b>	<b>\$9,769</b>	<b>\$(91,551)</b>	<b>\$133,840</b>
<b>Economic Net Income</b>	<b>\$142,583</b>	<b>\$158,520</b>	<b>\$28,294</b>	<b>\$(95,488)</b>	<b>\$233,909</b>

1. Includes results of the reportable segments on a combined basis together with the Operations Management Group. See "GAAP to Non-GAAP Reconciliation – Unconsolidated Reporting Basis" on slides 13-14.

2. Realized Income excludes unrealized FX related transaction gains (losses), which are reported within interest and other investment income (expense) of, \$(600), \$389, \$(1,085) and \$134 for the Credit, Private Equity, Real Estate and Operation Management groups, respectively.

# AUM and FPAUM Rollforward

Q2-18 Total AUM Rollforward (\$ in millions)				
\$ in thousands	Credit	Private Equity	Real Estate	Total
<b>Q1-18 Ending Balance</b>	<b>\$77,310</b>	<b>\$24,303</b>	<b>\$10,896</b>	<b>\$112,509</b>
Commitments	11,349	350	307	12,006
Capital reductions	(575)	(1)	—	(576)
Distributions/redemptions	(1,225)	(1,038)	(240)	(2,503)
Changes in fund value	(1)	(12)	(53)	(66)
<b>Q2-18 Ending Balance</b>	<b>\$86,858</b>	<b>\$23,602</b>	<b>\$10,910</b>	<b>\$121,370</b>
<b>QoQ change</b>	<b>\$9,548</b>	<b>(\$701)</b>	<b>\$14</b>	<b>\$8,861</b>

Q2-18 Total FPAUM Rollforward (\$ in millions)				
\$ in thousands	Credit	Private Equity	Real Estate	Total
<b>Q1-18 Ending Balance</b>	<b>\$51,540</b>	<b>\$16,663</b>	<b>\$6,751</b>	<b>\$74,954</b>
Commitments	1,888	350	97	2,335
Subscriptions/deployment/increase in leverage	1,951	171	280	2,402
Distributions/redemptions/decrease in leverage	(2,109)	(590)	(115)	(2,814)
Changes in fund value	66	(5)	(50)	11
Change in fee basis	—	—	—	—
<b>Q2-18 Ending Balance</b>	<b>\$53,336</b>	<b>\$16,589</b>	<b>\$6,963</b>	<b>\$76,888</b>
<b>QoQ change</b>	<b>\$1,796</b>	<b>(\$74)</b>	<b>\$212</b>	<b>\$1,934</b>

LTM Total AUM Rollforward (\$ in millions)				
\$ in thousands	Credit	Private Equity	Real Estate	Total
<b>Q2-17 Ending Balance</b>	<b>\$67,447</b>	<b>\$25,770</b>	<b>\$10,792</b>	<b>\$104,009</b>
Commitments	24,773	396	1,442	26,611
Capital reductions	(3,876)	(5)	(45)	(3,926)
Distributions/redemptions	(4,457)	(3,027)	(1,709)	(9,193)
Changes in fund value	2,971	468	430	3,869
<b>Q2-18 Ending Balance</b>	<b>\$86,858</b>	<b>\$23,602</b>	<b>\$10,910</b>	<b>\$121,370</b>
<b>YoY change</b>	<b>\$19,411</b>	<b>(\$2,168)</b>	<b>\$118</b>	<b>\$17,361</b>

LTM Total FPAUM Rollforward (\$ in millions)				
\$ in thousands	Credit	Private Equity	Real Estate	Total
<b>Q2-17 Ending Balance</b>	<b>\$46,509</b>	<b>\$17,292</b>	<b>\$6,654</b>	<b>\$70,455</b>
Commitments	6,093	396	1,138	7,627
Subscriptions/deployment/increase in leverage	6,727	660	788	8,175
Distributions/redemptions/decrease in leverage	(7,564)	(1,705)	(869)	(10,138)
Changes in fund value	1,593	(29)	112	1,676
Change in fee basis	(22)	(25)	(860)	(907)
<b>Q2-18 Ending Balance</b>	<b>\$53,336</b>	<b>\$16,589</b>	<b>\$6,963</b>	<b>\$76,888</b>
<b>YoY change</b>	<b>\$6,827</b>	<b>(\$703)</b>	<b>\$309</b>	<b>\$6,433</b>

<b>Credit</b>	<ul style="list-style-type: none"> <li>AUM increased by 12.4% from Q1-18, primarily driven by new capital commitments to E.U. and U.S. direct lending and structured credit strategies</li> <li>FPAUM increased by 3.5% from Q1-18, primarily driven by new commitments to syndicated loans strategy and deployment in direct lending funds paid on invested capital, largely offset by distributions and decrease in leverage across all Credit strategies</li> </ul>
<b>Private Equity</b>	<ul style="list-style-type: none"> <li>AUM decreased by 2.9% from Q1-18, driven by distributions from EIF funds and ACOF III</li> <li>FPAUM decreased by 0.4% from Q1-18, driven by distributions from EIF funds</li> </ul>
<b>Real Estate</b>	<ul style="list-style-type: none"> <li>AUM increased slightly by 0.1% from Q1-18, driven by new commitments within E.U. equity funds, largely offset by distributions across U.S. and E.U. equity funds</li> <li>FPAUM increased by 3.1% from Q1-18, primarily driven by deployment in E.U. equity funds</li> </ul>



# AUM and FPAUM by Strategy<sup>(1)</sup>

Strategy (\$ in billions)	AUM	% AUM	FPAUM	% FPAUM
<b>Credit</b>				
Syndicated Loans	\$17.6	21%	\$17.1	32%
High Yield	4.4	5	4.4	8
Credit Opportunities	2.9	3	2.4	5
Structured Credit	5.8	7	3.4	6
U.S. Direct Lending <sup>(2)</sup>	36.9	42	18.6	35
E.U. Direct Lending	19.3	22	7.4	14
<b>Total Credit Group</b>	<b>\$86.9</b>	<b>100%</b>	<b>\$53.3</b>	<b>100%</b>
<b>Private Equity</b>				
Corporate Private Equity				
ACOF V	\$7.8	34%	\$7.6	46%
ACOF IV	5.3	22	3.0	18
ACOF III	4.2	18	1.4	8
ACOF I-II	0.5	2	—	—
ACOF Asia	0.3	1	0.1	1
U.S. Power and Energy Infrastructure				
EIF I-IV and Co-investment Vehicles	3.2	14	2.8	17
EIF V	0.8	3	0.8	5
Special Situations				
Special Situations	1.5	6	0.9	5
<b>Private Equity Group</b>	<b>\$23.6</b>	<b>100%</b>	<b>\$16.6</b>	<b>100%</b>
<b>Real Estate</b>				
U.S. Equity	\$4.5	41%	\$3.1	44%
E.U. Equity	3.4	31	2.9	42
Debt	3.0	28	1.0	14
<b>Real Estate Group</b>	<b>\$10.9</b>	<b>100%</b>	<b>\$7.0</b>	<b>100%</b>
<b>Total</b>	<b>\$121.4</b>		<b>\$76.9</b>	

1. As of June 30, 2018.

2. AUM includes ARCC, IHAM, and SDLP AUM of \$15.0 billion, \$4.6 billion, and \$2.4 billion, respectively. ARCC's wholly owned portfolio company, IHAM, an SEC registered investment adviser, manages 23 funds and serves as the sub-manager or sub-adviser for 2 other funds as of June 30, 2018.

# Balance Sheet Investments by Strategy

\$ in thousands	June 30, 2018	December 31, 2017
<b>Credit</b>		
Syndicated Loans* <sup>(1)</sup>	\$81,934	\$246,460
Credit Opportunities	3,619	4,464
Structured Credit	17,672	14,067
U.S. Direct Lending	56,598	61,411
E.U. Direct Lending	45,688	48,672
<b>Credit Group</b>	<b>\$205,511</b>	<b>\$375,074</b>
<b>Private Equity</b>		
ACOF I - II	\$3,477	\$4,047
ACOF III	111,547	120,598
ACOF IV	36,857	35,984
ACOF Asia	90,877	80,738
Other Energy Funds	3,603	—
U.S. Power & Energy Infrastructure	18,433	9,353
Special Situations	30,905	25,863
<b>Private Equity</b>	<b>\$295,699</b>	<b>\$276,583</b>
<b>Real Estate</b>		
U.S. Equity	\$68,855	\$74,617
E.U. Equity	15,731	15,914
<b>Real Estate</b>	<b>\$84,586</b>	<b>\$90,531</b>
<b>Operations Management Group</b>		
Other	\$85,816	\$80,767
<b>Other</b>	<b>\$85,816</b>	<b>\$80,767</b>
<b>Total</b>	<b>\$671,612</b>	<b>\$822,955</b>

Note: Reflects the balance sheet of Ares Management, L.P. and its consolidated subsidiaries, excluding the effect of Consolidation.

\*Through investments in Ares CLOs.

1. During the second quarter, the Company retired its non-course term loans and repurchase agreement for its CLOs totaling \$206 million following the reversal of the risk retention requirements.

# Significant Fund Performance Metrics

The following table presents the performance data for significant funds in the Credit Group that are not drawdown funds:

As of June 30, 2018									
	Year of Inception	AUM (in millions)	Returns (%) <sup>(1)</sup>						Primary Investment Strategy
			Current Quarter		Year-To-Date		Since Inception <sup>(2)</sup>		
			Gross	Net	Gross	Net	Gross	Net	
Credit									
ARCC <sup>(3)</sup>	2004	\$15,020	N/A	3.5%	N/A	7.0%	N/A	11.9%	U.S. Direct Lending
Sub-advised Client A <sup>(4)</sup>	2007	618	1.2%	1.1%	0.2%	—%	7.6%	7.2%	High Yield
Separately Managed Account Client B <sup>(4)</sup>	2016	718	0.4%	0.3%	(1.0)%	(1.1)%	4.7%	4.4%	High Yield

Note: Past performance is not indicative of future results. AUM and Net Returns as of June 30, 2018 unless otherwise noted. The above table includes fund performance metrics for significant funds which includes those that contributed at least 1% of total management fees for the six months ended June 30, 2018 or comprised 1% or more of the Company's total FPAUM as of June 30, 2018, and for which we have sole discretion for investment decisions within the fund. Please see significant fund performance endnotes on slides 30-31 for additional information. Return information presented may not reflect actual returns earned by investors in the applicable fund. ARCC is a publicly traded vehicle.

# Significant Fund Performance Metrics\*

The following table presents the performance data for our significant funds, all of which are drawdown funds:

As of June 30, 2018												
Credit												
(\$ in millions)	Year of Inception	AUM	Original Capital Commitments	Cumulative Invested Capital	Realized Proceeds <sup>(5)</sup>	Unrealized Value <sup>(6)</sup>	Total Value	MOIC		IRR		Primary Investment Strategy
								Gross <sup>(7)</sup>	Net <sup>(8)</sup>	Gross <sup>(9)</sup>	Net <sup>(10)</sup>	
ACE II <sup>(11)</sup>	2013	\$1,427	\$1,216	\$968	\$577	\$699	\$1,276	1.4x	1.3x	10.4%	7.7%	E.U. Direct Lending
ACE III <sup>(12)</sup>	2015	5,060	2,822	3,068	235	3,347	3,582	1.2x	1.2x	17.8%	13.5%	E.U. Direct Lending
Private Equity												
(\$ in millions)	Year of Inception	AUM	Original Capital Commitments	Cumulative Invested Capital	Realized Proceeds <sup>(1)</sup>	Unrealized Value <sup>(2)</sup>	Total Value	MOIC		IRR		Primary Investment Strategy
								Gross <sup>(3)</sup>	Net <sup>(4)</sup>	Gross <sup>(5)</sup>	Net <sup>(6)</sup>	
USPF III	2007	\$481	\$1,350	\$1,808	\$2,110	\$448	\$2,558	1.4x	1.4x	7.4%	4.9%	U.S. Power and Energy Infrastructure
ACOF III	2008	4,208	3,510	3,867	6,662	3,889	10,551	2.7x	2.3x	30.7%	22.9%	Corporate Private Equity
USPF IV	2010	1,771	1,688	1,859	933	1,608	2,541	1.4x	1.3x	10.1%	6.6%	U.S. Power and Energy Infrastructure
ACOF IV	2012	5,295	4,700	4,107	2,520	4,427	6,947	1.7x	1.5x	20.4%	13.7%	Corporate Private Equity
EIF V	2015	787	801	505	146	418	564	1.1x	1.0x	12.0%	(1.2)%	U.S. Power and Energy Infrastructure
SSF IV <sup>(7)**</sup>	2015	1,367	1,515	1,693	774	801	1,576	0.9x	0.9x	(7.2)%	(8.9)%	Special Situations
ACOF V*	2017	7,838	7,850	2,943	118	3,015	3,133	1.1x	1.0x	NA	NA	Corporate Private Equity
Real Estate												
(\$ in millions)	Year of Inception	AUM	Original Capital Commitments	Cumulative Invested Capital	Realized Proceeds <sup>(1)</sup>	Unrealized Value <sup>(2)</sup>	Total Value	MOIC		IRR		Primary Investment Strategy
								Gross <sup>(3)</sup>	Net <sup>(4)</sup>	Gross <sup>(5)</sup>	Net <sup>(6)</sup>	
EF IV <sup>(7)</sup>	2014	\$990	\$1,302	\$1,103	\$534	\$1,029	\$1,563	1.4x	1.2x	20.8%	13.6%	E.U. Real Estate Equity
EPEP II <sup>(8)</sup>	2015	680	747	342	132	289	422	1.2x	1.1x	18.4%	21.3%	E.U. Real Estate Equity

Note: Past performance is not indicative of future results. AUM and Net Returns as of June 30, 2018 unless otherwise noted. The above table includes fund performance metrics for significant funds which includes those that contributed at least 1% of total management fees for the six months ended June 30, 2018 or comprised 1% or more of the Company's total FPAUM as of June 30, 2018, and for which we have sole discretion for investment decisions within the fund. Please see significant fund performance endnotes on slides 30-31 for additional information. Return information presented may not reflect actual returns earned by investors in the applicable fund.

\* We do not present fund performance metrics for significant funds with less than two years of historical information, except for those significant funds which pay management fees on invested capital, in which case performance is shown at the earlier of (i) the one year anniversary of the fund's first investment and (ii) such time the fund is 50% or more invested.

\*\* In January of 2017, a new team assumed portfolio management of SSF IV. In addition to presenting the cumulative performance measure by SSF IV, we have also adopted a new performance measurement called "SSF IV 2.0". Since January 2017, SSF IV 2.0 has generated gross and net (realized and unrealized) internal rates of return of 15.6% and 10.8%, respectively, through June 30, 2018.



# Significant Fund Performance Metrics Endnotes

## Credit

1. Returns are time-weighted rates of return and include the reinvestment of income and other earnings from securities or other investments and reflect the deduction of all trading expenses.
2. Since inception returns are annualized.
3. Net returns are calculated using the fund's NAV and assume dividends are reinvested at the closest quarter-end NAV to the relevant quarterly ex-dividend dates. Additional information related to ARCC can be found in its financial statements filed with the SEC, which are not part of this presentation.
4. Gross returns do not reflect the deduction of management fees or any other expenses. Net returns are calculated by subtracting the applicable management fee from the gross returns on a monthly basis.
5. Realized proceeds represent the sum of all cash distributions to all partners and if applicable, exclude tax and incentive distributions made to the general partner.
6. Unrealized value represents the fund's NAV reduced by the accrued incentive allocation, if applicable. There can be no assurance that unrealized values will be realized at the valuations indicated.
7. The gross multiple of invested capital ("MoIC") is calculated at the fund-level and is based on the interests of the fee-paying limited partners and if applicable, excludes interests attributable to the non-fee paying limited partners and/or the general partner which does not pay management fees or performance income. The gross MoIC is before giving effect to management fees, performance income as applicable and other expenses.
8. The net MoIC is calculated at the fund-level and is based on the interests of the fee-paying limited partners and if applicable, excludes those interests attributable to the non-fee paying limited partners and/or the general partner which does not pay management fees or performance income. The net MoIC is after giving effect to management fees, performance income as applicable and other expenses.
9. The gross IRR is an annualized since inception gross internal rate of return of cash flows to and from the fund and the fund's residual value at the end of the measurement period. Gross IRR reflects returns to the fee-paying limited partners and if applicable, excludes interests attributable to the non-fee paying limited partners and/or the general partner which does not pay management fees or performance income. The cash flow dates used in the gross IRR calculation are based on the actual dates of the cash flows. Gross IRRs are calculated before giving effect to management fees, performance income as applicable, and other expenses.
10. The net IRR is an annualized since inception net internal rate of return of cash flows to and from the fund and the fund's residual value at the end of the measurement period. Net IRRs reflect returns to the fee-paying limited partners and if applicable, exclude interests attributable to the non-fee paying limited partners and/or the general partner who does not pay management fees or performance income. The cash flow dates used in the net IRR calculations are based on the actual dates of the cash flows. The net IRRs are calculated after giving effect to management fees, performance income as applicable, and other expenses. The funds may utilize a credit facility during the investment period and for general cash management purposes. Net fund-level IRRs would likely have been lower had such fund called capital from its limited partners instead of utilizing the credit facility.
11. ACE II is made up of two feeder funds, one denominated in U.S. dollars and one denominated in Euros. The gross and net IRR and gross and net MoIC presented in the chart are for the U.S. dollar denominated feeder fund as that is the larger of the two feeders. The gross and net IRR for the Euro denominated feeder fund are 12.3% and 9.3%, respectively. The gross and net MoIC for the Euro denominated feeder fund are 1.5x and 1.4x, respectively. Original capital commitments are converted to U.S. dollars at the prevailing exchange rate at the time of the fund's closing. All other values for ACE II are for the combined fund and are converted to U.S. dollars at the prevailing quarter-end exchange rate. The variance between the gross and net MoICs and the net IRRs for the U.S. dollar denominated and Euro denominated feeder funds is driven by the U.S. GAAP mark-to-market reporting of the foreign currency hedging program in the U.S. dollar denominated feeder fund. The feeder fund will be holding the foreign currency hedges until maturity, and therefore is expected to ultimately recognize a gain while mitigating the currency risk associated with the initial principal investments.
12. ACE III is made up of two feeder funds, one denominated in U.S. dollars and one denominated in Euros. The gross and net MoIC presented in the chart are for the Euro denominated feeder fund as that is the larger of the two feeders. The gross and net IRR for the U.S. dollar denominated feeder fund are 16.4% and 12.1%, respectively. The gross and net MoIC for the U.S. dollar denominated feeder fund are 1.2x and 1.2x, respectively. Original capital commitments are converted to U.S. dollars at the prevailing exchange rate at the time of the fund's closing. All other values for ACE III are for the combined fund and are converted to U.S. dollars at the prevailing quarter-end exchange rate.

## Private Equity

1. Realized proceeds represent the sum of all cash dividends, interest income, other fees and cash proceeds from realizations of interests in portfolio investments.
2. Unrealized value represents the fair market value of remaining investments. There can be no assurance that unrealized investments will be realized at the valuations indicated.
3. The gross MoIC is calculated at the investment-level and is based on the interests of all partners. The gross MoIC is before giving effect to management fees, performance fees as applicable and other expenses.
4. The net MoIC for the U.S. power and energy infrastructure and special situation funds is calculated at the fund-level. The net MoIC for the corporate private equity funds is calculated at the investment-level. For all funds, the net MoIC is based on the interests of the fee-paying limited partners and if applicable, excludes those interests attributable to the non-fee paying limited partners and/or the general partner who does not pay management fees or performance income. The net MoIC is after giving effect to management fees, performance income as applicable and other expenses.
5. The gross IRR is an annualized since inception gross internal rate of return of cash flows to and from investments and the residual value of the investments at the end of the measurement period. Gross IRRs reflect returns to all partners. Cash flows used in the gross IRR calculation are assumed to occur at month-end. The gross IRRs are calculated before giving effect to management fees, performance income as applicable, and other expenses.
6. The net IRR for the U.S. power and energy infrastructure and special situation funds is an annualized since inception net internal rate of return of cash flows to and from the fund and the fund's residual value at the end of the measurement period. The cash flow dates used in the net IRR calculations are based on the actual dates of the cash flows. The net IRR for the corporate private equity funds is an annualized since inception net internal rate of return of cash flows to and from investments and the residual value of the investments at the end of the measurement period. The funds may utilize a credit facility during the investment period and for general cash management purposes. Net fund-level IRRs would likely have been lower had such fund called capital from its limited partners instead of utilizing the credit facility. Cash flows used in the net IRR calculations are assumed to occur at month end. For all funds, the net IRRs are calculated after giving effect to management fees, performance income as applicable, and other expenses and exclude commitments by the general partner and Schedule I investors who do not pay either management fees or carried interest. Including the timing on contribution and distributions to and from the corporate private equity funds, net investor IRRs since inception for ACOF III is 22.2% and for ACOF IV is 12.9%.



# Significant Fund Performance Metrics Endnotes (cont'd)

## Private Equity - Cont.

7. SSF IV 2.0 is a subset of SSF IV positions and is intended to provide insight into the new team's cumulative investment performance. SSF IV 2.0 investments represent (i) existing and re-underwritten positions by the new team on January 1, 2017 and (ii) all new investments made by the new team since January 1, 2017. As part of the re-underwriting process, each liquid investment in the SSF IV portfolio was evaluated and a determination was made whether to continue to hold such investment in the SSF IV portfolio or dispose of such investment. At the same time, legacy illiquid investments have been excluded from SSF IV 2.0 track record as it was not possible to dispose of such investments in the near-term due to their private, illiquid nature.

## Real Estate

1. Realized proceeds include distributions of operating income, sales and financing proceeds received.
2. Unrealized value represents the fair market value of remaining investments. There can be no assurance that unrealized investments will be realized at the valuations indicated.
3. The gross MoIC is calculated at the investment level and is based on the interests of all partners. The gross MoIC for all funds is before giving effect to management fees, performance income as applicable and other expenses.
4. The net MoIC is calculated at the fund-level and is based on the interests of the fee-paying partners and, if applicable, excludes interests attributable to the non fee-paying partners and/or the general partner who does not pay management fees or performance income or has such fees rebated outside of the fund. The net MoIC is after giving effect to management fees, performance income as applicable and other expenses.
5. The gross IRR is an annualized since inception gross internal rate of return of cash flows to and from investments and the residual value of the investments at the end of the measurement period. Gross IRRs reflect returns to all partners. Cash flows used in the gross IRR calculation are assumed to occur at quarter-end. The gross IRRs are calculated before giving effect to management fees, performance income as applicable, and other expenses.
6. The net IRR is an annualized since inception net internal rate of return of cash flows to and from the fund and the fund's residual value at the end of the measurement period. Net IRRs reflect returns to the fee-paying partners and, if applicable, excludes interests attributable to the non fee-paying partners and/or the general partner who does not pay management fees or performance income or has such fees rebated outside of the fund. The cash flow dates used in the net IRR calculation are based on the actual dates of the cash flows. The net IRRs are calculated after giving effect to management fees, performance income as applicable, and other expenses. The funds may utilize a credit facility during the investment period and for general cash management purposes. Net fund-level IRRs would likely have been lower had such fund called capital from its limited partners instead of utilizing the credit facility.
7. EF IV is made up of two parallel funds, one denominated in U.S. dollars and one denominated in Euros. The gross and net MoIC and gross and net IRRs presented in the chart are for the U.S. dollar denominated parallel fund as that is the larger of the two funds. The gross and net IRRs for the Euro denominated parallel fund are 21.1% and 14.2%, respectively. The gross and net MoIC for the Euro denominated parallel fund are 1.4x and 1.2x, respectively. Original capital commitments are converted to U.S. dollars at the prevailing exchange rate at the time of fund's closing. All other values for EF IV are for the combined fund and are converted to U.S. dollars at the prevailing quarter-end exchange rate.
8. EPEP II is made up of dual currency investors and Euro currency investors. The gross and net MoIC presented in the chart are for dual currency investors as dual currency investors represent the largest group of investors in the fund. Multiples exclude foreign currency gains and losses since dual currency investors fund capital contributions and receive distributions in local deal currency (GBP or EUR) and therefore, do not realize foreign currency gains or losses. The gross and net IRRs for the euro currency investors, which include foreign currency gains and losses, are 17.9% and 20.3%, respectively. The gross and net MoIC for the Euro currency investors, which include foreign currency gains and losses, are 1.2x and 1.1x, respectively. Original capital commitments are converted to U.S. dollars at the prevailing exchange rate at the time of fund's closing. All other values for EPEP II are for the combined fund and are converted to U.S. dollars at the prevailing quarter-end exchange rate.

## Weighted Average Common Share Information

	Q2-18		Q2-17	
	GAAP Shares	Adjusted Common Shares <sup>(3)</sup>	GAAP Shares	Adjusted Common Shares <sup>(3)</sup>
Ares weighted average common shares	98,037,252	98,037,252	81,829,086	81,829,086
Ares Operating Group Units exchangeable into common shares <sup>(1)</sup>	120,231,237	—	130,249,329	—
Dilutive effect of unvested restricted units <sup>(2)</sup>	5,026,111	2,257,523	2,490,796	961,057
Dilutive effect of unvested options <sup>(2)(3)</sup>	1,662,519	746,735	—	—
<b>Total Pro Forma Common Shares</b>	<b>224,957,119</b>	<b>101,041,510</b>	<b>214,569,211</b>	<b>82,790,143</b>

1. Represents average units exchangeable for Ares common shares on a one-for-one basis.

2. We apply the treasury stock method to determine the dilutive weighted-average common shares represented by our restricted units to be settled in common shares and options to acquire common shares. Under the treasury stock method, compensation expense attributed to future services and not yet recognized is presumed to be used to acquire outstanding common shares, thus reducing the weighted-average number of shares and the dilutive effect of these awards.

3. Represents proportional dilutive impact based upon the average percentage of Ares Operating Group owned by Ares (44.92% and 38.58% as of June 30, 2018 and 2017, respectively).

# Additional Information

## Dividends/Corporate Action

- Ares declared a quarterly dividend of \$0.28 per common share, payable on September 28, 2018 to common shareholders of record at the close of business on September 14, 2018
- Ares declared a quarterly dividend of \$0.4375 per Series A preferred share with a payment date of September 30, 2018 to preferred shareholders of record as of the close of business on September 15, 2018
- In July 2018, our Board of Directors authorized the repurchase, from time to time in open market purchases, privately negotiated transactions or otherwise, of our Series A Preferred Shares with an aggregate liquidation preference of up to \$50 million. Such purchases, if any, will depend on the prevailing market conditions and other factors

## Targeted Net Returns<sup>(1)</sup>

### Credit Group:

- Syndicated Loans and High Yield Bonds: Benchmark Outperformance<sup>(2)</sup>
- Credit Opportunities: 8-12%
- Structured Credit: 5-15%
- Direct Lending: 5-15%<sup>(5)</sup>

### Real Estate Group:

- Real Estate Debt: 5-12%
- Real Estate Equity: 12-18%

### Private Equity Group:

- Corporate Private Equity: 18-22%
- U.S. Power and Energy Infrastructure: 10-15%
- Special Situations: 15-20%

## Investor Base as a % of AUM<sup>(1)</sup>

### Public Entity & Related: 20%

- 650+ institutional investors<sup>(3)</sup>
- 200,000+ retail investors across our public funds<sup>(4)</sup>

### Institutional Intermediated: 12%

### Institutional Direct: 68%

- Pension: 43%
- SWF: 13%
- Bank/Private Bank: 12%
- Investment Manager: 7%
- Insurance: 16%
- Endowment: 2%
- Other: 7%

### Total Direct Institutional Investors: 842

## Corporate and Tax Information

Following its corporate tax status election effective March 1, 2018, Ares Management, L.P. announced today the intent to convert its legal status from a Delaware limited partnership to a Delaware corporation. The conversion is expected to be completed by December 31, 2018. In connection with the conversion, Ares intends to adopt a structure designed to meet the eligibility requirements for certain indices, although no assurances can be provided regarding index inclusion. Because Ares Management, L.P. is already treated as a corporation for U.S. income tax purposes as of March 1, 2018, ownership of our shares does not generate any unrelated business taxable income (UBTI) or income effectively connected with a U.S. trade or business (ECI), and the conversion would not impact this treatment. As of March 1, 2018, ARES shareholders receiving dividends will see such dividends reported on Form 1099 DIV and are eligible for the favorable tax rates applicable to qualified dividend income. The conversion would not impact this treatment.<sup>(6)</sup>

## New U.S. GAAP Guidance for Revenue Recognition:

Effective January 1, 2018, Ares adopted ASC 606, the new GAAP guidance on revenue recognition, and implemented a change in accounting principle related to carried interest allocation. This resulted in no material change to Ares's GAAP or non-GAAP earnings. In connection with the adoption and change in accounting principle, Ares now accounts for carried allocation under the GAAP guidance for equity method investments, presents carried allocation on the income statement as a separate line item and within investments on the balance sheet and presents incentive fee separately on the income statement. All prior periods have been modified to conformed with these changes.

No assurance can be made that such results will be achieved.

1. As of June 30, 2018, unless otherwise noted.

2. Ares bank loan and high yield strategies are typically benchmarked against the Credit Suisse Leveraged Loan Index ("CSLLI") and the BofA Merrill Lynch U.S. High Yield Master II Index ("H0A0"), respectively. While the other credit strategies cited above are absolute return focused, our bank loan and high yield funds seek to outperform these respective indices over market cycles. Q2-18 returns for the CSLLI and the H0A0 were 0.8% and 1.0%, respectively. NOTE: Certain of Ares funds are not benchmarked against any particular index due to fund specific portfolio constraints.

3. Most recent data available as of July 20, 2018.

4. As of March 16, 2018 for ARCC, April 12, 2018 for ACRE and April 16, 2018 for ARDC.

5. Includes funds managed or co-managed by Ares. Also includes funds managed by IHAM, a wholly owned portfolio company of ARCC, and a registered investment adviser.

6. Investors will receive a final Schedule K-1 for the period from January 1, 2018 through February 28, 2018. 33



## RI, ENI and Other Measures – Financial Data<sup>(1)</sup>

\$ in thousands	Year ended December 31,	
	2017	2016
Credit Group	\$481,466	\$444,664
Private Equity Group	198,498	147,790
Real Estate Group	64,861	66,997
<b>Management fees<sup>(2)</sup></b>	<b>\$744,825</b>	<b>\$659,451</b>
Other fees	\$22,431	\$12,351
Compensation and benefits expenses <sup>(3)</sup>	(413,735)	(384,715)
General, administrative and other expense <sup>(4)</sup>	(136,531)	(114,737)
<b>Fee Related Earnings</b>	<b>\$216,990</b>	<b>\$172,350</b>
Net performance income	\$163,980	\$133,624
Net investment income	86,737	51,009
<b>Performance Related Earnings</b>	<b>\$250,717</b>	<b>\$184,633</b>
<b>Realized Income</b>	<b>\$325,440</b>	<b>\$300,328</b>
<b>Economic Net Income</b>	<b>\$467,707</b>	<b>\$356,983</b>
<b>Other Data</b>		
Total Fee Revenue	\$908,805	\$793,075
Management Fees as % of Total Fees	82%	83%
Fee Related Earnings as % of Economic Net Income	46%	48%
Fee Related Earnings as % of Realized Income	67%	57%

1. Unconsolidated results represent the operating segments plus the Operations Management Group but exclude the effect of Consolidated Funds.

2. Includes ARCC Part I Fees of \$105.5 million and \$121.2 million for the years ended December 31, 2017 and 2016, respectively.

3. Compensation and benefits expenses include expense reimbursements of \$23.9 million for the year ended December 31, 2016, that was previously presented as administrative and other fees.

4. G&A expenses include expense reimbursements of \$3.0 million for the year ended December 31, 2016, that was previously presented as administrative and other fees.

## GAAP to Non-GAAP Reconciliation – Unconsolidated Reporting Basis

\$ in thousands	Year ended December 31,	
	2017	2016
<b>Economic Net Income and Fee Related Earnings:</b>		
Income before taxes	\$149,859	\$297,920
<b>Adjustments:</b>		
Amortization of intangibles	17,850	26,638
Depreciation expense	12,631	8,215
Equity compensation expenses	69,711	39,065
Acquisition and merger-related expenses	259,899	(16,902)
Placement fees and underwriting costs	19,765	6,424
Offering costs	688	—
Other expense, net	(1,730)	(1,728)
Expense of non-controlling interest in consolidated subsidiary.	1,739	—
Income before taxes of non-controlling interests in Consolidated Funds, net of eliminations	(62,705)	(2,649)
<b>Economic Net Income</b>	<b>\$467,707</b>	<b>\$356,983</b>
Unconsolidated performance income - unrealized	(\$325,915)	(\$228,472)
Unconsolidated performance related compensation expense - unrealized	237,392	189,582
Unconsolidated net investment income -unrealized	(53,744)	(17,765)
<b>Realized Income</b>	<b>\$325,440</b>	<b>\$300,328</b>
Unconsolidated performance income - realized	(\$317,787)	(\$292,998)
Unconsolidated performance related compensation expense - realized	242,330	198,264
Unconsolidated net investment income - realized	(32,993)	(33,244)
<b>Fee Related Earnings</b>	<b>\$216,990</b>	<b>\$172,350</b>
<b>Performance Related Earnings</b>		
Economic Net Income	\$467,707	\$356,983
Less: Fee Related Earnings	(216,990)	(172,350)
<b>Performance Related Earnings</b>	<b>\$250,717</b>	<b>\$184,633</b>

Note: This table is a reconciliation of income before provision for income taxes on a consolidated basis to RI, ENI, FRE, PRE and DE on unconsolidated basis, which shows the results of the reportable segments on a combined basis together with the Operations Management Group. Management believes that this presentation is more meaningful than a reconciliation to the reportable segments on a segment basis because such reconciliation would exclude the Operations Management Group.

## GAAP to Non-GAAP Reconciliation – Unconsolidated Reporting Basis (cont.)

\$ in thousands	Year ended December 31,	
	2017	2016
<b>Performance income and net investment income reconciliation:</b>		
Unconsolidated performance income - realized	\$317,787	\$292,998
Performance income - realized earned from Consolidated Funds	(8,089)	—
Performance income - realized reclass <sup>(1)</sup>	(2,721)	(7,367)
<b>Performance income - realized</b>	<b>\$306,977</b>	<b>\$285,631</b>
Unconsolidated performance income - unrealized	\$325,915	\$228,472
Performance income - unrealized earned from Consolidated Funds	2,997	(1,139)
Performance income - unrealized reclass <sup>(1)</sup>	785	4,888
<b>Performance income - unrealized</b>	<b>\$329,697</b>	<b>\$232,221</b>
Unconsolidated net investment income	\$86,737	\$51,009
Net investment income from Consolidated Funds	153,810	37,484
Performance income - reclass <sup>(1)</sup>	1,936	2,479
Principal investment income	(89,031)	(50,408)
Change in value of contingent consideration	20,156	17,675
Other non-cash expense	1,730	1,728
Offering costs	(688)	—
Other Income of non-controlling interests in consolidated subsidiaries	24	—
<b>GAAP total other income</b>	<b>\$174,674</b>	<b>\$59,967</b>

Note: These tables are a reconciliation of consolidated performance income, realized and unrealized performance income and net investment income to an unconsolidated basis, which assist in the reconciliation of GAAP Net Income to fee related earnings and distributable earnings. These reconciliations show the results of the reportable segments on a combined basis together with the Operations Management Group. Management believes that this presentation is more meaningful than a reconciliation to the reportable segments on a segment basis because such reconciliation would exclude the Operations Management Group. Differences may arise due to rounding.

1. Related to performance income for AREA Sponsor Holdings LLC. Changes in value of this investment are reflected within other (income) expense in the Company's Condensed Consolidated Statements of Operations.

# Glossary

<b>ARCC Part I Fees</b>	ARCC Part I Fees refers to a quarterly performance income on the investment income from ARCC.
<b>ARCC Part II Fees</b>	ARCC Part II Fees refers to fees based on ARCC's net capital gains, which are paid annually.
<b>Ares Operating Group Units</b>	Ares Operating Group Unit refers to, collectively, a partnership unit in each of the Ares Operating Group entities.
<b>Assets Under Management</b>	Assets Under Management (or "AUM") refers to the assets we manage. For our funds other than CLOs, our AUM represents the sum of the net asset value of such funds, the drawn and undrawn debt (at the fund level including amounts subject to restrictions) and uncalled committed capital (including commitments to funds that have yet to commence their investment periods). For our funds that are CLOs, our AUM represents subordinated notes (equity) plus all drawn and undrawn debt tranches.
<b>AUM Not Yet Earning Fees</b>	AUM Not Yet Earning Fees, also referred to as Shadow AUM, is our AUM that is not currently generating fees and is eligible to earn management fees upon deployment.
<b>Available Capital</b>	Available Capital is comprised of uncalled committed capital and undrawn amounts under credit facilities and may include AUM that may be canceled or not otherwise available to invest (also referred to as "Dry Powder").
<b>Consolidated Funds</b>	Consolidated Funds refers collectively to certain Ares-affiliated funds, related co-investment entities and certain CLOs that are required under GAAP to be consolidated in our consolidated financial statements.
<b>Economic Net Income</b>	Economic net income (or "ENI"), a non-GAAP measure, is an operating metric used by management to evaluate total operating performance, a decision tool for deployment of resources, and an assessment of the performance of our business segments. ENI differs from net income by excluding (a) income tax expense, (b) operating results of our Consolidated Funds, (c) depreciation and amortization expense, (d) the effects of changes arising from corporate actions, and (e) certain other items that we believe are not indicative of our total operating performance. Changes arising from corporate actions include equity-based compensation expenses, the amortization of intangible assets, transaction costs associated with mergers and acquisitions and capital transactions, underwriting costs and expenses incurred in connection with corporate reorganization. Beginning in 2018, placement fees are no longer excluded but are amortized to match the period over which management fees are recognized. This change had an immaterial impact to fee related earnings and realized income for the current period.
<b>Fee Paying Assets Under Management</b>	Fee paying AUM (or "FPAUM") refers to the AUM on which we directly earn management fees. Fee paying AUM is equal to the sum of all the individual fee bases of our funds that directly contribute to our management fees.
<b>Fee Related Earnings</b>	Fee related earnings (or "FRE"), a non-GAAP measure, refers to a component of ENI that is used to assess core operating performance by determining whether recurring revenue, primarily consisting of management fees, is sufficient to cover operating expenses and to generate profits. FRE differs from income before taxes computed in accordance with GAAP as it adjusts for the items included in the calculation of ENI and excludes performance income, performance related compensation, investment income from our Consolidated Funds and non-consolidated funds and certain other items that we believe are not indicative of our performance.
<b>Gross Invested Capital</b>	Gross Invested Capital refers to the aggregate amount of new capital invested by our funds during a given period, and includes investments made by our draw-down funds and permanent capital vehicles (and affiliated funds) and new capital raised and invested by our open-ended managed accounts, sub advised accounts and CLOs, but excludes capital that is reinvested (after receiving repayments of capital) by our open-ended managed accounts, sub advised accounts and CLOs.



## Glossary (cont'd)

<b>Incentive Generating Assets Under Management</b>	Incentive generating AUM (or “IGAUM”) refers to the AUM of our funds that are currently generating, on a realized or unrealized basis, performance income. It generally represents the NAV of our funds for which we are entitled to receive a performance income, excluding capital committed by us and our professionals (which generally is not subject to a performance income). With respect to ARCC, only ARCC Part II Fees may be generated from IGAUM .
<b>Incentive Eligible Assets Under Management</b>	Incentive eligible AUM (or “IEAUM”) refers to the AUM of our funds that are eligible to produce performance income, regardless of whether or not they are currently generating performance income. It generally represents the NAV plus uncalled equity of our funds for which we are entitled to receive a performance income, excluding capital committed by us and our professionals (which generally is not subject to a performance income).
<b>Net Inflows of Capital</b>	Represents net new commitments during the period, including equity and debt commitments and gross inflows into our open-ended managed accounts and sub-advised accounts, as well as equity offerings by our publicly traded vehicles minus redemptions from our open-ended funds, managed accounts and sub-advised accounts.
<b>Operations Management Group</b>	In addition to our three segments, we have an Operations Management Group (the “OMG”) that consists of five independent, shared resource groups to support our reportable segments by providing infrastructure and administrative support in the areas of accounting/finance, operations/information technology, business development/corporate strategy, legal/compliance and human resources. The OMG’s expenses are not allocated to our three reportable segments but we consider the cost structure of the OMG when evaluating our financial performance. Our management uses this information to assess the performance of our reportable segments and OMG, and we believe that this information enhances the ability of shareholders to analyze our performance.
<b>Our Funds</b>	Our funds refers to the funds, alternative asset companies, co-investment vehicles and other entities and accounts that are managed or co-managed by the Ares Operating Group, and which are structured to pay fees. It also includes funds managed by Ivy Hill Asset Management, L.P., a wholly owned portfolio company of ARCC, and a registered investment adviser.
<b>Performance Income</b>	Performance income refers to income we earn based on the performance of a fund, which are generally based on certain specific hurdle rates as defined in the fund’s investment management or partnership agreements and may be structured as either an incentive fee or as carried interest.
<b>Performance Related Earnings</b>	Performance related earnings (or “PRE”) , a non-GAAP measure, is used to assess our investment performance net of performance related compensation. PRE differs from income (loss) before taxes computed in accordance with GAAP as it only includes performance income, performance related compensation and total investment and other income that we earn from our Consolidated Funds and non-consolidated funds.
<b>Permanent Capital</b>	Permanent capital refers to capital of our funds that do not have redemption provisions or a requirement to return capital to investors upon exiting the investments made with such capital, except as required by applicable law, which funds currently consist of Ares Capital Corporation (“ARCC”), Ares Commercial Real Estate Corporation (“ACRE”), and Ares Dynamic Credit Allocation Fund, Inc. (“ARDC”); such funds may be required, or elect, to return all or a portion of capital gains and investment income.



## Glossary (cont'd)

<b>Realized Income</b>	Realized income (or “RI”), a non-GAAP measure, is an operating metric used by management to evaluate performance of the business based on operating performance and the contribution of each of the business segments to that performance, while removing the fluctuations of unrealized income and expenses, which may or may not be eventually realized at the levels presented and whose realizations depend more on future outcomes than current business operations. RI differs from net income by excluding (a) income tax expense, (b) operating results of our Consolidated Funds, (c) depreciation and amortization expense, (d) the effects of changes arising from corporate actions, (e) unrealized gains and losses related to performance income and investment performance and (f) certain other items that we believe are not indicative of our operating performance. Changes arising from corporate actions include equity-based compensation expenses, the amortization of intangible assets, transaction costs associated with mergers, acquisitions and capital transactions, underwriting costs and expenses incurred in connection with corporate reorganization. Beginning in 2018, placement fees are no longer excluded but are amortized to match the period over which management fees are recognized. This change had an immaterial impact to FRE and RI for the current period. Prior to the introduction of RI, management used distributable earnings for this evaluation. Management believes RI is a more appropriate metric to evaluate the Company's current business operations.
<b>Senior Direct Lending Program</b>	Senior Direct Lending Program (or “SDLP”) is a program co-managed by a subsidiary of Ares through which ARCC co-invests with Varagon Capital Partners.
<b>Shares or Units</b>	Effective March 1, 2018, in connection with the corporate tax status election, the company will now refer to common units and preferred units issued by Ares Management, L.P. as common shares and preferred shares, respectively.
<b>Syndicated Loans Strategy</b>	Syndicated loans strategy refers to a diversified portfolio of liquid, traded non-investment grade secured loans to corporate issuers, including an allocation to syndicated middle market loans.
<b>Total Fee Revenue</b>	Total fee revenue refers to the sum of segment management fees and net performance income.