

Ares Management, L.P. Reports First Quarter 2018 Results



LOS ANGELES--Ares Management, L.P. (NYSE:ARES) today reported its financial results for its first quarter ended March 31, 2018.

“During the first quarter, Ares continued its strong momentum with 29% year over year fee related earnings growth, one of our highest quarters of new fund commitments totaling \$6.9 billion and continued solid fund performance,” said Michael Arougheti, Chief Executive Officer and President of Ares. “We continue to make investments in adjacent fund strategies in order to capitalize on the opportunities for market expansion as investors increasingly prefer alternative investment strategies.”

“Our management fees, fee related earnings, realized income and economic net income have all increased at double digit rates over the last twelve months,” said Michael McFerran, Chief Operating Officer and Chief Financial Officer of Ares. “We believe we are very well positioned for future growth given our expanding fund investor relationships, significant dry powder and the breadth, flexibility and diversity of our global investing platform.”

Common Dividend

Ares declared a quarterly dividend of \$0.28 per common share, payable on June 29, 2018 to common shareholders of record at the close of business on June 15, 2018.

Preferred Dividend

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

Tax Information

Effective March 1, 2018, Ares Management, L.P. elected to be treated as a corporation (rather than a partnership) for U.S. federal and state tax purposes. Accordingly, investors will receive a final Schedule K-1 for the period from January 1, 2018 through February 28, 2018. Investors receiving dividends after March 1, 2018 will receive Form 1099-DIV reporting. In addition, common units and preferred units issued by Ares Management, L.P. are now referred to as common shares and preferred shares, respectively. Ares Management, L.P. continues to be a limited partnership under Delaware state law. With its new corporate tax status, Ares Management, L.P. will not generate any unrelated business taxable income (UBTI) or income effectively connected with a U.S. trade or business (ECI).

Additional Information

Ares issued a full detailed presentation of its first quarter 2018 results, which can be viewed at www.aresmgmt.com on the Investor Resources section of our home page under Events and Presentations. The presentation is titled "First Quarter 2018 Earnings Presentation." We also filed our First Quarter 2018 Earnings Presentation on Form 8-K for the quarter ended March 31, 2018 with the U.S. Securities and Exchange Commission on May 3, 2018 and will file our Quarterly Report on Form 10-Q for the quarter ended March 31, 2018 with the U.S. Securities and Exchange Commission on May 7, 2018.

Conference Call and Webcast Information

Ares will host a conference call on May 3, 2018 at 12:00 p.m. ET to discuss first 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 7138249 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 June 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 10119043. An archived replay will also be available through June 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 \$112.5 billion of assets under management as of March 31, 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.

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.

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First 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.



First Quarter Highlights

Assets Under Management

- Assets Under Management ("AUM") of \$112.5 billion
- Fee Paying AUM ("FPAUM") of \$75.0 billion
- Available Capital of \$26.6 billion
- AUM Not Yet Earning Fees available for future deployment of \$13.4 billion
- Raised \$6.9 billion in gross new capital with net inflows of \$6.4 billion⁽¹⁾ for the quarter ended March 31, 2018
- Capital deployment of \$5.8 billion during the quarter ended March 31, 2018, including \$4.5 billion related to our drawdown funds

Financial Results

- Q1-18 GAAP net income attributable to Ares Management, L.P. of \$40.9 million
- Q1-18 GAAP basic and diluted earnings per common share of \$0.39 and \$0.28, respectively.
- Q1-18 GAAP management fees of \$189.5 million⁽²⁾
- Q1-18 Unconsolidated management and other fees of \$202.9 million⁽²⁾
- Q1-18 Fee Related Earnings of \$60.5 million, resulting in a 30% Fee Related Earnings margin
- Q1-18 Performance Related Earnings of \$31.5 million
- Q1-18 Realized Income of \$72.1 million
- Q1-18 Economic Net Income of \$91.9 million and after-tax Economic Net Income of \$0.37 per share⁽³⁾

Realized Income and Dividends

- Q1-18 after-tax Realized Income of \$0.27 per common share⁽⁴⁾
- Declared quarterly common dividend of \$0.28 per common share⁽⁵⁾
- Declared quarterly preferred dividend of \$0.4375 per preferred share⁽⁶⁾

Recent Developments

- On May 2, 2018, we held a first closing for our fourth commingled European direct lending fund with more than €5.0 billion of equity commitments, surpassing our €4.5 billion target within three months of the launch of the fund. The amount raised thus far is well in excess of the €2.5 billion of equity commitments of its predecessor fund. We are continuing to raise additional commitments for this fund and we expect to announce a final close later in 2018

1. Net inflows represents gross commitments less redemptions.

2. Includes ARCC Part I Fees of \$28.4 million for the three months ended March 31, 2018. Difference between GAAP and Unconsolidated management fees represents \$7.3 million from Consolidated Funds that is eliminated upon consolidation and other fees represents \$6.1 million primarily of transaction based fees in Credit funds.

3. Pro forma shares of 222,115,121 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 31 in this presentation for further information. After-tax Economic Net Income per share is net of the preferred share dividend.

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

5. Payable on June 29, 2018 to shareholders of record as of June 15, 2018.

6. Payable on June 30, 2018 to shareholders of record as of June 15, 2018.

Gross New Capital Commitments⁽¹⁾ – First Quarter of 2018

\$ in millions	Q1 2018	Comments
Credit Group		
U.S. Direct Lending	\$2,964	New and additional equity and debt commitments to various funds
ARCC and Affiliates	1,141	Primarily new debt commitments
CLOs	1,117	Priced one new U.S. CLO and one new E.U. CLO
E.U. Direct Lending	501	New and additional equity and debt commitments to various funds
High Yield	144	Additional equity commitments to various funds
Other Credit Funds	167	Additional equity commitments to various funds
Total Credit Group	\$6,034	
Private Equity Group		
Private Equity Asia	13	Additional equity commitments
Total Private Equity Group	\$13	
Real Estate Group		
U.S. and E.U. Equity	801	New equity commitments of \$768mm to fifth European fund and additional commitments to various funds and co-invests
U.S. Debt	55	New equity commitments
Total Real Estate Group	\$856	
Total	\$6,903	

1. Represents gross new commitments during Q1-18, including equity and debt commitments and gross inflows into our open-ended managed accounts and sub-advised accounts.



Assets Under Management

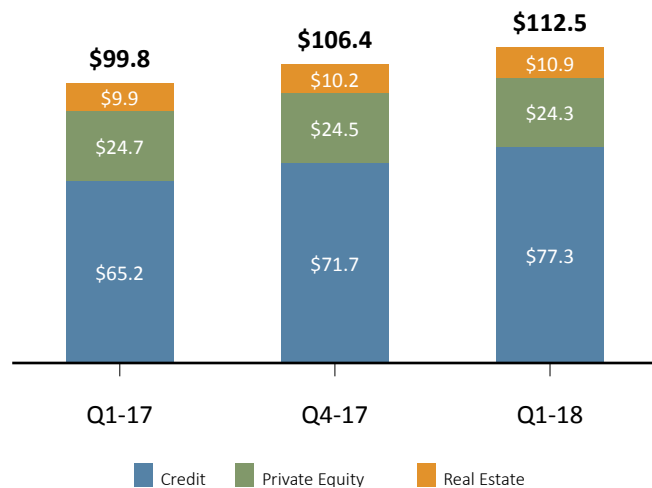
AUM of \$112.5 billion as of March 31, 2018 increased 12.7% year over year⁽¹⁾

- Q1-18 gross new capital commitments of \$6.9 billion, including \$4.0 billion in equity commitments, \$1.1 billion of CLO commitments and \$1.8 billion in other debt commitments
 - Of the \$6.9 billion in new capital commitments raised during the quarter, \$1.2 billion is already earning fees and another \$4.5 billion is expected to become FPAUM upon deployment
- AUM growth was partially offset by distributions/redemptions of \$1.6 billion,⁽²⁾ primarily in funds past their reinvestment periods in the Credit and Real Estate Groups, and by reduction in leverage of \$0.3 billion, primarily due to paydowns in CLOs

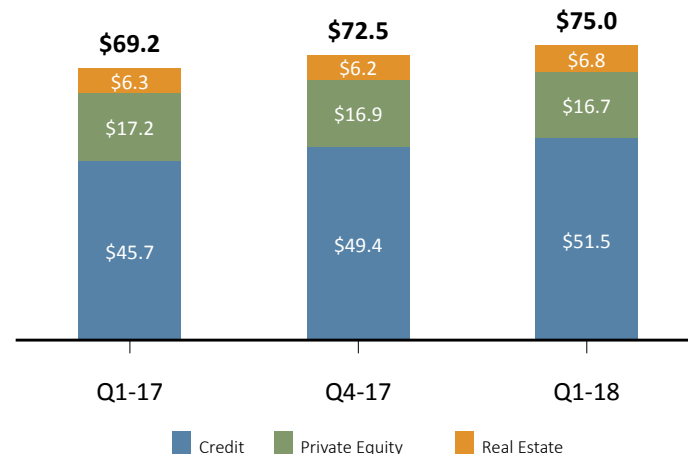
FPAUM of \$75.0 billion as of March 31, 2018 increased 8.4% year over year

- Increase in FPAUM was primarily attributable to new commitments and deployment of capital in funds in the Credit Group, largely offset by repayments and realizations in Credit and Private Equity funds

AUM (\$ in billions)



FPAUM (\$ in billions)



1. As of March 31, 2018, 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.

2. For Q1-18, distributions totaled approximately \$1.1 billion and redemptions totaled approximately \$0.5 billion.

AUM, FPAUM and Management Fees Duration

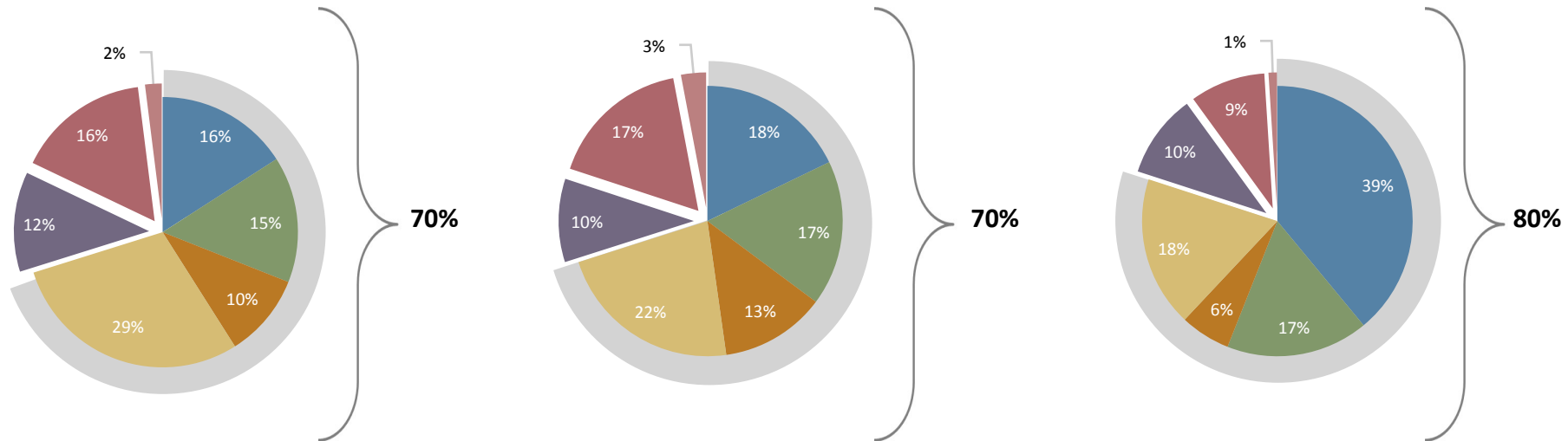
As of March 31, 2018, approximately 70% of AUM, 70% of FPAUM and 80% of management fees had a duration longer than 3 years

- At time of fund closing, approximately 82% of AUM and 80% of FPAUM had a duration longer than 3 years
- At inception, the initial duration of approximately 79% of AUM as of March 31, 2018 was greater than 7 years

AUM: \$112.5 billion

FPAUM: \$75.0 billion

Management Fees: \$196.8 million



Permanent Capital

10 or more years

7 to 9 years

3 to 6 years

Fewer Than 3 years

Differentiated Managed Accounts⁽¹⁾

Managed Accounts

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

Available Capital and AUM Not Yet Earning Fees

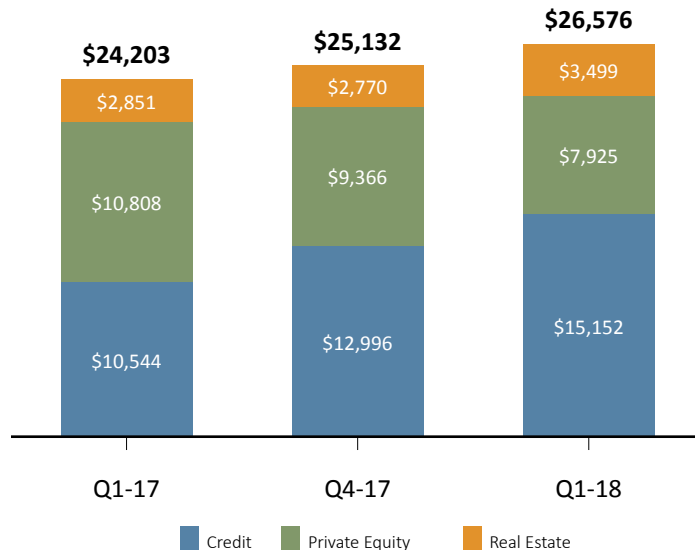
Available Capital of \$26.6 billion as of March 31, 2018 increased 9.8% year over year

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

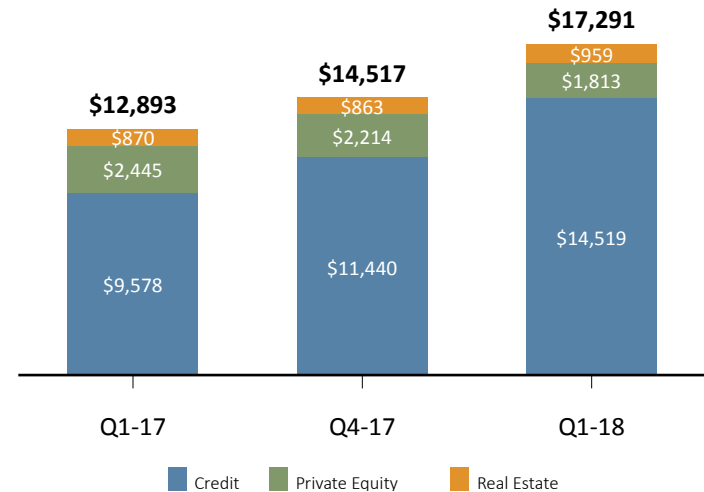
AUM Not Yet Earning Fees of \$17.3 billion as of March 31, 2018 increased 34.1% year over year

- AUM Not Yet Earning Fees increased from \$12.9 billion as of Q1-17 to \$17.3 billion as of Q1-18 primarily driven by new and additional fundraising in funds within the Credit Group

Available Capital (\$ in millions)



AUM Not Yet Earning Fees (\$ in millions)



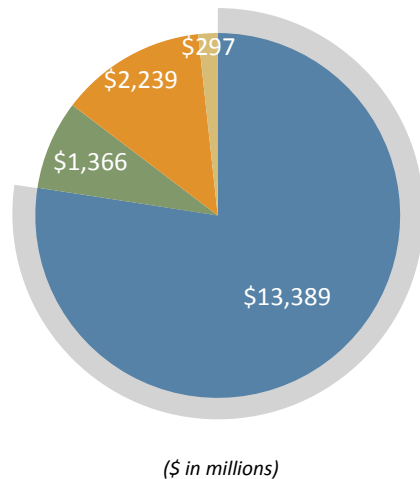
AUM Not Yet Earning Fees

As of March 31, 2018, AUM Not Yet Earning Fees of \$17.3 billion could generate approximately \$172.0 million in potential incremental annual management fees, of which \$126.3 million relates to the \$13.4 billion of AUM available for future deployment⁽¹⁾

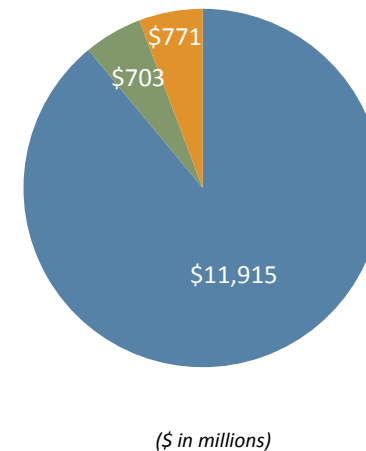
- The \$13.4 billion of AUM not yet earning fees includes approximately \$9.4 billion relating to U.S. and E.U. direct lending funds and \$1.3 billion in structured credit funds

AUM Not Yet Earning Fees: \$17.3 billion

AUM Not Yet Earning Fees Available for Future Deployment: \$13.4 billion



\$13.4 billion of AUM Not Yet Earning Fees was available for future deployment as of March 31, 2018



- Capital Available for Future Deployment
- Capital Available for Deployment for Follow-on Investments⁽²⁾
- 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 March 31, 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 \$172.0 million includes approximately \$33.6 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. Excludes any potential ARCC Part I Fees.

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 March 31, 2018, capital available for deployment for follow-on investments could generate approximately \$12.1 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 \$65.2 billion as of March 31, 2018 increased by 16.6% year over year

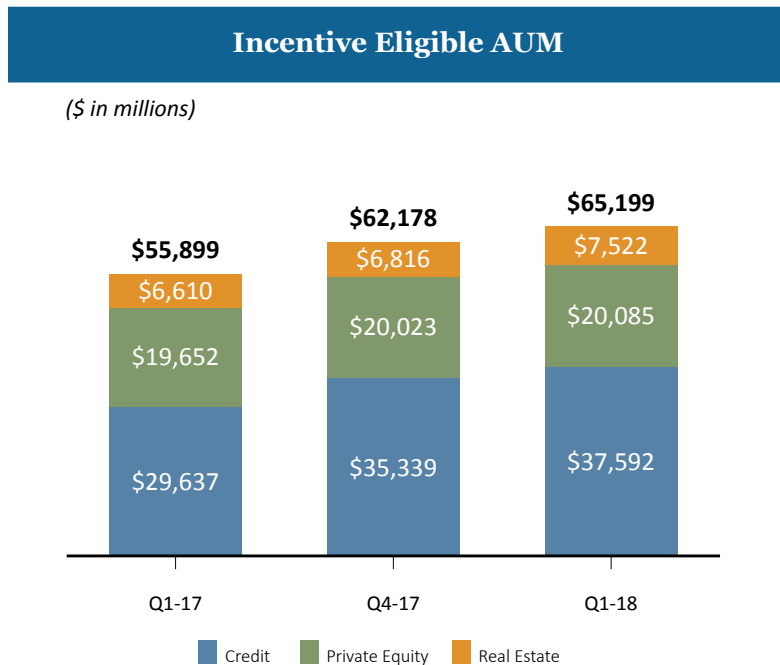
- The increase of \$9.3 billion was primarily driven by fundraising across U.S. and E.U. direct lending funds

Incentive Generating AUM of \$23.4 billion as of March 31, 2018 increased by 15.7% 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 existing funds exceeding hurdle rates as of March 31, 2017 and remained above hurdle rates as of March 31, 2018

Of the \$43.1 billion of incentive eligible AUM that is currently invested, 54.2% is incentive generating

- Excluding the capital gains fee potential from the largely debt oriented ARCC portfolio, 76% of incentive eligible AUM that is currently invested is incentive generating



Q1-18 Incentive Generating to Incentive Eligible AUM Reconciliation

(\$ in millions)

	Credit	Private Equity	Real Estate	Total
Incentive Generating AUM	\$11,507	\$8,719	\$3,161	\$23,387
+ Uninvested IEAUM	11,081	8,063	2,942	22,086
+ IEAUM below hurdle	2,611	3,303	1,419	7,333
+ ARCC Part II Fees below Hurdle ⁽¹⁾	12,393	-	-	12,393
Incentive Eligible AUM	\$37,592	\$20,085	\$7,522	\$65,199

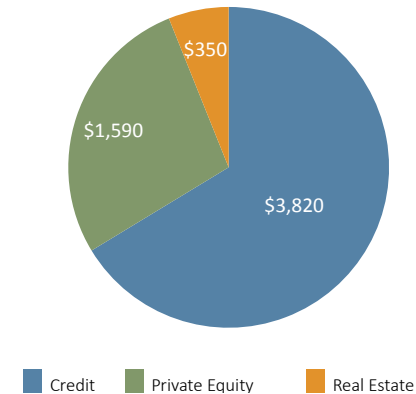
1. ARCC Part II Fees are paid when the cumulative aggregate net capital gains exceed cumulative aggregate realized capital losses and aggregate unrealized capital depreciation less any amounts paid in previous periods. As of March 31, 2018, the cumulative aggregate net capital gains were below the required hurdle by approximately 1.04% of the underlying portfolio.

Capital Deployment⁽¹⁾

- **Total gross invested capital during Q1-18 of \$5.8 billion compared to \$3.6 billion in Q1-17**
 - Of the total amount, \$4.5 billion was related to deployment in our drawdown funds compared to \$2.6 billion for the same period in 2017
 - Of our drawdown funds, the most active investment strategies were corporate private equity, E.U. direct lending, U.S. direct lending, special situations, structured credit, E.U. real estate equity and U.S. real estate equity

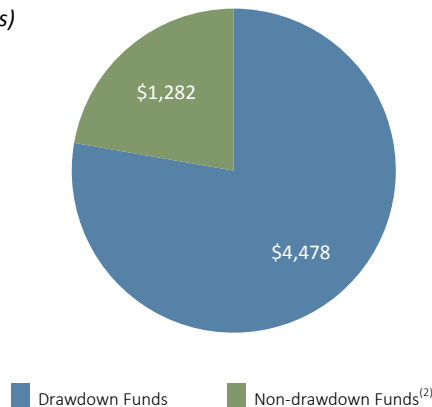
Q1-18 Capital Deployment Breakdown: \$5.8 billion

(\$ in millions)



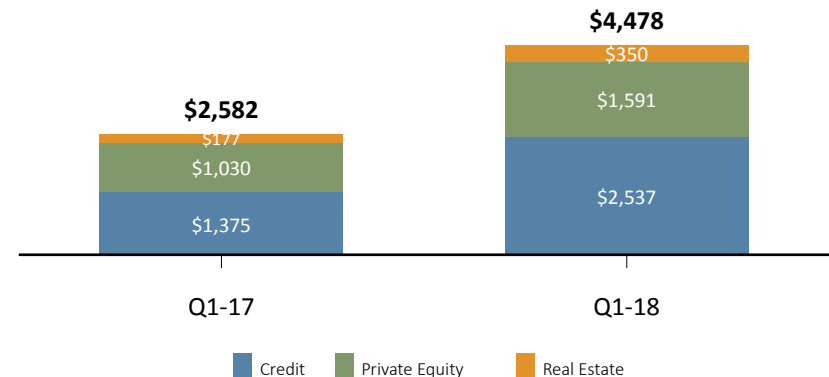
Q1-18 Capital Deployment by Type: \$5.8 billion

(\$ in millions)



Q1-18 Capital Deployment in Drawdown Funds: \$4.5 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 March 31,	
	2018	2017
Revenues		
Management fees (includes ARCC Part I Fees of \$28,417 and \$33,257 for the three months ended March 31, 2018 and 2017, respectively)	\$189,515	\$172,045
Carried interest allocation	54,129	52,007
Incentive fees	5,071	3,165
Principal investment income	4,909	2,587
Administrative, transaction and other fees	12,465	14,440
Total revenues	266,089	244,244
Expenses		
Compensation and benefits	134,639	124,339
Performance related compensation	25,878	40,702
General, administrative and other expenses	44,450	47,338
Transaction support expense	—	275,177
Expenses of the Consolidated Funds	1,316	3,911
Total expenses	206,283	491,467
Other income (expense)		
Net realized and unrealized gain (loss) on investments	(839)	888
Interest and dividend income	3,347	1,924
Interest expense	(6,869)	(4,879)
Other income (expense), net	(311)	16,496
Net realized and unrealized gain (loss) on investments of the Consolidated Funds	(13,085)	32,036
Interest and other income of the Consolidated Funds	64,422	41,492
Interest expense of the Consolidated Funds	(44,425)	(31,322)
Total other income	2,240	56,635
Income (loss) before taxes	62,046	(190,588)
Income tax benefit	(12,375)	(34,264)
Net income (loss)	74,421	(156,324)
Less: Net income attributable to non-controlling interests in Consolidated Funds	367	15,855
Less: Net income (loss) attributable to non-controlling interests in Ares Operating Group entities	33,106	(131,045)
Net income (loss) attributable to Ares Management, L.P.	40,948	(41,134)
Preferred equity dividends paid	5,425	5,425
Net income (loss) attributable to Ares Management, L.P. common shareholders	\$35,523	\$(46,559)
Net income (loss) attributable to Ares Management, L.P. per common share:		
Basic	\$0.39	\$(0.58)
Diluted	\$0.28	\$(0.58)
Weighted-average common shares		
Basic	85,617,932	81,106,734
Diluted	213,852,928	81,106,734
Dividend declared and paid per common share	\$0.40	\$0.28

RI, ENI and Other Measures Financial Summary

\$ in thousands, except share data (unless otherwise noted)	Three Months Ended March 31,			Twelve Months Ended March 31,		
	2018	2017	% Change	2018	2017	% Change
Management fees ⁽¹⁾	\$196,826	\$176,781	11%	\$764,870	\$673,564	14%
Other fees	6,073	4,834	26%	23,670	16,478	44%
Compensation and benefits expenses ⁽²⁾	(107,724)	(100,610)	7%	(420,849)	(389,540)	8%
General, administrative and other expenses ⁽³⁾	(34,718)	(34,283)	1%	(136,966)	(120,478)	14%
Fee Related Earnings	\$60,457	\$46,722	29%	\$230,725	\$180,024	28%
Realized net performance income	\$8,238	\$3,504	135%	\$80,191	\$93,872	(15)%
Realized net investment income	3,378	3,447	(2)%	32,924	33,354	(1)%
Realized Income	\$72,073	\$53,673	34%	\$343,840	\$307,250	12%
Unrealized net performance income	\$24,109	\$13,860	74%	\$98,772	\$66,785	48%
Unrealized net investment income (loss)	(4,248)	8,323	NM	41,173	34,656	19%
Economic Net Income	\$91,934	\$75,856	21%	\$483,785	\$408,691	18%
After-tax Realized Income, net of preferred share dividend⁽⁴⁾	\$63,809	\$41,433	54%	\$296,000	\$250,925	18%
After-tax Realized Income per common share, net of preferred share dividend⁽⁵⁾	\$0.27	\$0.15	80%	\$1.20	\$0.99	21%
After-tax Economic Net Income, net of preferred share dividend	\$81,890	\$63,798	28%	\$433,775	\$350,775	24%
After-tax Economic Net Income per share, net of preferred share dividend⁽⁶⁾	\$0.37	\$0.30	23%	\$2.00	\$1.64	22%
Net performance income	\$32,347	\$17,364	86%	\$178,963	\$160,657	11%
Net investment income (loss)	(870)	11,770	NM	74,097	68,010	9%
Performance Related Earnings	\$31,477	\$29,134	8%	\$253,060	\$228,667	11%
Other Data						
Total fee revenue⁽⁷⁾	\$229,173	\$194,145	18%	\$943,833	\$834,221	13%
Effective management fee rate⁽⁸⁾	1.06%	1.12%	(5)%			

1. Includes ARCC Part I Fees of \$28.4 million and \$33.3 million for the three months ended March 31, 2018 and 2017, respectively, and \$100.6 million and \$125.8 million for Q1-18 LTM and Q1-17 LTM, respectively.
2. Includes compensation and benefits expenses attributable to the Operations Management Group of \$30.6 million and \$26.0 million for the three months ended March 31, 2018 and 2017, respectively, and \$116.9 million and \$98.0 million Q1-18 LTM and Q1-17 LTM, respectively.
3. Includes G&A expenses attributable to Operations Management Group of \$18.6 million and \$19.3 million for the three months ended March 31, 2018 and 2017, respectively, and \$74.1 million and \$63.4 million for Q1-18 LTM and Q1-17 LTM, respectively, which are not allocated to an operating segment.
4. After-tax Realized Income includes \$1.0 million of current income tax related to realized performance income and \$1.8 million of current income tax related to FRE, of which \$0.7 million is entity level taxes and \$1.1 million is corporate level taxes.
5. 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.
6. Pro-forma shares of 222,115,121 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.
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 March 31,		Twelve Months Ended March 31,	
	2018	2017	2018	2017
Economic Net Income, Realized Income and Fee Related Earnings:				
Income (loss) before taxes	\$62,046	\$(190,588)	\$402,493	\$116,306
Adjustments:				
Amortization of intangibles	3,287	5,275	15,862	24,650
Depreciation expense	3,889	3,216	13,304	9,573
Equity compensation expenses(1)	21,087	15,089	75,709	44,981
Acquisition and merger-related expenses	(319)	255,088	4,492	237,690
Placement fees and underwriting costs	1,664	3,439	17,990	8,933
Offering costs	—	660	28	660
Other non-cash income (expense), net	7	—	(1,723)	(1,728)
Expense of non-controlling interests in consolidated subsidiaries	640	—	2,379	—
Income before taxes of non-controlling interests in Consolidated Funds, net of eliminations	(367)	(16,323)	(46,749)	(32,374)
Economic Net Income	\$91,934	\$75,856	\$483,785	\$408,691
Unconsolidated performance income - unrealized	\$(35,118)	\$(49,261)	\$(311,772)	\$(315,081)
Unconsolidated performance related compensation expense - unrealized	11,009	35,401	213,000	248,296
Unconsolidated net investment (income) loss - unrealized	4,248	(8,323)	(41,173)	(34,656)
Realized Income	\$72,073	\$53,673	\$343,840	\$307,250
Unconsolidated performance income - realized	\$(23,107)	\$(8,805)	\$(332,089)	\$(295,454)
Unconsolidated performance related compensation expense - realized	14,869	5,301	251,898	201,582
Unconsolidated net investment income - realized	(3,378)	(3,447)	(32,924)	(33,354)
Fee Related Earnings	\$60,457	\$46,722	\$230,725	\$180,024
Performance Related Earnings				
Economic Net Income	\$91,934	\$75,856	\$483,785	\$408,691
Less: Fee Related Earnings	(60,457)	(46,722)	(230,725)	(180,024)
Performance Related Earnings	\$31,477	\$29,134	\$253,060	\$228,667

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.

(1) Equity compensation expense includes \$6.2 million and \$4.0 million related to annual bonus program for the three months ended March 31, 2018 and 2017, respectively, and \$11.8 million and \$7.2 million related to IPO and retention grants for restricted units for the three months ended March 31, 2018 and 2017, respectively.



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

\$ in thousands	Three Months Ended March 31,		Twelve Months Ended March 31,	
	2018	2017	2018	2017
Performance fee and net investment income reconciliation:				
Unconsolidated performance income - realized	\$23,107	\$8,805	\$332,089	\$295,454
Performance income - realized earned from Consolidated Funds	—	(3,422)	(4,667)	(3,422)
Performance income - realized reclass ⁽¹⁾	—	—	(2,721)	(7,196)
Performance fee income - realized	\$23,107	\$5,383	\$324,701	\$284,836
Unconsolidated performance income - unrealized	\$35,118	\$49,261	\$311,772	\$315,081
Performance income - unrealized earned from Consolidated Funds	—	552	2,445	(2,211)
Performance income - unrealized reclass ⁽¹⁾	975	(24)	1,784	5,265
Performance income - unrealized	\$36,093	\$49,789	\$316,001	\$318,135
Unconsolidated net investment income (loss)	(870)	\$11,770	\$74,097	\$68,010
Net investment income from Consolidated Funds	6,793	38,422	122,181	98,710
Performance income - reclass ⁽¹⁾	(975)	24	937	1,931
Principal investment income	(2,708)	(13,169)	(78,570)	(68,217)
Change in value of contingent consideration	—	20,248	(92)	38,151
Other non-cash expense	(7)	—	1,723	1,728
Offering costs	—	(660)	(28)	(660)
Other income of non-controlling interests in consolidated subsidiaries	7	—	31	—
GAAP total other income	\$2,240	\$56,635	\$120,279	\$139,653

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⁽¹⁾

- Management and other fees increased 9% (after giving effect to ARCC Part I Fee waiver) for Q1-18 compared to Q1-17, primarily driven by deployment in new U.S. and E.U. direct lending strategies and a 13% increase in FPAUM. The increase was partially offset by older vintage funds returning capital to investors
- Performance Related Earnings increased by \$15.9 million in Q1-18 from Q1-17, primarily driven by higher market appreciation in direct lending credit funds compared to Q1-17, offset slightly by lower returns in our syndicated loan funds
- Realized Income increased by \$8.9 million for Q1-18 compared to Q1-17, primarily driven by increase in fee related earnings, partially offset by lower net realized performance income and lower net realized investment income

Financial Summary and Highlights⁽²⁾

\$ in thousands	Q1-18	Q1-17	% Change	Q1-18 LTM	Q1-17 LTM	% Change
Management and other fees ⁽³⁾	\$137,496	\$125,850	9%	\$513,942	\$473,111	9%
Fee Related Earnings	\$77,587	\$66,106	17%	\$286,804	\$249,696	15%
Net performance income	\$25,251	\$4,971	NM	\$51,061	\$49,791	3%
Investment income	2,698	4,888	(45)%	16,052	41,717	(62)%
Interest expense	(4,673)	(2,458)	90%	(14,620)	(8,619)	70%
Net investment income (loss)	(1,975)	2,430	NM	1,432	33,098	(96)%
Performance Related Earnings	\$23,276	\$7,401	214%	\$52,493	\$82,889	(37)%
Realized Income	\$78,857	\$69,945	13%	\$300,993	\$302,656	(1)%
Economic Net Income	\$100,863	\$73,507	37%	\$339,297	\$332,585	2%
AUM (\$ in billions)	\$77.3	\$65.2	19%			
FPAUM (\$ in billions)	\$51.5	\$45.7	13%			

17%

Q1-18 increase in
Fee Related Earnings

13%

Q1-18 increase in
FPAUM

E.U. Direct Lending: 3.7%⁽⁴⁾
High Yield: (1.0%)⁽⁵⁾
Syndicated Loans: 1.1%⁽⁵⁾

Q1-18 gross returns

- NM - Not Meaningful

Note: Past performance is not indicative of future results. The Credit Group had ~240 investment professionals, over 1,500 portfolio companies and 145 active funds as of March 31, 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 for complete financial results.

3. Includes ARCC Part I Fees of \$28.4 million and \$33.3 million for Q1-18 and Q1-17, respectively, and \$100.6 million and \$125.8 million for Q1-18 LTM and Q1-17 LTM, respectively. The 2018 amounts are net of the \$10 million ARCC-ACAS transaction fee waiver.

4. The net return for E.U. direct lending is 2.8% for Q1-18. 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 3.4% and 2.7% for Q1-18. 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.

5. Net performance returns: 1.0% 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⁽¹⁾

- Management and other fees increased 25% for Q1-18 compared to Q1-17, primarily attributable to ACOF V, which began paying management fees in March 2017. This increase was partially offset by the reduction in management fees attributable to the step down in fee rate and fee basis for ACOF IV in connection with the launch of ACOF V
- Performance Related Earnings for Q1-18 decreased by \$15.7 million from Q1-17, primarily driven by a decrease in market appreciation in portfolio investments in our ACOF Asia and EIF V portfolios compared to Q1-17. This decrease was partially offset by an increase in net investment income mainly from ACOF III
- Realized Income increased by \$5.0 million for Q1-18 compared to Q1-17, primarily driven by increases in fee related earnings

Financial Summary and Highlights⁽²⁾

\$ in thousands	Q1-18	Q1-17	% Change	Q1 - 18 LTM	Q1 - 17 LTM	% Change
Management and other fees	\$50,227	\$40,159	25%	\$210,061	\$150,477	40%
Fee Related Earnings	\$26,987	\$22,743	19%	\$118,107	\$74,710	58%
Net performance income	\$3,210	\$6,732	(52)%	\$93,207	\$94,467	(1)%
Investment income	(3,150)	9,277	NM	52,858	54,296	(3)%
Interest expense	(1,228)	(1,513)	(19)%	(4,933)	(5,697)	(13)%
Net investment income (loss)	(4,378)	7,764	NM	47,925	48,599	(1)%
Performance Related Earnings	\$(1,168)	\$14,496	NM	\$141,132	\$143,066	(1)%
Realized Income	\$27,327	\$22,345	22%	\$197,796	\$152,005	30%
Economic Net Income	\$25,819	\$37,239	(31)%	\$259,239	\$217,776	19%
AUM (\$ in billions)	\$24.3	\$24.7	(2)%			
FPAUM (\$ in billions)	\$16.7	\$17.2	(3)%			

19%

Q1-18 increase in Fee Related Earnings

22%

Q1-18 increase in Realized Income

Q1-18: 2.1%

LTM: 28.4%

Gross return in Corporate Private Equity portfolio⁽³⁾

- NM - Not Meaningful

Note: Past performance is not indicative of future results. The Private Equity Group had ~95 investment professionals, 35 portfolio companies, 59 U.S. Power and Energy Assets and 22 active funds and related co-investment vehicles as of March 31, 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 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 1.3% for Q1-18 and 19.9% for the last twelve months. 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⁽¹⁾

- Management and other fees decreased 3% for Q1-18 compared to Q1-17, primarily driven by realizations and return of capital of vintage funds in the E.U. equity strategy, partially offset by a U.S. equity strategy fund which began paying management fees in the second quarter of 2017
- Performance Related Earnings increased by \$0.2 million for Q1-18 compared to Q1-17, primarily driven by market appreciation of the Company's investments in U.S. and E.U. equity strategies
- Realized Income increased by \$9.1 million for Q1-18 compared to Q1-17, primarily driven by increases in fee related earnings, net realized performance income and net realized investment income

Financial Summary and Highlights⁽²⁾

\$ in thousands	Q1-18	Q1-17	% Change	Q1 -18 LTM	Q1 - 17 LTM	% Change	
Management and other fees	\$15,176	\$15,606	(3)%	\$64,537	\$66,454	(3)%	
Fee Related Earnings	\$5,105	\$3,139	63%	\$16,828	\$16,969	(1)%	23% Q1-18 increase in Economic Net Income
Net performance income	\$3,886	\$5,661	(31)%	\$34,695	\$16,399	NM	
Investment income	3,135	1,158	171%	12,632	5,609	125%	7% Q1-18 growth in FPAUM
Interest expense	(420)	(432)	(3)%	(1,638)	(1,214)	35%	
Net investment income	2,715	726	274%	10,994	4,395	150%	
Performance Related Earnings	\$6,601	\$6,387	3%	\$45,689	\$20,794	120%	
Realized Income	\$13,669	\$4,588	198%	\$33,608	\$28,215	19%	U.S. Equity: 3.6%
Economic Net Income	\$11,706	\$9,526	23%	\$62,517	\$37,763	66%	E.U. Equity: 7.4% Q1-18 Gross Returns ⁽³⁾
AUM (\$ in billions)	\$10.9	\$9.9	10%				
FPAUM (\$ in billions)	\$6.8	\$6.3	7%				

- NM - Not Meaningful

Note: Past performance is not indicative of future results. The Real Estate Group had ~70 investment professionals, 171 properties and 41 active funds as of March 31, 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 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, if applicable. 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 2.6% and 8.0% for Q1-18. The gross and net returns for the Euro denominated feeder fund were 6.3% and 6.8% for Q1-18.



Realized Income per Share Data

	Three Months Ended March 31,	
	2018	2017
Realized Income per share		
Realized Income before taxes	\$72,073	\$53,673
Entity level foreign, state and local taxes	(666)	(1,646)
Realized Income after entity level foreign, state and local taxes	\$71,407	\$52,027
Realized Income per share⁽¹⁾	\$0.32	\$0.24
After-tax Realized Income, net of preferred share dividend		
Realized Income after entity level, foreign, state and local taxes	\$71,407	\$52,027
Preferred share dividend ⁽²⁾	(5,425)	(5,425)
Realized Income, net of preferred share dividend	65,982	46,602
Income tax provision ⁽³⁾	(2,173)	(5,169)
After-tax Realized Income, net of preferred share dividend	\$63,809	\$41,433
After-tax Realized Income per share⁽¹⁾	\$0.29	\$0.19
After-tax Realized Income per common share		
Realized Net Income, net of preferred dividend	\$65,982	\$46,602
x Average common ownership %	40.04%	38.35%
Realized Income attributable to common shareholders	\$26,416	\$17,872
Income tax provision ⁽³⁾	(2,173)	(5,169)
After-tax Realized Income attributable to common shareholders	\$24,243	\$12,703
After-tax Realized Income per common share	\$0.27	\$0.15

1. Pro forma shares of 222,115,121 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 March 31, 2018.

3. The provision for income taxes on RI was calculated by multiplying (1) Ares Management, L.P.'s share of RI that is subject to corporate level taxes (reduced by the interest expense attributable to an intercompany loan between Ares Management, L.P. and a corporate subsidiary) by (2) those subsidiaries' effective corporate tax rate.

Economic Net Income per Share Data

	Three Months Ended March 31,	
	2018	2017
Economic Net Income per share		
Economic Net Income before taxes	\$91,934	\$75,856
Entity level foreign, state and local taxes	(666)	(1,646)
Economic Net Income after entity level foreign, state and local taxes	\$91,268	\$74,210
Economic Net Income per share⁽¹⁾	\$0.41	\$0.34
After-tax Economic Net Income, net of preferred share dividend		
Economic Net Income after entity level, foreign, state and local taxes	\$91,268	\$74,210
Preferred share dividend ⁽²⁾	(5,425)	(5,425)
Economic Net Income, net of preferred share dividend	85,843	68,785
Income tax provision ⁽³⁾	(3,953)	(4,987)
After-tax Economic Net Income, net of preferred share dividend	\$81,890	\$63,798
After-tax Economic Net Income per share⁽¹⁾	\$0.37	\$0.30
After-tax Economic Net Income per common share		
Economic Net Income, net of preferred dividend	\$85,843	\$68,785
x Average common ownership %	40.04%	38.35%
Economic Net Income attributable to common shareholders	\$34,368	\$26,379
Income tax provision ⁽³⁾	(3,953)	(4,987)
After-tax Economic Net Income attributable to common shareholders	\$30,415	\$21,392
After-tax Economic Net Income per common share	\$0.34	\$0.26

1. Pro forma shares of 222,115,121 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 March 31, 2018.

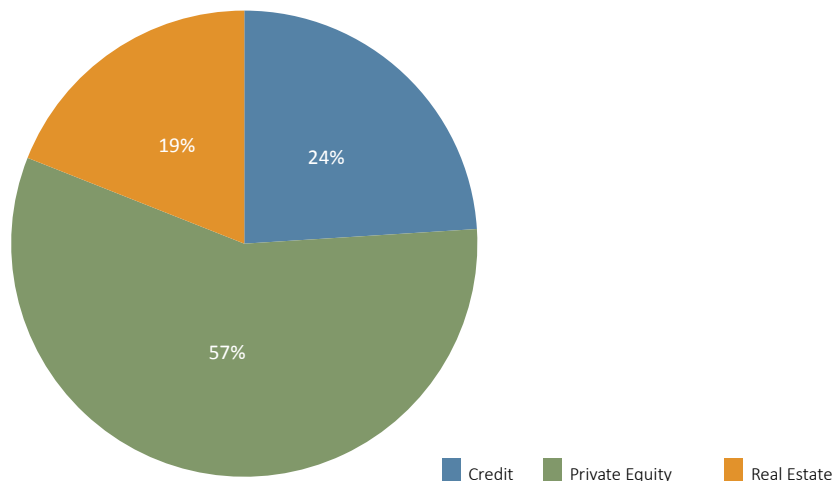
3. The provision for income taxes on ENI was calculated by multiplying (1) Ares Management, L.P.'s share of ENI that is subject to corporate level taxes (reduced by the interest expense attributable to an intercompany loan between Ares Management, L.P. and a corporate subsidiary) by (2) those subsidiaries' effective corporate tax rate.

Balance Sheet

- **Substantial balance sheet value related to investments in Ares managed vehicles and net performance income receivable**
 - \$115.5 million in cash and cash equivalents, \$590.2 million in debt obligations with \$140.0 million drawn against our \$1.065 billion revolving credit facility as of March 31, 2018
 - As of March 31, 2018, the value of our corporate investment portfolio was \$698.4 million in accordance with GAAP. On an unconsolidated basis, corporate investment portfolio was \$873.2 million⁽¹⁾
 - As of March 31, 2018, gross accrued carried interest allocation reported on a GAAP and unconsolidated basis was \$1.1 billion.
 - As of March 31, 2018, net accrued carried interest allocation, net of performance related compensation reported on a GAAP and unconsolidated basis was \$257.0 million, which increased by 11.4% from December 31, 2017.

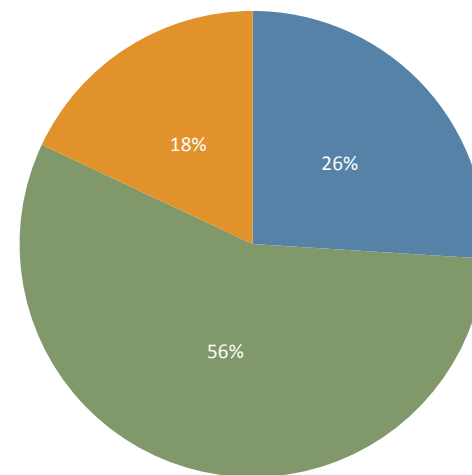
Net Accrued Carried Interest Allocation by Group – GAAP and Unconsolidated basis

Q4 2017: \$247.3 million



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

Q1 2018: \$257.0 million



1. As of March 31, 2018, \$82.5 million was invested in non-Ares managed vehicles. Difference between GAAP and unconsolidated investments represents investments of \$174.8 million in Consolidated Funds that are eliminated upon consolidation. Corporate investment portfolio excludes carried interest amount of \$1.1 billion.

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

Dean of UCLA Anderson School of Management and the John E. Anderson Chair in Management

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 Financial Officer and Chief Operating 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

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Securities Listing

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NYSE: ARES PR A



Appendix



Financial Details – Segments

\$ in thousands	Three Months Ended March 31, 2018				
	Credit Group	Private Equity Group	Real Estate Group	Operations Management Group	Total ⁽¹⁾
Management fees (Credit Group includes ARCC Part I Fees of \$28,417)	\$131,766	\$49,887	\$15,173	\$—	\$196,826
Other fees	5,730	340	3	—	6,073
Compensation and benefits	(50,280)	(19,199)	(7,639)	(30,606)	(107,724)
General, administrative and other expenses	(9,629)	(4,041)	(2,432)	(18,616)	(34,718)
Fee Related Earnings	\$77,587	\$26,987	\$5,105	\$(49,222)	\$60,457
Performance fees - realized	\$5,071	\$4,398	\$13,638	\$—	\$23,107
Performance income - unrealized	16,092	21,066	(2,040)	—	35,118
Performance fee compensation - realized	(3,088)	(3,560)	(8,221)	—	(14,869)
Performance fee compensation - unrealized	7,176	(18,694)	509	—	(11,009)
Net performance income	\$25,251	\$3,210	\$3,886	\$—	\$32,347
Investment income—realized	\$771	\$671	\$3,350	\$838	\$5,630
Investment income (loss)—unrealized	(269)	(4,150)	(1,232)	1,231	(4,420)
Interest and other investment income	2,196	329	1,017	1,247	4,789
Interest expense	(4,673)	(1,228)	(420)	(548)	(6,869)
Net investment income (loss)	\$(1,975)	\$(4,378)	\$2,715	\$2,768	\$(870)
Performance Related Earnings	\$23,276	\$(1,168)	\$6,601	\$2,768	\$31,477
Realized Income	\$78,857	\$27,327	\$13,669	\$(47,780)	\$72,073
Economic Net Income	\$100,863	\$25,819	\$11,706	\$(46,454)	\$91,934

\$ in thousands	Three Months Ended March 31, 2017				
	Credit Group	Private Equity Group	Real Estate Group	Operations Management Group	Total ⁽¹⁾
Management fees (Credit Group includes ARCC Part I Fees of \$33,257)	\$121,347	\$39,819	\$15,615	\$—	\$176,781
Other fees	4,503	340	(9)	—	4,834
Compensation and benefits	(51,703)	(13,218)	(9,736)	(25,953)	(100,610)
General, administrative and other expenses	(8,041)	(4,198)	(2,731)	(19,313)	(34,283)
Fee Related Earnings	\$66,106	\$22,743	\$3,139	\$(45,266)	\$46,722
Performance fees - realized	\$8,778	\$—	\$27	\$—	\$8,805
Performance fees - unrealized	2,936	32,237	14,088	—	49,261
Performance fee compensation - realized	(5,285)	—	(16)	—	(5,301)
Performance fee compensation - unrealized	(1,458)	(25,505)	(8,438)	—	(35,401)
Net performance income	\$4,971	\$6,732	\$5,661	\$—	\$17,364
Investment income—realized	\$318	\$579	\$1,783	\$1,859	\$4,539
Investment income (loss)—unrealized	4,589	8,546	(444)	(1,407)	11,284
Interest and other investment income (expense)	(19)	152	(181)	874	826
Interest expense	(2,458)	(1,513)	(432)	(476)	(4,879)
Net investment income	\$2,430	\$7,764	\$726	\$850	\$11,770
Performance Related Earnings	\$7,401	\$14,496	\$6,387	\$850	\$29,134
Realized Income	\$69,945	\$22,345	\$4,588	\$(43,205)	\$53,673
Economic Net Income	\$73,507	\$37,239	\$9,526	\$(44,416)	\$75,856

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.



AUM and FPAUM Rollforward

Q1-18 Total AUM Rollforward (\$ in millions)				
	Credit	Private Equity	Real Estate	Total
Q4-17 Ending Balance	\$71,732	\$24,530	\$10,229	\$106,491
Commitments	5,853	13	857	6,723
Capital reductions	(313)	(1)	—	(314)
Distributions/redemptions	(1,024)	(281)	(291)	(1,596)
Changes in fund value	1,062	42	101	1,205
Q1-18 Ending Balance	\$77,310	\$24,303	\$10,896	\$112,509
QoQ change	\$5,578	(\$227)	\$667	\$6,018

Q1-18 Total FPAUM Rollforward (\$ in millions)				
	Credit	Private Equity	Real Estate	Total
Q4-17 Ending Balance	\$49,450	\$16,858	\$6,189	\$72,497
Commitments	928	13	766	1,707
Subscriptions/deployment/increase in leverage	1,964	204	136	2,304
Distributions/redemptions/decrease in leverage	(1,226)	(427)	(182)	(1,835)
Changes in fund value	430	15	46	491
Change in fee basis	(6)	—	(204)	(210)
Q1-18 Ending Balance	\$51,540	\$16,663	\$6,751	\$74,954
QoQ change	\$2,090	(\$195)	\$562	\$2,457

LTM Total AUM Rollforward (\$ in millions)				
	Credit	Private Equity	Real Estate	Total
Q1-17 Ending Balance	\$65,231	\$24,653	\$9,941	\$99,825
Commitments	17,773	326	1,873	19,972
Capital reductions	(5,829)	(5)	(45)	(5,879)
Distributions/redemptions	(4,152)	(2,647)	(1,637)	(8,436)
Changes in fund value	4,287	1,976	764	7,027
Q1-18 Ending Balance	\$77,310	\$24,303	\$10,896	\$112,509
YoY change	\$12,079	(\$350)	\$955	\$12,684

LTM Total FPAUM Rollforward (\$ in millions)				
	Credit	Private Equity	Real Estate	Total
Q1-17 Ending Balance	\$45,696	\$17,182	\$6,357	\$69,235
Commitments	5,457	326	1,431	7,214
Subscriptions/deployment/increase in leverage	6,040	947	662	7,649
Distributions/redemptions/decrease in leverage	(8,140)	(1,685)	(848)	(10,673)
Changes in fund value	2,284	(82)	246	2,448
Change in fee basis	203	(25)	(1,097)	(919)
Q1-18 Ending Balance	\$51,540	\$16,663	\$6,751	\$74,954
YoY change	\$5,844	(\$519)	\$394	\$5,719

Credit	<ul style="list-style-type: none"> AUM increased by 7.8% from Q4-17, primarily driven by new capital commitments to U.S. direct lending and syndicated loans strategies FPAUM increased by 4.2% from Q4-17, primarily driven by new commitments to syndicated loans strategy and deployment in direct lending funds paid on invested capital, largely offset by paydowns in U.S. syndicated loans (within CLOs) and other credit funds
Private Equity	<ul style="list-style-type: none"> AUM decreased slightly by 0.9% from Q4-17 driven by distributions from Private Equity EIF funds FPAUM decreased by 1.2% from Q4-17, driven by distributions from Private Equity EIF funds
Real Estate	<ul style="list-style-type: none"> AUM increased by 6.5% from Q4-17, primarily driven by new equity commitments to fifth European fund FPAUM increased by 9.1% from Q4-17, primarily driven by new commitments to fifth European fund and deployment in U.S. equity funds



AUM and FPAUM by Strategy⁽¹⁾

Strategy (\$ in billions)	AUM	% AUM	FPAUM	% FPAUM
Credit				
Syndicated Loans	\$17.4	23%	\$15.6	30%
High Yield	4.6	6%	4.6	9%
Credit Opportunities	3.2	4%	2.6	5%
Structured Credit	4.9	6%	3.5	7%
U.S. Direct Lending ⁽²⁾	34.5	45%	18.1	35%
E.U. Direct Lending	12.7	16%	7.1	14%
Total Credit Group	\$77.3	100%	\$51.5	100%
Private Equity				
Corporate Private Equity				
ACOF V	\$7.8	32%	\$7.6	46%
ACOF IV	5.5	23%	2.9	17%
ACOF III	4.7	19%	1.5	9%
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%	2.9	17%
EIF V	0.8	3%	0.8	5%
Special Situations				
Special Situations	1.5	6%	0.9	5%
Private Equity Group	\$24.3	100%	\$16.7	100%
Real Estate				
U.S. Equity	\$4.5	41%	\$3.0	45%
E.U. Equity	3.4	31%	2.8	40%
Debt	3.0	28%	1.0	15%
Real Estate Group	\$10.9	100%	\$6.8	100%
Total	\$112.5		\$75.0	

1. As of March 31, 2018.

2. AUM includes ARCC, IHAM, and SDLP AUM of \$15.0 billion, \$4.1 billion, and \$2.0 billion, respectively. ARCC's wholly owned portfolio company, IHAM, an SEC registered investment adviser, manages 22 funds and serves as the sub-manager or sub-adviser for 2 other funds as of March 31, 2018.

Balance Sheet Investments by Strategy

\$ in thousands	March 31, 2018	December 31, 2017
Credit		
Syndicated Loans*	\$296,148	\$246,460
Credit Opportunities	4,373	4,464
Structured Credit	17,459	14,067
U.S. Direct Lending	56,413	61,411
E.U. Direct Lending	50,050	48,672
Credit Group	\$424,443	\$375,074
Private Equity		
ACOF I - II	\$3,800	\$4,047
ACOF III	125,375	120,598
ACOF IV	38,061	35,984
ACOF Asia	77,468	80,738
Other Energy Funds	1,623	—
U.S. Power & Energy Infrastructure	4,845	9,353
Special Situations	29,420	25,863
Private Equity	\$280,592	\$276,583
Real Estate		
U.S. Equity	\$68,359	\$74,617
E.U. Equity	17,315	15,914
Real Estate	\$85,674	\$90,531
Operations Management Group		
Other	\$82,536	\$80,767
Other	\$82,536	\$80,767
Total	\$873,245	\$822,955

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

*Through investments in Ares CLOs.

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 March 31, 2018									
	Year of Inception	AUM (in millions)	Returns (%) ⁽¹⁾						Primary Investment Strategy
			Current Quarter		Year-To-Date		Since Inception ⁽²⁾		
			Gross	Net	Gross	Net	Gross	Net	
Credit									
ARCC ⁽³⁾	2004	\$14,982	N/A	3.4%	N/A	3.4%	N/A	11.8%	U.S. Direct Lending
Sub-advised Client A ⁽⁴⁾	2007	719	(1.0)%	(1.1)%	(1.0)%	(1.1)%	7.7%	7.3%	High Yield
Separately Managed Account Client B ⁽⁴⁾	2016	704	(1.3)%	(1.4)%	(1.3)%	(1.4)%	5.1%	4.7%	High Yield

Note: Past performance is not indicative of future results. AUM and Net Returns as of March 31, 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 three months ended March 31, 2018 or comprised 1% or more of the Company's total FPAUM as of March 31, 2018, and for which we have sole discretion for investment decisions within the fund. Please see significant fund performance endnotes on slides 29-30 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 March 31, 2018												
Credit												
(\$ in millions)	Year of Inception	AUM	Original Capital Commitment	Cumulative Invested Capital	Realized Proceeds ⁽⁵⁾	Unrealized Value ⁽⁶⁾	Total Value	MOIC		IRR		Primary Investment Strategy
								Gross ⁽⁷⁾	Net ⁽⁸⁾	Gross ⁽⁹⁾	Net ⁽¹⁰⁾	
ACE II ⁽¹¹⁾	2013	\$1,542	\$1,216	\$985	\$490	\$794	\$1,284	1.4x	1.3x	10.3%	7.6%	E.U. Direct Lending
ACE III ⁽¹²⁾	2015	5,355	2,822	2,232	136	2,413	2,549	1.2x	1.1x	17.4%	12.9%	E.U. Direct Lending
Private Equity												
(\$ in millions)	Year of Inception	AUM	Original Capital Commitment	Cumulative Invested Capital	Realized Proceeds ⁽¹⁾	Unrealized Value ⁽²⁾	Total Value	MOIC		IRR		Primary Investment Strategy
								Gross ⁽³⁾	Net ⁽⁴⁾	Gross ⁽⁵⁾	Net ⁽⁶⁾	
USPF III	2007	\$719	\$1,350	\$1,808	\$1,851	\$709	\$2,560	1.4x	1.4x	7.5%	4.8%	U.S. Power and Energy Infrastructure
ACOF III	2008	4,713	3,510	3,867	6,216	4,369	10,585	2.7x	2.3x	31.2%	23.3%	Corporate Private Equity
USPF IV	2010	1,797	1,688	1,847	842	1,612	2,454	1.3x	1.2x	9.7%	6.0%	U.S. Power and Energy Infrastructure
ACOF IV	2012	5,527	4,700	4,004	2,502	4,539	7,041	1.8x	1.5x	22.7%	15.5%	Corporate Private Equity
EIF V*	2015	785	802	332	77	297	374	1.1x	0.9x	NA	NA	U.S. Power and Energy Infrastructure
ACOF V*	2017	7,753	7,850	2,445	12	2,502	2,514	1.0x	1.0x	NA	NA	Corporate Private Equity
Real Estate												
(\$ in millions)	Year of Inception	AUM	Original Capital Commitment	Cumulative Invested Capital	Realized Proceeds ⁽¹⁾	Unrealized Value ⁽²⁾	Total Value	MOIC		IRR		Primary Investment Strategy
								Gross ⁽³⁾	Net ⁽⁴⁾	Gross ⁽⁵⁾	Net ⁽⁶⁾	
EF IV ⁽⁷⁾	2014	\$1,026	\$1,302	\$1,087	\$465	\$1,072	\$1,537	1.4x	1.2x	20.2%	12.7%	E.U. Real Estate Equity
EPEP II ^{(8)*}	2015	731	747	366	150	309	459	1.3x	1.2x	23.5%	23.4%	E.U. Real Estate Equity

Note: Past performance is not indicative of future results. AUM and Net Returns as of March 31, 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 three months ended March 31, 2018 or comprised 1% or more of the Company's total FPAUM as of March 31, 2018, and for which we have sole discretion for investment decisions within the fund. Please see significant fund performance endnotes on slides 29-30 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.



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 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 12.5% and 9.4%, respectively. The gross and net MoIC for the Euro denominated feeder fund are 1.5x and 1.3x, 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 17.2% and 12.7%, respectively. The gross and net MoIC for the U.S. dollar denominated feeder fund 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 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 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 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 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 22.6% and for ACOF IV is 14.6%.

Significant Fund Performance Metrics Endnotes (cont'd)

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 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 20.5% and 14.3%, 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 23.1% and 22.8%, respectively. The gross and net MoIC for the Euro currency investors, which include foreign currency gains and losses, are 1.3x 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 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

	Q1-18		Q1-17	
	GAAP Shares	Adjusted Common Shares ⁽³⁾	GAAP Shares	Adjusted Common Shares ⁽³⁾
Ares weighted average common shares	85,617,932	85,617,932	81,106,734	81,106,734
Ares Operating Group Units exchangeable into common shares ⁽¹⁾	128,234,996	—	130,403,174	—
Dilutive effect of unvested restricted units ⁽²⁾	5,842,185	2,338,971	3,705,863	1,421,198
Dilutive effect of unvested options ⁽³⁾	2,420,008	968,872	—	—
Total Pro Forma Common Shares	222,115,121	88,925,775	215,215,771	82,527,933

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 (40.04% and 38.35% as of March 31, 2018 and 2017, respectively).

Additional Information

Dividends	Targeted Net Returns ⁽¹⁾	Investor Base as a % of AUM ⁽¹⁾
<ul style="list-style-type: none"> Ares declared a quarterly dividend of \$0.28 per common share, payable on June 29, 2018 to common shareholders of record at the close of business on June 15, 2018. Ares declared a quarterly dividend of \$0.4375 per Series A preferred share with a payment date of June 30, 2018 to preferred shareholders of record as of the close of business on June 15, 2018. 	<p>Credit Group:</p> <ul style="list-style-type: none"> Syndicated Loans and High Yield Bonds: Benchmark Outperformance⁽²⁾ Credit Opportunities: 8-12% Structured Credit: 5-15% Direct Lending: 5-15%⁽⁵⁾ <p>Real Estate Group:</p> <ul style="list-style-type: none"> Real Estate Debt: 5-12% Real Estate Equity: 12-18% <p>Private Equity Group:</p> <ul style="list-style-type: none"> Corporate Private Equity: 18-22% U.S. Power and Energy Infrastructure: 15-17% Special Situations: 15-20% 	<p>Public Entity & Related: 21%</p> <ul style="list-style-type: none"> 600+ institutional investors⁽³⁾ 200,000+ retail investors across our public funds⁽⁴⁾ <p>Institutional Intermediated: 12%</p> <p>Institutional Direct: 67%</p> <ul style="list-style-type: none"> Pension: 44% SWF: 13% Bank/Private Bank: 13% Investment Manager: 4% Insurance: 16% Endowment: 2% Other: 8% <p>Total Direct Institutional Investors: 783</p>

Tax Status

Effective March 1, 2018, Ares Management, L.P. elected to be treated as a corporation (rather than a partnership) for U.S. federal and state tax purposes. Accordingly, investors will receive a final Schedule K-1 for the period from January 1, 2018 through February 28, 2018. Investors receiving dividends after March 1, 2018 will receive Form 1099-DIV reporting. In addition, common units and preferred units issued by Ares Management, L.P. are now referred to as common shares and preferred shares, respectively. Ares Management, L.P. continues to be a limited partnership under Delaware state law. With its new corporate tax status, Ares Management, L.P. will not generate any unrelated business taxable income (UBTI) or income effectively connected with a U.S. trade or business (ECI).

New U.S. GAAP Guidance for Revenue

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 conformed for these changes.

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

- As of March 31, 2018, unless otherwise noted.
- 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. Q1-18 returns for the CSLLI and the H0A0 were 1.6% and -0.9%, respectively. NOTE: Certain of Ares funds are not benchmarked against any particular index due to fund specific portfolio constraints.
- Most recent data available as of April 23, 2018.
- As of March 16, 2018 for ARCC, October 19, 2017 for ACSF, April 12, 2018 for ACRE and April 16, 2018 for ARDC.
- 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.



RI, ENI and Other Measures – Financial Data⁽¹⁾

\$ 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
Management fees⁽²⁾	\$744,825	\$659,451
Other fees	\$22,431	\$12,351
Compensation and benefits expenses ⁽³⁾	(413,735)	(384,715)
General, administrative and other expense ⁽⁴⁾	(136,531)	(114,737)
Fee Related Earnings	\$216,990	\$172,350
Net performance income	163,980	\$133,624
Net investment income	86,737	51,009
Performance Related Earnings	\$250,717	\$184,633
Realized Income	\$325,440	\$300,328
Economic Net Income	\$467,707	\$356,983
Other Data		
Total Fee Revenue	\$908,805	\$793,075
Realized Income	\$325,440	\$300,328
Management Fees as % of Total Fees	82%	83%
Fee Related Earnings as % of Economic Net Income	46%	48%
Fee Related Earnings as % of Distributable Earnings	80%	65%

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
Economic Net Income and Fee Related Earnings:		
Income before taxes	\$149,859	\$297,920
Adjustments:		
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 non-cash 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)
Economic Net Income	\$467,707	\$356,983
Unconsolidated performance income - unrealized	(\$325,915)	(\$228,472)
Unconsolidated performance related compensation expense - unrealized	\$237,392	189,582
Unconsolidated net investment (income) loss -unrealized	(53,744)	(17,765)
Realized Income	\$325,440	\$300,328
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)
Fee Related Earnings	\$216,990	\$172,350
Performance Related Earnings		
Economic Net Income	\$467,707	\$356,983
Less: Fee Related Earnings	(216,990)	(172,350)
Performance Related Earnings	\$250,717	\$184,633

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
Performance income and net investment income reconciliation:		
Unconsolidated performance income - realized	\$317,787	\$292,998
Performance income - realized earned from Consolidated Funds	(8,089)	—
Performance income - realized reclass ⁽¹⁾	(2,721)	(7,367)
Performance income - realized	\$306,977	\$285,631
Unconsolidated performance income - unrealized	\$325,915	\$228,472
Performance income - unrealized earned from Consolidated Funds	2,997	(1,139)
Performance income - unrealized reclass ⁽¹⁾	785	4,888
Performance income - unrealized	\$329,697	\$232,221
Unconsolidated net investment income	\$86,737	\$51,009
Net investment income from Consolidated Funds	153,810	37,484
Performance income - reclass ⁽¹⁾	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	—
GAAP total other income	\$174,674	\$59,967

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

ARCC Part I Fees	ARCC Part I Fees refers to a quarterly performance income on the investment income from ARCC.
ARCC Part II Fees	ARCC Part II Fees refers to fees based on ARCC's net capital gains, which are paid annually.
Ares Operating Group Units	Ares Operating Group Unit refers to, collectively, a partnership unit in each of the Ares Operating Group entities.
Assets Under Management	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.
AUM Not Yet Earning Fees	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.
Available Capital	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").
Consolidated Funds	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.
Economic Net Income	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.
Fee Paying Assets Under Management	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.
Fee Related Earnings	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.
Gross Invested Capital	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)

Incentive Generating Assets Under Management	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 .
Incentive Eligible Assets Under Management	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).
Net Inflows of Capital	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.
Operations Management Group	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 our Operations Management Group, and we believe that this information enhances the ability of shareholders to analyze our performance.
Our Funds	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.
Performance Income	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.
Performance Related Earnings	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.
Permanent Capital	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)

Realized Income	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 (e) 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. 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.
Senior Direct Lending Program	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.
Shares or Units	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.
Syndicated Loans Strategy	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.
Total Fee Revenue	Total fee revenue refers to the sum of segment management fees and net performance income.