TIFFANY & CO
Form 4
June 22, 2011

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

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

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB Number:	3235-0287
Expires:	January 31, 2005
Estimated average burden hours per response...	0.5

(Print or Type Responses)

1. Name and Address of Reporting Person *
QUINN JAMES E

(Last) (First) (Middle)

TIFFANY & CO., 727 FIFTH AVENUE

(Street)

NEW YORK, NY 10022

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
TIFFANY & CO [TIF]

3. Date of Earliest Transaction (Month/Day/Year)
06/21/2011

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
PRESIDENT

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock $.01 Par	06/21/2011		M		115,000	A	$ 39.75	139,472	D	
Common Stock $.01 Par	06/21/2011		S		115,000	D	$ 75.5	24,472	D	
Common Stock $.01 Par								36,999	I	By Spouse
Common Stock $.01								20,884 (1)	I	By GRAT

Par				
Common Stock $.01 Par		4,000 [(2)](#)	I	By custodian for daughter under UGMA
Common Stock $.01 Par		146.3014	I	ESOP

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amou Underlying Secur (Instr. 3 and 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Am Nu Sha
Non-Qualified Stock Option (Right to Buy)	$ 39.75	06/21/2011		M			115,000	(3)	01/15/2014	Common Stock	11

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
QUINN JAMES E TIFFANY & CO. 727 FIFTH AVENUE NEW YORK, NY 10022			PRESIDENT	

Signatures

/s/ Patrick B. Dorsey, Attorney-in-Fact	06/22/2011
**Signature of Reporting Person	Date

Explanation of Responses:

*	If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).
**	Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
(1)	Shares are held by grantor retained annuity trust entitled "James E. Quinn as Trustee, The Diane W. Quinn GRT Retained Annuity Trust U/A/D 01/21/09".
(2)	Shares held by Catherine A. Quinn (sister of reporting person) as Custodian for reporting person's daughter under UGMA.
(3)	Options granted under 16(b) Plan on January 15, 2004. The option vested in four equal installments on January 15, 2005, 2006, 2007 and 2008.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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74

Table of Contents

The Carlyle Group L.P.

Notes to the Consolidated Financial Statements

(Unaudited)

	Nine Months Ended September 30, 2012			
	Consolidated Operating Entities	Consolidated Funds	Eliminations	Consolidated
	(Dollars in millions)			
Revenues				
Fund management fees	$ 816.5	$	$ (102.4)	$ 714.1
Performance fees				
Realized	700.9		(12.2)	688.7
Unrealized	88.0			88.0
Total performance fees	788.9		(12.2)	776.7
Investment income				
Realized	22.1		(10.7)	11.4
Unrealized	27.1		0.2	27.3
Total investment income	49.2		(10.5)	38.7
Interest and other income	9.9			9.9
Interest and other income of Consolidated Funds		678.4		678.4
Total revenues	1,664.5	678.4	(125.1)	2,217.8
Expenses				
Compensation and benefits				
Base compensation	433.0			433.0
Equity-based compensation	147.4			147.4
Performance fee related				
Realized	188.3			188.3
Unrealized	(1.4)			(1.4)
Total compensation and benefits	767.3			767.3
General, administrative and other expenses	271.3		(3.2)	268.1
Interest	20.6			20.6
Interest and other expenses of Consolidated Funds		689.6	(121.5)	568.1
Other non-operating expense	6.9			6.9
Total expenses	1,066.1	689.6	(124.7)	1,631.0
Other income				
Net investment gains of Consolidated Funds		1,704.7	2.9	1,707.6
Income before provision for income taxes	598.4	1,693.5	2.5	2,294.4
Provision for income taxes	27.8			27.8
Net income	570.6	1,693.5	2.5	2,266.6
Net income attributable to non-controlling interests in consolidated entities	12.2		1,696.0	1,708.2
Net income attributable to Carlyle Holdings	558.4	1,693.5	(1,693.5)	558.4
	550.1			550.1

Net income attributable to non-controlling interests in Carlyle Holdings				
Net income attributable to The Carlyle Group L.P.	$ 8.3	$ 1,693.5	$ (1,693.5)	$ 8.3

75

Table of Contents

The Carlyle Group L.P.

Notes to the Consolidated Financial Statements

(Unaudited)

	Nine Months Ended September 30,	
	2013	2012
	(Dollars in millions)	
Cash flows from operating activities		
Net income	$ 258.4	$ 570.6
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	131.1	74.1
Amortization of deferred financing fees	1.1	1.1
Equity-based compensation	257.0	147.4
Excess tax benefits related to equity-based compensation	(1.9)	
Non-cash performance fees	(793.6)	(124.7)
Other non-cash amounts	8.5	7.0
Investment loss (income)	30.4	(40.8)
Purchases of investments	(117.5)	(41.1)
Proceeds from the sale of investments	221.1	172.0
Purchases of trading securities	(37.2)	(15.1)
Proceeds from the sale of trading securities	19.7	15.7
Change in deferred taxes	28.3	(3.5)
Change in due from affiliates and other receivables	(30.0)	(14.0)
Change in deposits and other	5.0	10.6
Change in accounts payable, accrued expenses and other liabilities	26.5	3.7
Change in accrued compensation and benefits	477.7	(6.3)
Change in due to affiliates	46.6	(13.1)
Change in deferred revenue	137.1	96.7
Net cash provided by operating activities	668.3	840.3
Cash flows from investing activities		
Change in restricted cash	(45.2)	(3.6)
Purchases of fixed assets, net	(18.8)	(26.0)
Purchases of intangible assets		(41.0)
Net cash used in investing activities	(64.0)	(70.6)
Cash flows from financing activities		
Borrowings under credit facility		433.7
Repayments under credit facility	(386.3)	(744.6)
Issuance of 3.875% senior notes due 2023, net of financing costs	495.3	
Issuance of 5.625% senior notes due 2043, net of financing costs	394.1	
Payments on loans payable	(475.0)	(310.0)
Payments of contingent consideration	(23.6)	
Net proceeds from issuance of common units in initial public offering		615.8
Excess tax benefits related to equity-based compensation	1.9	
Distributions to common unitholders	(52.0)	(4.8)
Contributions from predecessor owners		9.3
Distributions to predecessor owners		(452.3)
Contributions from non-controlling interest holders	94.4	27.6
Distributions to non-controlling interest holders	(402.0)	(93.3)
Acquisition of non-controlling interests in consolidated entities	(7.1)	

Change in due to/from affiliates financing activities	43.0	(1.0)
Net cash used in financing activities	(317.3)	(519.6)
Effect of foreign exchange rate changes	1.6	9.5
Increase in cash and cash equivalents	288.6	259.6
Cash and cash equivalents, beginning of period	567.1	509.6
Cash and cash equivalents, end of period	$ 855.7	$ 769.2

76

Table of Contents

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion analyzes the financial condition and results of operations of The Carlyle Group L.P. (the Partnership) and, for periods prior to May 2012, the combined and consolidated financial condition and results of operations of TC Group, L.L.C., TC Group Cayman, L.P., TC Group Investment Holdings, L.P. and TC Group Cayman Investment Holdings, L.P., as well as their majority-owned subsidiaries (collectively Carlyle Group), the predecessor of the Partnership. Such analysis should be read in conjunction with the consolidated financial statements and the related notes included in the Annual Report on Form 10-K. For ease of reference, we refer to the historical financial results of Carlyle Group as being our historical financial results. Unless the context otherwise requires, references to we, us, our and the Partnership are intended to mean the business and operations of the Partnership beginning in May 2012. When used in the historical context (i.e., prior to May 2012), these terms are intended to mean the business and operations of Carlyle Group.

Overview

We conduct our operations through four reportable segments: Corporate Private Equity, Global Market Strategies, Real Assets and Solutions.

Corporate Private Equity Our Corporate Private Equity segment advises our 23 buyout and 10 growth capital funds, which seek a wide variety of investments of different sizes and growth potentials. As of September 30, 2013, our Corporate Private Equity segment had approximately $62 billion in AUM and approximately $42 billion in Fee-earning AUM.

Global Market Strategies Our Global Market Strategies segment advises a group of 61 funds that pursue investment opportunities across structured credit, distressed debt, corporate and energy mezzanine debt, middle-market and senior debt, as well as credit, emerging markets and commodities-focused hedge funds. As of September 30, 2013, our Global Market Strategies segment had approximately $35 billion in AUM and approximately $34 billion in Fee-earning AUM.

Real Assets Our Real Assets segment advises our 11 U.S. and internationally focused real estate funds, our infrastructure fund, two natural resources funds, as well as our six Legacy Energy funds (funds that we jointly advise with Riverstone). The segment also includes eight NGP management fee funds advised by NGP. As of September 30, 2013, our Real Assets segment had approximately $39 billion in AUM and approximately $29 billion in Fee-earning AUM.

Solutions Our Solutions segment was launched upon our acquisition of a 60% equity interest in AlpInvest on July 1, 2011 and advises a global private equity fund of funds program and related co-investment and secondary activities across 81 fund of funds vehicles. On August 1, 2013, we acquired the remaining 40% equity interest in AlpInvest. As of September 30, 2013, our Solutions segment had approximately $48 billion in AUM and approximately $34 billion in Fee-earning AUM.

We earn management fees pursuant to contractual arrangements with the investment funds that we manage and fees for transaction advisory and oversight services provided to portfolio companies of these funds. We also typically receive a performance fee from an investment fund, which may be either an incentive fee or a special residual allocation of income, which we refer to as a carried interest, in the event that specified investment returns are achieved by the fund. Under U.S. generally accepted accounting principles (U.S. GAAP), we are required to consolidate some of the investment funds that we advise. However, for segment reporting purposes, we present revenues and expenses on a basis that deconsolidates these investment funds. Accordingly, our segment revenues primarily consist of fund management and related advisory fees, performance fees (consisting of incentive fees and carried interest allocations), investment income, including realized and unrealized gains on our investments in our funds and other trading securities, as well as interest and other income. Our segment expenses primarily consist of compensation and benefits expenses, including salaries, bonuses, performance payment arrangements, and equity-based compensation granted subsequent to our initial public offering, and general and administrative expenses. Refer to Note 18 to the unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for more information on the differences between our financial results reported pursuant to U.S. GAAP and our financial results for segment reporting purposes.

Table of Contents

Our Family of Funds

The following chart presents the name (acronym), total capital commitments (in the case of our carry funds, structured credit funds, fund of funds vehicles and the NGP management fee funds), assets under management (in the case of our hedge funds), gross assets (in the case of our business development companies) and vintage year of the active funds in each of our segments, as of September 30, 2013. We present total capital commitments (as opposed to assets under management) for our closed-end investment carry funds because we believe this metric provides the most useful information regarding the relative size and scale of such funds. In the case of our hedge funds, which are open-ended and accordingly do not have permanent committed capital, we believe the most useful metric regarding relative size and scale is assets under management.

Note: All funds are closed-end and amounts shown represent total capital commitments as of September 30, 2013, unless otherwise noted.

(1) Open-ended funds. Amounts represent AUM as of September 30, 2013.
(2) Includes NGPC, NGP ETP I, NGP M&R, NGP ETP II, NGP VII, NGP VIII and NGP IX.
(3) Amounts represent gross assets as of September 30, 2013.

78

Table of Contents

Trends Affecting our Business

Our results of operations are affected by a variety of factors including global economic, market and financial conditions, particularly in the United States, Europe and Asia. We believe that our diversified, multi-product global platform with 122 funds and 81 fund of funds vehicles which invest across numerous industries, asset classes and geographies generally enhances, on an annual basis, the stability of our distributable earnings and management fee streams, reduces the volatility of our carried interest and performance fees and decreases our exposure to a negative event associated with any specific fund, investment or vintage. In general, a climate of reasonable interest rates and high levels of liquidity in the debt and equity capital markets provide a positive environment for us to generate attractive investment returns in our carry funds. We also believe that periods of volatility and dislocation in the capital markets can present us with opportunities to invest at reduced valuations that position us for future revenue growth. For our hedge funds, opportunities to generate revenue depend on their respective investment strategies, certain of which may benefit from higher market volatility. These strategies include, but are not limited to, low levels of correlation in equity and debt markets, differences in market prices versus fundamental value and opportunities to profit from trading inefficiencies.

Risk asset prices rebounded strongly since the end of the second quarter of 2013, as the S&P 500 increased 8% and the MSCI All Country World Index advanced by 8.6%. The increase in risk asset prices was driven mainly by the Federal Open Market Committee s (FOMC) September 18, 2013 decision to leave its asset purchase program unchanged. The postponement of tapering led to especially large gains in emerging markets stocks, with the MSCI Emerging Index up 14% since the end of August 2013. European stocks outperformed developed market peers, with the Stoxx Europe 600 Index up 10.5% since June 30, 2013.

The FOMC s decision to delay tapering reduced interest rates across the term structure and credit spectrum. Since late August 2013, the yields on Treasury notes maturing between five and ten years generally declined by between 30 and 60 basis points, with similar declines witnessed in other G-4 government bond markets. Yields on major emerging market sovereign debt fell by as much as 200 basis points. Deal finance conditions also showed improvement. Average spreads on B-rated corporate bonds fell by 45 basis points since the end of August 2013, pushing speculative grade yields back down to levels that prevailed in May 2013.

The U.S. economy expanded at a 2.8% annual rate in the third quarter of 2013, although inventory accumulation accounted for 0.83% of the increase. Through the first three quarters of the year, final sales expanded at a 1.4% annual rate, led by household consumption and residential investment. Inventory accumulation accounted for the remaining 0.7% of the 2.1% growth in gross domestic product. The euro area economy appears to have expanded for a second consecutive quarter, ending the recession that began in late 2011. However, the pace of growth has been uneven. Overall, the International Monetary Fund estimates that the global economy will expand at a 2.9% rate in 2013, down from the 3.3% pace estimated in April 2013.

In addition to these global macro-economic and market trends, our future performance may be impacted by the following factors:

The attractiveness of the alternative asset management industry. Our ability to attract new capital and investors is driven in part by the extent to which investors continue to see the alternative asset management industry as an attractive vehicle for capital preservation and growth. During the nine months ended September 30, 2013, we raised $18.3 billion of new capital commitments across our fund platform. Although the fundraising environment remains competitive and the time required to raise a fund has increased from prior years, with several of our larger regional buyout funds currently in the market, we expect fundraising to continue at a strong pace through the rest of 2013 and into 2014. As part of our fundraising effort, we may use feeder funds and other intermediaries to access investors. The use of such funds and intermediaries differs from our traditional fundraising model and has meaningfully increased our fundraising expenses and is likely to continue to do so.

Our ability to generate strong absolute and risk adjusted returns. The strength of our investment performance affects investors willingness to commit capital to our funds. The capital we are able to attract is one of the main drivers of the growth of our AUM and the management fees we earn. During the nine months ended September 30, 2013, we realized proceeds of $11.0 billion for our carry fund investors. The valuation of our carry fund portfolio increased 13% overall during the first three quarters of 2013 and 4%

Table of Contents

overall during the third quarter of 2013, with a 5% increase in our Corporate Private Equity segment, a 2% increase in our Global Market Strategies segment and a 1% increase in our Real Assets segment, but there can be no assurance that these trends will continue. Furthermore, given the current investment environment with increased competition from other financial sponsors and strategic purchasers, the internal rates of return we are able to generate on certain of our near-term investments may be lower than our historical rates. The lifecycle of our investment funds may also impact the amount and timing of the realization of our performance fees, depending on whether the fund is in the harvesting period. However, performance fees are ultimately realized when (i) an investment is profitably disposed of, (ii) the investment fund s cumulative returns are in excess of the preferred return and (iii) we have decided to collect carry rather than return additional capital to limited partner investors. Our decision to realize carry considers such factors as the level of embedded valuation gains, the portion of the fund invested, the portion of the fund returned to limited partner investors, and the length of time the fund has been in carry, as well as other qualitative measures. For our hedge funds, absolute positive performance and relative outperformance and lower volatility versus their respective benchmarks may be among the considerations taken into account in an investor s decision to increase or maintain allocations to our funds.

Our successful deployment of capital. Our ability to maintain and grow our revenue base is dependent upon our ability to successfully deploy the capital that our investors have committed to our funds. Increased competition, high valuations, increased overall cost of credit and other general market conditions may impact our ability to identify and execute attractive investments. Because we pursue investment opportunities strategically as they arise and we have a long-term investment horizon, the capital deployed in any one quarter may vary significantly from the capital deployed in any other quarter or the quarterly average of capital deployed in any given year. During the nine months ended September 30, 2013, we invested $5.7 billion in new and existing investments in our carry funds. Our investment pipeline continues to be less robust than we anticipated earlier in the year. If current trends continue, we no longer expect to invest more in 2013 than we did in 2012. As of September 30, 2013, we had capital available for investment through our carry funds of $31 billion, we had capital available for investment in our Solutions segment through our fund of funds vehicles of $18 billion and we had approximately $14 billion in hedge fund assets invested across credit, equities, and commodities trading strategies.

Our ready access to credit and proactive management of interest rate risk. In anticipation of the inevitable rise in interest rates, during the first quarter of 2013 we took advantage of historically low interest rates to strengthen the firm s capital structure by issuing $500 million in aggregate principal amount of ten-year senior notes with a coupon of 3.875% and $400 million in aggregate principal amount of 30-year senior notes with a coupon of 5.625%. At the investment fund level, our investment professionals also have been systematically preparing their portfolios for the anticipated increase in interest rates. Many of our investment funds were able to take advantage of the robust credit markets to refinance, hedge interest rate risk or lock-in favorable fixed rates on newly issued and outstanding debt of our portfolio companies. We believe that these proactive efforts have adequately protected the investments in our fund portfolios from substantial interest rate risk.

Our ability to meet evolving investor requirements. We believe that investors will seek to deploy their investment capital in a variety of different ways, including fund investments, separate accounts and direct co-investments. As we continue to expand our platform, we seek to broaden the appeal of our investment products. For example, one area of focus during the year has been on the expansion of our Solutions business through our acquisition of the remaining 40% equity interest in AlpInvest on August 1, 2013 and our acquisition of Metropolitan Real Estate Equity Management on November 1, 2013. We also are continuing to work to create avenues through which we expect to attract a new base of individual investors. We continue to explore various methods to access this new investor base, including via feeder funds and other intermediaries, and to dedicate additional resources to more closely coordinate with new feeder fund partners.

The timing of the expiration of the investment periods of our funds and the raising of successor funds. The investment periods for several of our largest carry funds that we raised between 2006 and 2008 expired during 2012 and the investment periods for additional funds have expired or will expire in 2013. In certain cases, the investment period of a fund has expired prior to the raising of a successor fund. In general, the end of the original investment period (regardless of whether it is extended) will trigger a change in the capital base on which management fees are calculated from committed capital to invested capital at cost. In some cases, a step-down in the applicable rate used to calculate management fees may also occur. As a result, the management fee revenues we earn from these extended funds will decline. Also, the favorable impact on Fee-earning AUM and related management fee revenues of a successor fund or new fundraising initiatives will, to the extent of the success of these new funds or initiatives, offset the management fee revenue reductions. However, to the extent we do not plan to raise a successor fund in the same year, Fee-earning AUM will be reduced. The timing and/or size of raising certain successor funds has created

volatility in our Corporate Private Equity segment management fees. Management fees in our Corporate Private Equity segment for the nine months ended September 30, 2013 are below our comparable 2012 results; however, this reversed in the three months ended September 30, 2013 with management fees exceeding the comparable 2012 period due to the commencement of the investment period for certain newly raised buyout funds.

Recent Transactions

On October 3, 2013, the Partnership borrowed 12.6 million ($17.2 million) under a new term loan and security agreement with a financial institution. Proceeds from the borrowing were used to fund the Partnership s investment in a CLO. The facility is scheduled to mature on the earlier of five years after closing or the date that the CLO is dissolved.

On November 1, 2013, the Partnership acquired 100% of the equity interests in Metropolitan Real Estate Equity Management, LLC, a global manager of real estate fund of funds with more than $2.6 billion in capital commitments.

In November 2013, the Board of Directors of our general partner declared a quarterly distribution of $0.16 per common unit to common unit holders of record at the close of business on November 18, 2013, payable on November 27, 2013.

Consolidation of Certain Carlyle Funds and Variable Interest Entities

Pursuant to U.S. GAAP, we consolidate certain Carlyle sponsored funds, related co-investment entities and CLOs that we advise, which we refer to collectively as the Consolidated Funds, in our consolidated financial statements. These funds represent approximately 17% of our AUM as of September 30, 2013; approximately 15% of our fund management fees during the three months and nine months ended September 30, 2013; approximately 13% of our fund management fees during the three months and nine months ended September 30, 2012, respectively; less than 1% and approximately 4% of our performance fees during the three months and nine months ended September 30, 2013; and less than 2% of our performance fees during the three months and nine months ended September 30, 2012, respectively.

We are not required under U.S. GAAP to consolidate most of the investment funds we advise in our consolidated financial statements because such funds provide their limited partners with the right to dissolve the fund without cause by a simple majority vote of the non-Carlyle affiliated limited partners, which overcomes the presumption of control by Carlyle. However, we consolidate certain CLOs that we advise as a result of the application of the accounting standards governing consolidations. As of September 30, 2013, our consolidated CLOs held approximately $17 billion of total assets and comprised 59% of the assets of the Consolidated Funds and 100% of the loans payable of the Consolidated Funds. As of September 30, 2013, our consolidated AlpInvest fund of funds vehicles had approximately $7 billion of total assets and comprised 25% of the assets of the Consolidated Funds. The remainder of the assets of the Consolidated Funds as of September 30, 2013 relates to our consolidated hedge funds and other consolidated funds. The assets and liabilities of the Consolidated Funds are generally held within separate legal entities and, as a result, the liabilities of the Consolidated Funds are non-recourse to us. For further information on consolidation of certain funds, see Note 2 to the unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q.

Generally, the consolidation of the Consolidated Funds has a gross-up effect on our assets, liabilities and cash flows but has no net effect on the net income attributable to the Partnership and partners capital. The majority of the net economic ownership interests of the Consolidated Funds are reflected as non-controlling interests in consolidated entities, redeemable non-controlling interests in consolidated entities, and partners capital appropriated for Consolidated Funds in the consolidated financial statements. For further information, see Note 2 to the unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q.

Because only a small portion of our funds are consolidated, the performance of the Consolidated Funds is not necessarily consistent with or representative of the combined performance trends of all of our funds.

In addition, as described in Note 17 to the unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q, as of September 30, 2013, we began consolidating Urbplan Desenvolvimento Urbano S.A. (Urbplan, formerly Scopel Desenvolvimento Urbano S.A.), a Brazilian real estate

portfolio company of certain of our real estate investment funds. Due to the timing and availability of financial information of Urbplan, we consolidate the financial position and results of operations of Urbplan on a financial reporting lag of 90 days. As we consolidated Urbplan effective as of September 30, 2013, the consolidation had no impact on our consolidated results of operations for the three months and nine months ended September 30, 2013. We are currently evaluating Urbplan s internal controls over financial reporting and integrating them into our own internal controls over financial reporting, but that evaluation has not yet been completed. We have not yet concluded whether or not we will exclude Urbplan from our assessment of and report on internal control over financial reporting for the fiscal year ended December 31, 2013.

Key Financial Measures

Our key financial measures are discussed in the following pages.

Revenues

Revenues primarily consist of fund management fees, performance fees, investment income, including realized and unrealized gains of our investments in our funds and other trading securities, as well as interest and other income. See Note 2 to the unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for additional information regarding the manner in which management fees and performance fees are generated.

Fund Management Fees. Fund management fees include (i) management fees earned on capital commitments or AUM and (ii) transaction and portfolio advisory fees. Management fees are fees we receive for advisory services we provide to funds in which we hold a general partner interest or with which we have an investment advisory or investment management agreement. Management fees are based on (a) third parties capital commitments to our investment funds, (b) third parties remaining capital invested in our investment funds, (c) average daily gross assets, excluding cash and cash equivalents, (d) the lower of cost or fair value of the capital invested for the fund of funds vehicles following the expiration of the commitment period of such vehicles, or (e) the net asset value (NAV) of certain of our investment funds, as described in our consolidated financial statements.

Management fees for our corporate private equity funds, closed-end carry funds in the global market strategies segment and real assets funds generally range from 1% to 2% of commitments during the investment period of the relevant fund. Large funds tend to have lower effective management fee rates, while smaller funds tend to have effective management fee rates approaching 2%. Following the expiration or termination of the investment period of such funds, the management fees generally step-down to between 0.6% and 2.0% of contributions for unrealized investments. Depending upon the contracted terms of investment advisory or investment management and related agreements, these fees generally are called semiannually in advance and are recognized as earned over the subsequent six month period. As a result, cash on hand and deferred revenue will generally be higher around January and July, which are the semiannual due dates for management fees. Management fees from the fund of funds vehicles in our Solutions segment generally range from 0.3% to 1.0% on the vehicle s capital commitments during the commitment fee period of the relevant fund. Following the expiration of the commitment fee period of such vehicles, the management fees generally range from 0.3% to 1.0% on the lower of cost or fair value of the capital invested. Management fees for our Solutions segment are due quarterly and recognized over the related quarter. Our hedge funds generally pay management fees quarterly that range from 1.5% to 3.0% of NAV per year. Management fees for our business development companies are due quarterly in arrears at annual rates that range from 0.25% to 1.0% of average daily gross assets, excluding cash and cash equivalents. Management fees for our CLOs typically range from 0.4% to 0.6% on the total par amount of assets in the fund and are due quarterly or semiannually based on the terms and recognized over the relevant period. Our management fees for our CLOs and credit opportunities funds are governed by indentures and collateral management agreements. With respect to Claren Road, ESG, and Vermillion, we retain a specified percentage of the earnings of the businesses based on our ownership in the management companies of 55%. Through the second quarter of 2013, we retained 60% of the earnings of AlpInvest based on our 60% equity interest in AlpInvest. During the third quarter of 2013, we acquired the remaining 40% equity interest in AlpInvest, and therefore we are entitled to 100% of the earnings of AlpInvest subsequent to that acquisition. Management fees are not subject to repayment but may be offset to the extent that other fees are earned as described below under Transaction and Portfolio Advisory Fee .

Management fees attributable to Carlyle Partners VI, L.P. (CP VI), our sixth U.S. buyout fund with approximately $10.7 billion of Fee-earning AUM as of September 30, 2013, were approximately 15% of total management fees recognized during the three months ended September 30, 2013. Management fees attributable to Carlyle Partners V, L.P. (CP V), our fifth U.S. buyout fund with approximately $10.0 billion of Fee-earning AUM as of September 30, 2013, were approximately 12% of total management fees recognized during the nine months ended September 30, 2013. For the three months and nine months ended September 30, 2012, management fees attributable to CP V were approximately 18% and 17%, respectively, of total management fees recognized during those periods. No other fund generated over 10% of total management fees in the periods presented.

Transaction and Portfolio Advisory Fees. Transaction and portfolio advisory fees are fees we receive for the transaction and portfolio advisory services we provide to our portfolio companies. When covered by separate contractual agreements, we recognize transaction and portfolio advisory fees for these services when the service has been provided and collection is reasonably assured. We are required to offset our fund management fees earned by a percentage of the transaction and advisory fees earned, which we refer to as the rebate offsets. Such rebate offset percentages generally range from 50% to 80% of the transaction and advisory fees earned. While the portfolio advisory fees are relatively consistent, transaction fees vary in accordance with our investment pace. We have received and expect to continue to receive requests from a variety of investors and groups representing investors to increase the percentage of transaction and advisory fees we share with our investors in future funds; to the extent that we accommodate such requests on future funds, the rebate offset percentages would increase as compared to the historical levels.

Performance Fees. Performance fees consist principally of the special residual allocation of profits to which we are entitled, commonly referred to as carried interest, from certain of our investment funds, which we refer to as the carry funds. We are generally entitled to a 20% allocation (or approximately 2% to 10% in the case of most of our fund of funds vehicles) of the net realized income or gain as a carried interest after returning the invested capital, the allocation of preferred returns of generally 8% to 9% and the return of certain fund costs (generally subject to catch-up provisions as set forth in the fund limited partnership agreement). Carried interest revenue, which is a component of performance fees in our consolidated financial statements, is recognized by Carlyle upon appreciation of the valuation of our funds investments above certain return hurdles as set forth in each respective partnership agreement and is based on the amount that would be due to us pursuant to the fund partnership agreement at each period end as if the funds were liquidated at such date. Accordingly, the amount of carried interest recognized as performance fees reflects our share of the fair value gains and losses of the associated funds underlying investments measured at their then-current fair values. As a result, the performance fees earned in an applicable reporting period are not indicative of any future period. Carried interest is ultimately realized when: (i) an underlying investment is profitably disposed of, (ii) the investment fund s cumulative returns are in excess of the preferred return and (iii) we have decided to collect carry rather than return additional capital to limited partner investors. The portion of performance fees that are realized and unrealized in each period are separately reported in our statements of operations.

Under our arrangements with the historical owners and management team of AlpInvest, the management team and employees of AlpInvest are allocated all carried interest in respect of the historical investments and commitments to our fund of funds vehicles that existed as of July 1, 2011 (including any options to increase any such commitments exercised after such date), 85% of the carried interest in respect of commitments from the historical owners of AlpInvest for the period between 2011 and 2020 and 60% of the carried interest in respect of all other commitments (including all future commitments from third parties).

Our performance fees are generated by a diverse set of funds with different vintages, geographic concentration, investment strategies and industry specialties. For an explanation of the fund acronyms used throughout this Management s Discussion and Analysis of Financial Condition and Results of Operations section, refer to Our Family of Funds.

Performance fees from CP V, Carlyle Partners IV, L.P. (CP IV), our fourth U.S. buyout fund, and Carlyle Global Financial Services Partners, L.P. (CGFSP I), our first financial services buyout fund, (with total AUM of approximately $15.7 billion, $6.0 billion, and $1.1 billion, respectively, as of September 30, 2013) were $121.9 million, $97.5 million, and $32.9 million, respectively, for the three months ended September 30, 2013. Performance fees from CP V and CP IV were $467.8 million and $303.6 million, respectively, for the nine months ended September 30, 2013.

Table of Contents

Performance fees from CP V, CP IV, and Carlyle Asia Partners II, L.P. (CAP II), our second Asia buyout fund, were $117.2 million, $82.4 million, and $111.9 million respectively, for the three months ended September 30, 2012. Performance fees from CP V, CP IV, and CAP II were $193.3 million, $195.3 million, and $111.9 million, respectively, for the nine months ended September 30, 2012. No other fund generated over 10% of performance fees in the periods presented.

Realized carried interest may be subject to clawback to the fund if the fund s investment values decline below certain return hurdles, which vary from fund to fund. If the fair value of a fund s investments falls below the applicable return hurdles, previously recognized carried interest and performance fees are reduced. This will occur even if the fund s investment values remain unchanged, because the fund s return hurdle will claw-back previously recognized performance fees over time. In all cases, each investment fund is considered separately in evaluating carried interest and potential giveback obligations. For any given period, carried interest income could therefore be negative; however, cumulative performance fees can never be negative over the life of a fund. In addition, we are not obligated to pay guaranteed returns or hurdles. If upon a hypothetical liquidation of a fund s investments at the then-current fair values, previously recognized and distributed carried interest would be required to be returned, a liability is established in our financial statements for the potential giveback obligation. As discussed below, each individual recipient of realized carried interest typically signs a guarantee agreement or partnership agreement that personally obligates such person to return his/her pro rata share of any amounts of realized carried interest previously distributed that are later clawed back. Accordingly, carried interest paid as performance fee compensation is subject to return to the Partnership in the event a giveback obligation is funded. Generally, the actual giveback liability, if any, does not become due until the end of a fund s life.

In addition to the carried interest from our carry funds, we are also entitled to receive incentive fees or allocations from certain of our Global Market Strategies funds when the return on AUM exceeds previous calendar-year ending or date-of-investment high-water marks. Our hedge funds generally pay annual incentive fees or allocations equal to 20% of the fund s profits for the year, subject to a high-water mark. The high-water mark is the highest historical NAV attributable to a fund investor s account on which incentive fees were paid and means that we will not earn incentive fees with respect to such fund investor for a year if the NAV of such investor s account at the end of the year is lower that year than any prior year-end NAV or the NAV at the date of such fund investor s investment, generally excluding any contributions and redemptions for purposes of calculating NAV. We recognize the incentive fees from our hedge funds as they are earned. In these arrangements, incentive fees are recognized when the performance benchmark has been achieved and are included in performance fees in our consolidated statements of operations. These incentive fees are a component of performance fees in our consolidated financial statements and are treated as accrued until paid to us.

For any given period, performance fee revenue on our statement of operations may include reversals of previously recognized performance fees due to a decrease in the value of a particular fund that results in a decrease of cumulative performance fees earned to date. Since fund return hurdles are cumulative, previously recognized performance fees also may be reversed in a period of appreciation that is lower than the particular fund s hurdle rate. For the three months ended September 30, 2013 and 2012, the reversals of performance fees were $68.4 million and $48.3 million, respectively. For the nine months ended September 30, 2013 and 2012, the reversals of performance fees were $25.8 million and $19.0 million, respectively.

As of September 30, 2013, accrued performance fees and accrued giveback obligations were approximately $2.9 billion and $48.7 million, respectively, after amounts eliminated related to the Consolidated Funds. Each balance assumes a hypothetical liquidation of the funds investments at September 30, 2013 at their then current fair values. These assets and liabilities will continue to fluctuate in accordance with the fair values of the fund investments until they are realized.

In addition, realized performance fees may be reversed in future periods to the extent that such amounts become subject to a giveback obligation. If at September 30, 2013, all investments held by our carry funds were deemed worthless, the amount of realized and previously distributed performance fees subject to potential giveback would be $1.0 billion. See the related discussion of Contingent Obligations (Giveback) within Liquidity and Capital Resources.

Table of Contents

As described above, each investment fund is considered separately in evaluating carried interest and potential giveback obligations. As a result, performance fees within funds will continue to fluctuate primarily due to certain investments within each fund constituting a material portion of the carry in that fund. Additionally, the fair value of investments in our funds may have substantial fluctuations from period to period.

In addition, we use the term net performance fees to refer to the performance fees from our funds net of the portion allocated to our investment professionals which is reflected as performance fee related compensation expense. We use the term realized net performance fees to refer to realized performance fees from our funds, net of the portion allocated to our investment professionals which is reflected as realized performance fee related compensation expense. See Non-GAAP Financial Measures for the amount of realized and unrealized performance fees recognized and or reversed each period. See Segment Analysis for the realized and unrealized performance fees by segment and related discussion for each period.

Fair Value Measurement. U.S. GAAP establishes a hierarchal disclosure framework which ranks the observability of market price inputs used in measuring financial instruments at fair value. The observability of inputs is impacted by a number of factors, including the type of financial instrument, the characteristics specific to the financial instrument and the state of the marketplace, including the existence and transparency of transactions between market participants. Financial instruments with readily available quoted prices, or for which fair value can be measured from quoted prices in active markets, will generally have a higher degree of market price observability and a lesser degree of judgment applied in determining fair value.

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

Level I inputs to the valuation methodology are quoted prices available in active markets for identical instruments as of the reporting date. The type of financial instruments included in Level I include unrestricted securities, including equities and derivatives, listed in active markets. We do not adjust the quoted price for these instruments, even in situations where we hold a large position and a sale could reasonably impact the quoted price.

Level II inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date. The type of financial instruments in this category includes less liquid and restricted securities listed in active markets, securities traded in other than active markets, government and agency securities, and certain over-the-counter derivatives where the fair value is based on observable inputs. Investments in hedge funds are classified in this category when their net asset value is redeemable without significant restriction.

Level III inputs to the valuation methodology are unobservable and significant to overall fair value measurement. The inputs into the determination of fair value require significant management judgment or estimation. Financial instruments that are included in this category include investments in privately-held entities, non-investment grade residual interests in securitizations, collateralized loan obligations, and certain over-the-counter derivatives where the fair value is based on unobservable inputs. Investments in fund of funds are generally included in this category.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination of which category within the fair value hierarchy is appropriate for any given financial instrument is based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the financial instrument.

Table of Contents

The table below summarizes the valuation of investments and other financial instruments included within our AUM, by segment and fair value hierarchy levels, as of September 30, 2013 (amounts in millions):

	As of September 30, 2013				
	Corporate Private Equity	Global Market Strategies	Real Assets	Solutions	Total
Consolidated Results					
Level I	$ 9,182	$ 7,006	$ 3,227	$ 839	**$ 20,254**
Level II		2,645	636	24	**3,305**
Level III	29,890	19,318	23,090	29,997	**102,295**
Total Fair Value	39,072	28,969	26,953	30,860	**125,854**
Other Net Asset Value	288	4,811	2,924		**8,023**
Total AUM, Excluding Available Capital Commitments	39,360	33,780	29,877	30,860	**133,877**
Available Capital Commitments	22,815	1,640	9,113	17,579	**51,147**
Total AUM	**$ 62,175**	**$ 35,420**	**$ 38,990**	**$ 48,439**	**$ 185,024**

In certain cases, debt and equity securities are valued on the basis of prices from an orderly transaction between market participants provided by reputable dealers or pricing services. In determining the value of a particular investment, pricing services may use certain information with respect to transactions in such investments, quotations from dealers, pricing matrices, market transactions in comparable investments and various relationships between investments.

In the absence of observable market prices, the Partnership values its investments using valuation methodologies applied on a consistent basis. For some investments little market activity may exist. Management s determination of fair value is then based on the best information available in the circumstances and may incorporate management s own assumptions and involves a significant degree of judgment, taking into consideration a combination of internal and external factors, including the appropriate risk adjustments for non-performance and liquidity risks. Investments for which market prices are not observable include private investments in the equity of operating companies, real estate properties, and certain debt positions. The valuation technique for each of these investments is described in Note 4 of our unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q.

Investment Income and Interest and Other Income. Investment income and interest and other income represent the unrealized and realized gains and losses on our principal investments, including our investments in Carlyle funds that are not consolidated, our equity method investments and other principal investments, as well as any interest and other income. Investment income (loss) also includes the related amortization of the basis difference between the carrying value of our investment and our share of the underlying net assets of the investee, as well as the compensation expense associated with compensatory arrangements provided by us to employees of our equity method investee. Realized investment income (loss) is recorded when we redeem all or a portion of our investment or when we receive or are due cash income, such as dividends or distributions. A realized investment loss is also recorded when an investment is deemed to be worthless. Unrealized investment income (loss) results from changes in the fair value of the underlying investment, as well as the reversal of unrealized gains (losses) at the time an investment is realized.

Interest and Other Income of Consolidated Funds. Interest and other income of Consolidated Funds primarily represents the interest earned on CLO assets. However, the Consolidated Funds are not the same entities in all periods presented and may change in future periods due to changes in U.S. GAAP, changes in fund terms and terminations of funds.

Net Investment Gains (Losses) of Consolidated Funds. Net investment gains (losses) of Consolidated Funds measures the change in the difference in fair value between the assets and the liabilities of the Consolidated Funds. A gain (loss) indicates that the fair value of the assets of the Consolidated Funds appreciated more (less), or depreciated less (more), than the fair value of the liabilities of the Consolidated Funds. A gain or loss is not

86

Table of Contents

necessarily indicative of the investment performance of the Consolidated Funds and does not impact the management or incentive fees received by Carlyle for its management of the Consolidated Funds. Substantially all of the net investment gains (losses) of Consolidated Funds are attributable to the limited partner investors and allocated to non-controlling interests. Therefore a gain or loss is not expected to have an impact on the revenues or profitability of the Partnership. Moreover, although the assets of the Consolidated Funds are consolidated onto our balance sheet pursuant to U.S. GAAP, ultimately we do not have recourse to such assets and such liabilities are non-recourse to us. Therefore, a gain or loss from the Consolidated Funds does not impact the assets available to our equity holders.

Expenses

Compensation and Benefits. Compensation includes salaries, bonuses, equity-based compensation, and performance payment arrangements. Bonuses are accrued over the service period to which they relate. For periods prior to our initial public offering in May 2012, compensation attributable to our senior Carlyle professionals was accounted for as distributions from equity rather than as employee compensation. For periods subsequent to our initial public offering in May 2012, we account for compensation to senior Carlyle professionals as compensation expense in our statement of operations. Accordingly, compensation expense pursuant to U.S. GAAP was substantially lower in periods prior to our initial public offering in May 2012. For periods prior to our initial public offering in May 2012, in our calculations of Economic Net Income, Fee Related Earnings and Distributable Earnings, which are used by management in assessing the performance of our segments, we have included an adjustment for partner compensation. See Consolidated Results of Operations Non-GAAP Financial Measures for a reconciliation of Income Before Provision for Income Taxes to Total Segments Economic Net Income, of Total Segments Economic Net Income to Fee Related Earnings and of Fee Related Earnings to Distributable Earnings.

We recognize as compensation expense the portion of performance fees that are due to our employees, senior Carlyle professionals, and operating executives in a manner consistent with how we recognize the performance fee revenue. These amounts are accounted for as compensation expense in conjunction with the related performance fee revenue and, until paid, are recognized as a component of the accrued compensation and benefits liability. Compensation in respect of performance fees is not paid until the related performance fees are realized, and not when such performance fees are accrued. The funds do not have a uniform allocation of performance fees to our employees, senior Carlyle professionals and operating executives. Therefore, for any given period, the ratio of performance fee compensation to performance fee revenue may vary based on the funds generating the performance fee revenue for that period and their particular allocation percentages.

In addition, as part of our initial public offering in May 2012, we implemented various equity-based compensation arrangements that require senior Carlyle professionals and other employees to vest ownership of a portion of their equity interests over a service period of up to six years, which under U.S. GAAP will result in compensation charges over current and future periods. Compensation charges associated with the equity-based compensation grants issued in our initial public offering in May 2012 or grants issued in acquisitions or strategic investments are excluded from our calculations of Economic Net Income and Fee Related Earnings. Compensation charges associated with all equity-based compensation grants are excluded from Distributable Earnings.

We expect that we will hire additional individuals and that overall compensation levels will correspondingly increase, which will result in an increase in compensation and benefits expense. As a result of recent acquisitions, we have charges associated with contingent consideration taking the form of earn-outs and profit participation, some of which are reflected as compensation expense. Our fundraising has increased in recent periods and, as a result, our compensation expense increased in periods where we closed on increased levels of new capital commitments. Amounts due to employees related to such fundraising are expensed when earned even though the benefit of the new capital and related fees will be reflected in operations over the life of the related fund.

General, Administrative and Other Expenses. General, administrative, and other expenses include occupancy and equipment expenses and other expenses, which consist principally of professional fees, external costs of fundraising, travel and related expenses, communications and information services, depreciation and amortization and foreign currency transactions.

Table of Contents

We anticipate that general, administrative and other expenses will fluctuate from period to period due to the impact of foreign exchange transactions. Additionally, we expect that general, administrative and other expenses will vary due to infrequently occurring or unusual items. Also, our utilization of third parties to assist in fundraising will cause general, administrative and other expenses to increase in periods of significant fundraising. We also expect to incur greater expenses in the future related to our recent acquisitions including amortization of acquired intangibles, earn-outs to equity holders and fair value adjustments on contingent consideration issued.

Interest and Other Expenses of Consolidated Funds. The interest and other expenses of Consolidated Funds consist primarily of interest expense related primarily to our CLO loans, professional fees and other third-party expenses.

Income Taxes. The Carlyle Holdings partnerships and their subsidiaries operate as pass-through entities for U.S. income tax purposes and record a provision for state and local income taxes for certain entities based on applicable laws and a provision for foreign income taxes for certain foreign entities. In addition, Carlyle Holdings I GP Inc. is subject to additional entity-level taxes that are reflected in our consolidated financial statements.

Prior to our initial public offering in May 2012, we operated as a group of pass-through entities for U.S. income tax purposes and our profits and losses were allocated to the individual senior Carlyle professionals, who were individually responsible for reporting such amounts. We recorded a provision for state and local income taxes for certain entities based on applicable laws and a provision for foreign income taxes for certain foreign entities.

Income taxes for foreign entities are accounted for using the liability method of accounting. Under this method, deferred tax assets and liabilities are recognized for the expected future tax consequences of differences between the carrying amounts of assets and liabilities and their respective tax basis, using currently enacted tax rates. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period when the change is enacted. Deferred tax assets are reduced by a valuation allowance when it is more likely than not that some or all of the deferred tax assets will not be realized.

In the normal course of business, we are subject to examination by federal and certain state, local and foreign tax regulators. As of September 30, 2013, our U.S. federal income tax returns for the years 2010 through 2012 are open under the normal three-year statute of limitations and therefore subject to examination. State and local tax returns are generally subject to audit from 2008 to 2012. Foreign tax returns are generally subject to audit from 2005 to 2012. Certain of our foreign subsidiaries are currently under audit by foreign tax authorities.

Non-controlling Interests in Consolidated Entities. Non-controlling interests in consolidated entities represent the component of equity in consolidated entities not held by us. These interests are adjusted for general partner allocations and by subscriptions and redemptions in hedge funds which occur during the reporting period. Non-controlling interests related to hedge funds are subject to quarterly or monthly redemption by investors in these funds following the expiration of a specified period of time (typically one year), or may be withdrawn subject to a redemption fee in the hedge funds during the period when capital may not be withdrawn. As limited partners in these types of funds have been granted redemption rights, amounts relating to third-party interests in such consolidated funds are presented as redeemable non-controlling interests in consolidated entities within the consolidated balance sheets. When redeemable amounts become legally payable to investors, they are classified as a liability and included in other liabilities of Consolidated Funds in the consolidated balance sheets.

We record significant non-controlling interests in Carlyle Holdings relating to the ownership interests of the limited partners of the Carlyle Holdings partnerships. The Partnership, through wholly-owned subsidiaries, is the sole general partner of Carlyle Holdings. Accordingly, the Partnership consolidates the financial position and results of operations of Carlyle Holdings into its financial statements, and the other ownership interests in Carlyle Holdings are reflected as a non-controlling interest in the Partnership s financial statements.

Non-GAAP Financial Measures

Economic Net Income. Economic net income or ENI, is a key performance benchmark used in our industry. ENI represents segment net income which excludes the impact of income taxes, acquisition-related items including amortization of acquired intangibles and contingent consideration taking the form of earn-outs, charges associated with equity-based compensation grants issued in May 2012 upon completion of the initial public offering or grants issued in acquisitions or strategic investments, corporate actions and infrequently occurring or unusual events. We believe the exclusion of these items provides investors with a meaningful indication of our core operating performance. For segment reporting purposes, revenues and expenses, and accordingly segment net

income, are presented on a basis that deconsolidates the Consolidated Funds. ENI also reflects compensation expense for our senior Carlyle professionals, which for periods prior to our initial public offering in May 2012, was accounted for as distributions from equity under U.S. GAAP rather than as employee compensation. Total Segment ENI equals the aggregate of ENI for all segments. ENI is evaluated regularly by management in making resource deployment decisions and in assessing performance of our four segments and for compensation. We believe that reporting ENI is helpful to understanding our business and that investors should review the same supplemental financial measure that management uses to analyze our segment performance. This measure supplements and should be considered in addition to and not in lieu of the results of operations discussed further under Consolidated Results of Operations prepared in accordance with U.S. GAAP.

Distributable Earnings. Distributable Earnings is derived from our segment reported results and is an additional measure to assess performance and amounts potentially available for distribution from Carlyle Holdings to its equity holders. Distributable Earnings, which is a non-GAAP measure, is intended to show the amount of net realized earnings without the effects of consolidation of the Consolidated Funds. Distributable Earnings is total ENI less net performance fees and investment income plus realized net performance fees, realized investment income, and equity-based compensation expense. During 2013, we modified the definition of Distributable Earnings used by management to exclude all equity-based compensation expense; the presentation of Distributable Earnings for all periods included in this Quarterly Report on Form 10-Q has been recast to conform with the revised definition.

Fee Related Earnings. Fee related earnings is a component of ENI and is used to measure our operating profitability exclusive of performance fees, investment income from investments in our funds and performance fee-related compensation. Accordingly, fee related earnings reflect the ability of the business to cover direct base compensation and operating expenses from fee revenues other than performance fees. Fee related earnings are reported as part of our segment results. We use fee related earnings from operations to measure our profitability from fund management fees. Fee related earnings reflects compensation expense for our senior Carlyle professionals, which for periods prior to our initial public offering in May 2012, was accounted for as distributions from equity rather than as employee compensation. See Note 18 to the unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q.

Operating Metrics

We monitor certain operating metrics that are common to the alternative asset management industry.

Fee-earning Assets under Management

Fee-earning assets under management or Fee-earning AUM refers to the assets we manage from which we derive recurring fund management fees. Our Fee-earning AUM generally equals the sum of:

(a) for carry funds and certain co-investment vehicles where the original investment period has not expired, the amount of limited partner capital commitments, for fund of funds vehicles, the amount of external investor capital commitments during the commitment fee period, and for the NGP management fee funds, the amount of investor capital commitments before the first investment realization (see Fee-earning AUM based on capital commitments in the table below for the amount of this component at each period);

(b) for substantially all carry funds and certain co-investment vehicles where the original investment period has expired, the remaining amount of limited partner invested capital, and for the NGP management fee funds where the first investment has been realized, the amount of partner commitments less realized and written-off investments (see Fee-earning AUM based on invested capital in the table below for the amount of this component at each period);

(c) the amount of aggregate Fee-earning collateral balance at par of our CLOs, as defined in the fund indentures (typically exclusive of equities and defaulted positions) as of the quarterly cut-off date for each CLO, and the reference portfolio notional amount of our synthetic CLOs (see Fee-earning AUM based on collateral balances, at par in the table below for the amount of this component at each period);

Table of Contents

(d) the external investor portion of the net asset value (pre-redemptions and subscriptions) of our long/short credit funds, emerging markets, multi-product macroeconomic and other hedge funds (see Fee-earning AUM based on net asset value in the table below for the amount of this component at each period);

(e) the gross assets (including assets acquired with leverage), excluding cash and cash equivalents of our business development companies; and

(f) for fund of funds vehicles where the commitment fee period has expired, and certain carry funds where the investment period has expired, the lower of cost or fair value of invested capital (see Fee-earning AUM based on lower of cost or fair value and other in the table below for the amount of this component at each period).

The table below details Fee-earning AUM by its respective components at each period.

	As of September 30,	
	2013	**2012**
Consolidated Results	(Dollars in millions)	
Components of Fee-earning AUM		
Fee-earning AUM based on capital commitments (1)	$ 40,139	$ 45,909
Fee-earning AUM based on invested capital (2)	44,175	21,922
Fee-earning AUM based on collateral balances, at par (3)	17,029	15,845
Fee-earning AUM based on net asset value (4)	13,479	9,436
Fee-earning AUM based on lower of cost or fair value and other (5)	23,102	22,012
Balance, End of Period	**$ 137,924**	**$ 115,124**

(1) Reflects limited partner capital commitments where the investment period or commitment fee period has not expired.
(2) Reflects limited partner invested capital and includes amounts committed to or reserved for investments for certain real assets funds.
(3) Represents the gross amount of aggregate Fee-earning collateral balances, at par, for our CLOs.
(4) Reflects the net asset value of our hedge funds (pre-redemptions and subscriptions).
(5) Includes funds with fees based on notional value and gross asset value, less cash and cash equivalents.

The table below provides the period to period rollforward of Fee-earning AUM.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	**2012**	**2013**	**2012**
Consolidated Results	(Dollars in millions)		(Dollars in millions)	
Fee-earning AUM Rollforward				
Balance, Beginning of Period	$ 132,024	$ 111,973	$ 123,121	$ 111,025
Acquisitions				2,866
Inflows, including Commitments (1)	6,488	3,760	23,365	9,050
Outflows, including Distributions (2)	(2,862)	(1,736)	(11,894)	(10,552)
Subscriptions, net of Redemptions (3)	423	407	1,179	1,778
Changes in CLO collateral balances (4)	(76)	171	728	675
Market Appreciation/(Depreciation) (5)	(41)	(130)	929	480
Foreign Exchange and other (6)	1,968	679	496	(198)
Balance, End of Period	**$ 137,924**	**$ 115,124**	**$ 137,924**	**$ 115,124**

(1) Inflows represent limited partner capital raised by our carry funds and fund of funds vehicles and capital invested by our carry funds and fund of funds vehicles outside the investment period.
(2) Outflows represent limited partner distributions from our carry funds and fund of funds vehicles and changes in basis for our carry funds and fund of funds vehicles where the investment period has expired.
(3) Represents the net result of subscriptions to and redemptions from our hedge funds.
(4) Represents the change in the aggregate Fee-earning collateral balances at par of our CLOs, as of the quarterly cut-off date.
(5) Market Appreciation/(Depreciation) represents changes in the net asset value of our hedge funds and our fund of funds vehicles based on the lower of cost or fair value.
(6) Includes funds with fees based on gross asset value, less cash and cash equivalents, onboarding of fully committed existing funds from another manager and represents the impact of foreign exchange rate fluctuations on the translation of our non-U.S. dollar denominated funds. Activity during the period is translated at the average rate for the period. Ending balances are translated at the spot rate as of the period end.

Table of Contents

Refer to Segment Analysis for a detailed discussion by segment of the activity affecting Fee-earning AUM for each of the periods presented by segment.

Assets under Management

Assets under management or AUM refers to the assets we manage. Our AUM equals the sum of the following:

(a) the fair value of the capital invested in our carry funds, co-investment vehicles, NGP management fee funds, and fund of funds vehicles plus the capital that we are entitled to call from investors in those funds and vehicles (including our commitments to those funds and vehicles and those of senior Carlyle professionals and employees) pursuant to the terms of their capital commitments to those funds and vehicles;
(b) the amount of aggregate collateral balance and principal cash at par of our CLOs (inclusive of all positions) and the reference portfolio notional amount of our synthetic CLOs;
(c) the net asset value (pre-redemptions and subscriptions), of our long/short credit emerging markets, multi-product macroeconomic and other hedge funds; and
(d) the gross assets (including assets acquired with leverage) of our business development companies.

Our carry funds are closed-ended funds and investors are not able to redeem their interests under the fund partnership agreements.

For our carry funds, co-investment vehicles, fund of funds vehicles and the NGP management fee funds, total AUM includes the fair value of the capital invested, whereas Fee-earning AUM includes the amount of capital commitments or the remaining amount of invested capital, depending on whether the investment period for the fund has expired. As such, Fee-earning AUM may be greater than total AUM when the aggregate fair value of the remaining investments is less than the cost of those investments.

Our calculations of Fee-earning AUM and AUM may differ from the calculations of other alternative asset managers and, as a result, this measure may not be comparable to similar measures presented by others. In addition, our calculation of AUM includes uncalled commitments to, and the fair value of invested capital in, our funds from Carlyle and our personnel, regardless of whether such commitments or invested capital are subject to management or performance fees. Our calculations of Fee-earning AUM or AUM are not based on any definition of Fee-earning AUM or AUM that is set forth in the agreements governing the investment funds that we manage.

We generally use Fee-earning AUM as a metric to measure changes in the assets from which we earn management fees. Total AUM tends to be a better measure of our investment and fundraising performance as it reflects assets at fair value plus available uncalled capital.

Available Capital

Available capital, commonly known as dry powder, for our carry funds, fund of funds vehicles, and NGP management fee funds refers to the amount of capital commitments available to be called for investments. Amounts previously called may be added back to available capital following certain distributions. Expired Available Capital occurs when a fund has passed the investment and follow-on periods and can no longer invest capital into new or existing deals. Any remaining Available Capital, typically a result of either recycled distributions or specific reserves established for the follow-on period that are not drawn, can only be called for fees and expenses and is therefore removed from the Total AUM calculation.

Table of Contents

The table below provides the period to period Rollforward of Available Capital and Fair Value of Capital, and the resulting rollforward of Total AUM.

	Three Months Ended September 30, 2013			Nine Months Ended September 30, 2013		
	Available Capital	Fair Value of Capital	Total AUM	Available Capital	Fair Value of Capital	Total AUM
	(Dollars in millions)			(Dollars in millions)		
Consolidated Results						
Balance, Beginning of Period	$ 49,015	$ 131,433	$ 180,448	$ 43,934	$ 126,222	$ 170,156
Commitments (1)	4,554		4,554	15,333		15,333
Capital Called, net (2)	(3,420)	3,516	96	(9,677)	9,783	106
Distributions (3)	555	(6,366)	(5,811)	1,359	(18,026)	(16,667)
Subscriptions, net of Redemptions (4)		419	419		1,290	1,290
Changes in CLO collateral balances (5)		(52)	(52)		819	819
Market Appreciation/(Depreciation) (6)		3,681	3,681		13,376	13,376
Foreign Exchange and other (7)	443	1,246	1,689	198	413	611
Balance, End of Period	**$ 51,147**	**$ 133,877**	**$ 185,024**	**$ 51,147**	**$ 133,877**	**$ 185,024**

(1) Represents capital raised by our carry funds and fund of funds vehicles, net of expired available capital.
(2) Represents capital called by our carry funds and fund of funds vehicles, net of fund fees and expenses. Equity Invested amounts may vary from Capital Called due to timing differences between acquisition and capital call dates.
(3) Represents distributions from our carry funds and fund of funds vehicles, net of amounts recycled. Distributions are based on when proceeds are actually distributed to investors, which may differ from when they are realized.
(4) Represents the net result of subscriptions to and redemptions from our hedge funds.
(5) Represents the change in the aggregate Fee-earning collateral balances at par of our CLOs, as of the quarterly cut-off dates.
(6) Market Appreciation/(Depreciation) represents realized and unrealized gains (losses) on portfolio investments and changes in the net asset value of our hedge funds.
(7) Includes onboarding of fully committed existing funds from another manager and represents the impact of foreign exchange rate fluctuations on the translation of our non-U.S. dollar denominated funds and other changes in Total AUM. Activity during the period is translated at the average rate for the period. Ending balances are translated at the spot rate as of the period end.

Please refer to Segment Analysis for a detailed discussion by segment of the activity affecting Total AUM for each of the periods presented.

Consolidated Results of Operations

The following table and discussion sets forth information regarding our unaudited condensed consolidated results of operations for the three months and nine months ended September 30, 2013 and September 30, 2012. The unaudited condensed consolidated financial statements have been prepared on substantially the same basis for all historical periods presented; however, the consolidated funds are not the same entities in all periods shown due to changes in U.S. GAAP, changes in fund terms and the creation and termination of funds. We formed four CLOs throughout 2012 and five new CLOs in 2013 and have consolidated those CLOs beginning on their respective closing dates. As further described below, the consolidation of these funds primarily had the impact of increasing interest and other income of Consolidated Funds, interest and other expenses of Consolidated Funds, and net investment gains (losses) of Consolidated Funds in the year that the fund is initially consolidated. The consolidation of these funds had no effect on net income attributable to the Partnership for the periods presented.

Table of Contents

	Three Months Ended September 30, 2013	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
	(Dollars in millions, except unit and per unit data)			
Revenues				
Fund management fees	$ 257.9	$ 239.8	$ 731.5	$ 714.1
Performance fees				
Realized	108.6	291.4	564.6	688.7
Unrealized	211.9	64.9	657.4	88.0
Total performance fees	320.5	356.3	1,222.0	776.7
Investment income				
Realized	(3.1)	9.8	5.4	11.4
Unrealized	8.1	0.4	11.0	27.3
Total investment income	5.0	10.2	16.4	38.7
Interest and other income	2.7	4.5	9.2	9.9
Interest and other income of Consolidated Funds	302.0	247.7	823.3	678.4
Total revenues	888.1	858.5	2,802.4	2,217.8
Expenses				
Compensation and benefits				
Base compensation	204.2	177.0	556.3	433.0
Equity-based compensation	78.7	53.2	257.0	147.4
Performance fee related				
Realized	45.4	121.9	232.2	188.3
Unrealized	113.5	41.5	374.5	(1.4)
Total compensation and benefits	441.8	393.6	1,420.0	767.3
General, administrative and other expenses	136.4	92.9	368.1	268.1
Interest	11.7	4.0	33.8	20.6
Interest and other expenses of Consolidated Funds	217.2	204.1	669.0	568.1
Other non-operating expenses	7.6	10.3	1.9	6.9
Total expenses	814.7	704.9	2,492.8	1,631.0
Other income (loss)				
Net investment gains (losses) of Consolidated Funds	(82.0)	448.9	420.1	1,707.6
Income (loss) before provision for income taxes	(8.6)	602.5	729.7	2,294.4
Provision for income taxes	17.9	5.5	59.4	27.8
Net income (loss)	(26.5)	597.0	670.3	2,266.6
Net income (loss) attributable to non-controlling interests in consolidated entities	(26.6)	485.4	441.4	1,708.2
Net income attributable to Carlyle Holdings	0.1	111.6	228.9	558.4
Net income (loss) attributable to non-controlling interests in Carlyle Holdings	(2.2)	93.0	196.1	550.1
Net income attributable to The Carlyle Group L.P.	$ 2.3	$ 18.6	$ 32.8	$ 8.3
Net income attributable to The Carlyle Group L.P. per common unit				
Basic	$ 0.04	$ 0.43	$ 0.72	$ 0.20
Diluted	$ 0.04	$ 0.40	$ 0.65	$ 0.15

Weighted-average common units				
Basic	47,554,246	43,235,336	45,363,194	42,097,973
Diluted	51,055,564	46,939,751	50,209,620	255,300,460

93

Table of Contents

Three Months Ended September 30, 2013 Compared to the Three Months Ended September 30, 2012

Revenues

Total revenues were $888.1 million for the three months ended September 30, 2013, an increase of 3% from total revenues for the three months ended September 30, 2012 of $858.5 million. The increase in revenues was primarily attributable to an increase in interest and other income of Consolidated Funds and fund management fees, which increased $54.3 million and $18.1 million, respectively, for the three months ended September 30, 2013 as compared to 2012. These increases were partially offset by a decrease in performance fees of $35.8 million for the three months ended September 30, 2013 as compared to 2012.

Fund Management Fees. Fund management fees increased $18.1 million, or 8%, to $257.9 million for the three months ended September 30, 2013 as compared to 2012. In addition, fund management fees from consolidated funds increased $8.1 million for the three months ended September 30, 2013 as compared to 2012. The fees related to consolidated funds eliminate upon consolidation of these funds.

The overall increase, inclusive of management fees eliminated from Consolidated Funds, was primarily due to approximately $41.3 million of incremental management fees from the commencement of the investment period for certain newly raised buyout funds, approximately $11.0 million of catch-up management fees earned from subsequent closings of our first African buyout fund, approximately $10.5 million of increased management fees from greater assets under management in ESG and Claren Road in 2013 as compared to 2012, and $4.5 million of incremental management fees related to the acquisition of Vermillion in October 2012. Offsetting these increases were decreases in management fees of approximately $42.1 million resulting from the change in the basis for earning management fees from commitments to invested capital for certain funds in the Corporate Private Equity and Real Assets segments.

Fund management fees include transaction and portfolio advisory fees, net of rebate offsets, of $10.9 million and $11.8 million for the three months ended September 30, 2013 and 2012, respectively.

Performance Fees. Performance fees for the three months ended September 30, 2013 were $320.5 million compared to $356.3 million for the three months ended September 30, 2012. In addition, performance fees from consolidated funds decreased $5.0 million for the three months ended September 30, 2013 as compared to 2012. These fees eliminate upon consolidation. The performance fees recorded for the three months ended September 30, 2013 and 2012 were due principally to changes in the fair value of the underlying carry funds, which increased approximately 4% and 3% in total remaining value during the three months ended September 30, 2013 and 2012, respectively. The net appreciation in the fair value of the investments was driven by asset performance and operating projections as well as increases in market comparables. Approximately $265.6 million and $350.8 million of performance fees for the three months ended September 30, 2013 and 2012, respectively, were generated by our Corporate Private Equity segment. The difference between the performance fees in 2013 as compared to 2012 is primarily due to performance fees of $111.9 million recognized for CAP II in 2012 from the fund initially exceeding its performance hurdle as compared to $(10.0) million in the comparable 2013 period. Performance fees for the three months ended September 30, 2013 and 2012 were $(14.8) million and $3.9 million for the Global Market Strategies segment, $24.6 million and $3.2 million for the Real Assets segment, and $45.1 million and $(1.6) million for the Solutions segment, respectively. Further, approximately $219.4 million and $199.6 million of our performance fees for the three months ended September 30, 2013 and 2012, respectively, were related to CP V and CP IV.

Investment Income. Investment income of $5.0 million for the three months ended September 30, 2013 decreased 51% from the three months ended September 30, 2012. The $5.2 million decrease relates primarily to net losses of $3.8 million for the three months ended September 30, 2013 related to the investment in NGP Management. In addition, investment income from Consolidated Funds decreased $18.1 million for the three months ended September 30, 2013 as compared to 2012, which was due primarily to $28.5 million of net losses in the third quarter of 2013 from investments in Urbplan through the consolidated Carlyle vehicle, which was partially offset by net investment income generated by our CLOs. These amounts are eliminated upon consolidation.

Interest and Other Income. Interest and other income decreased $1.8 million to $2.7 million for the three months ended September 30, 2013, as compared to $4.5 million for 2012.

Table of Contents

Interest and Other Income of Consolidated Funds. Interest and other income of Consolidated Funds was $302.0 million for the three months ended September 30, 2013, an increase of $54.3 million from $247.7 million for the three months ended September 30, 2012. This increase relates primarily to increases in interest and dividend income in the consolidated fund of fund vehicles of $46.3 million and increases in interest and dividend income in the consolidated hedge funds of $17.3 million. Substantially all interest and other income of our Consolidated Funds and CLOs together with interest expense of our CLOs and net investment gains (losses) of Consolidated Funds is attributable to the related funds limited partners or CLO investors and therefore is allocated to non-controlling interests. Accordingly, such amounts have no material impact on net income attributable to the Partnership.

Expenses

Expenses were $814.7 million for the three months ended September 30, 2013, an increase of $109.8 million from $704.9 million for the three months ended September 30, 2012. The increase is due primarily to increases in compensation and benefits, general, administrative and other expenses, and interest and other expenses of Consolidated Funds, which increased $48.2 million, $43.5 million, and $13.1 million, respectively.

Total compensation and benefits for the three months ended September 30, 2013 increased $48.2 million, or 12% from $393.6 million for the three months ended September 30, 2012 to $441.8 million for the three months ended September 30, 2013. The increase in compensation and benefits primarily reflects higher internal fundraising fees and equity-based compensation charges.

Compensation and Benefits. Base compensation and benefits increased $27.2 million, or 15%, for the three months ended September 30, 2013 as compared to 2012, which primarily relates to $8.8 million of increased compensation expense in 2013 associated with fundraising activities and $7.8 million of increased compensation expense in 2013 as compared to 2012 from the value of employment-based contingent cash consideration associated with the Partnership s acquisitions.

Equity-based compensation increased $25.5 million from $53.2 million for the three months ended September 30, 2012 to $78.7 million for the three months ended September 30, 2013. Equity-based compensation includes the effects of grants of deferred restricted common units and phantom deferred restricted common units, and the issuance of unvested Carlyle Holdings partnership units and unvested common units of the Partnership. The increase was due primarily to an increase of $18.5 million of compensation expense associated with the unvested Carlyle Holdings partnership units from revisions to the estimated forfeiture rates in 2013 and from modifications to the vesting terms of certain awards. Also contributing to the increase was $2.7 million of compensation expense associated with the unvested common units issued in conjunction with the AlpInvest acquisition in 2013.

Performance fee related compensation expense decreased $4.5 million for the three months ended September 30, 2013 as compared to 2012. Performance fee related compensation as a percentage of performance fees was 50% and 46% for the three months ended September 30, 2013 and 2012, respectively.

General, Administrative and Other Expenses. General, administrative and other expenses increased $43.5 million for the three months ended September 30, 2013 as compared to 2012. This increase was driven primarily by (i) an impairment loss of $20.8 million to reduce the carrying value of certain intangible assets to their estimated fair value; (i) an increase of approximately $7.8 million in amortization expense, primarily from intangible assets acquired in 2012, and (ii) an increase of approximately $17.2 million associated with fundraising activities.

Interest. Interest expense for the three months ended September 30, 2013 was $11.7 million, an increase of $7.7 million from 2012. The increase is primarily attributable to a higher level of debt outstanding for the three months ended September 30, 2013 as compared to 2012, as well as higher interest rates on outstanding borrowings in 2013 as compared to 2012 resulting from the issuances in 2013 of the 3.875% senior notes and the 5.625% senior notes.

Interest and Other Expenses of Consolidated Funds. Interest and other expenses of Consolidated Funds increased $13.1 million for the three months ended September 30, 2013 as compared to 2012. This increase relates primarily to the four CLOs formed in 2012 and the five CLOs formed in 2013. The CLOs incur interest expense on their loans payable and incur other expenses consisting of trustee fees, rating agency fees and professional fees. Substantially all interest and other income of our CLOs together with interest expense of our CLOs and net

Table of Contents

investment gains (losses) of Consolidated Funds is attributable to the related funds limited partners or CLO investors and therefore is allocated to non-controlling interests. Accordingly, such amounts have no material impact on net income attributable to the Partnership.

Other Non-operating Expenses. Other non-operating expense of $7.6 million for the three months ended September 30, 2013 reflects a decrease of $2.7 million from other non-operating expenses of $10.3 million for the three months ended September 30, 2012. The change is due primarily to a decrease in 2013 in the fair value of performance-based contingent consideration related to our acquisitions.

Net Investment Gains (Losses) of Consolidated Funds. For the three months ended September 30, 2013, net investment losses of Consolidated Funds were $82.0 million, as compared to gains of $448.9 million for the three months ended September 30, 2012. This balance is predominantly driven by our consolidated AlpInvest fund of funds vehicles and CLOs. For the consolidated CLOs, the amount reflects the net gain or loss on the fair value adjustment of both the assets and liabilities. The components of net investment gains (losses) of consolidated funds for the respective periods are comprised of the following:

	Three Months Ended September 30,	
	2013	2012
	(Dollars in millions)	
Realized gains (losses)	$ (138.2)	$ 96.4
Net change in unrealized gains and losses	(4.5)	705.8
Total gains (losses) on investments	(142.7)	802.2
Gains (losses) on liabilities of CLOs	60.8	(354.0)
Gains (losses) on other assets of CLOs	(0.1)	0.7
Net investment gains (losses) of Consolidated Funds	$ (82.0)	$ 448.9

The realized and unrealized investment gains/losses include the appreciation/depreciation of the equity investments within the consolidated AlpInvest fund of funds vehicles, the appreciation/depreciation of CLO investments in loans and bonds, as well as the appreciation/depreciation of investments made by our consolidated hedge funds and other consolidated funds. The gains/losses on the liabilities of the CLOs reflect the fair value adjustment on the debt of the CLOs. The net investment (losses) for the three months ended September 30, 2013 and 2012 were due primarily to net investment gains (losses) attributable to the consolidated AlpInvest fund of funds vehicles of $(13.9) million and $642.6 million, respectively; the net appreciation (depreciation) of CLOs of $(30.6) million and $(202.6) million, respectively; and the investment gains (losses) attributable to consolidated hedge funds and other consolidated funds of $(37.5) million and $8.9 million, respectively.

Net Income (Loss) Attributable to Non-controlling Interests in Consolidated Entities. Net loss attributable to non-controlling interests in consolidated entities was $26.6 million for the three months ended September 30, 2013 compared to net income of $485.4 million for the three months ended September 30, 2012. These amounts are primarily attributable to the net earnings or losses of the Consolidated Funds for each period, which are substantially all allocated to the related funds limited partners or CLO investors.

For the three months ended September 30, 2013, the net loss of the Consolidated Funds was approximately $50.1 million. This loss was substantially due to the losses from our consolidated hedge funds and our other consolidated funds. The net losses from our consolidated hedge funds and the other consolidated funds were approximately $22.8 million and $27.0 million, respectively, for the three months ended September 30, 2013.

The net income of the Consolidated Funds was $443.6 million for the three months ended September 30, 2012. This income was substantially due to the income from the consolidated AlpInvest fund of funds vehicles, offset by losses from the consolidated CLOs. The net income (loss) from the consolidated AlpInvest fund of funds vehicles and the consolidated CLOs was approximately $615.9 million and $(153.0) million, respectively, for the three months ended September 30, 2012.

Net Income Attributable to The Carlyle Group L.P. The net income attributable to the Partnership was $2.3 million for the three months ended September 30, 2013 as compared to $18.6 million for the three months ended September 30, 2012. The Partnership is allocated a portion of the net income attributable to Carlyle Holdings based

96

Table of Contents

on the Partnership s ownership in Carlyle Holdings (which was approximately 16% as of September 30, 2013). For the three months ended September 30, 2013, the net income attributable to Carlyle Holdings was $0.1 million. Additionally, the Partnership is allocated 100% of the net income or loss attributable to the Partnership s wholly owned taxable subsidiaries.

Nine Months Ended September 30, 2013 Compared to the Nine Months Ended September 30, 2012

Revenues

Total revenues were $2,802.4 million for the nine months ended September 30, 2013, an increase of 26% from total revenues for the nine months ended September 30, 2012 of $2,217.8 million. The increase in revenues was primarily attributable to an increase in performance fees, interest and other income of Consolidated Funds, and fund management fees, which increased $445.3 million, $144.9 million, and $17.4 million, respectively, for the nine months ended September 30, 2013 as compared to 2012. These increases were partially offset by a decrease in investment income of $22.3 million for the nine months ended September 30, 2013 as compared to 2012.

Fund Management Fees. Fund management fees increased $17.4 million to $731.5 million for the nine months ended September 30, 2013 as compared to 2012. In addition, fund management fees from consolidated funds increased $28.7 million for the nine months ended September 30, 2013 as compared to 2012. The fees related to consolidated funds eliminate upon consolidation of these funds.

The overall increase, inclusive of management fees eliminated from consolidated funds, was primarily due to approximately $52.8 million of incremental management fees from the commencement of the investment period for certain newly raised buyout funds, approximately $22.7 million of increased management fees from greater assets under management in ESG and Claren Road in 2013 as compared to 2012, approximately $21.4 million of catch-up management fees earned from subsequent closings of our first African buyout fund and our third distressed and corporate opportunities debt fund, and approximately $19.4 million of incremental management fees related to the acquisition of Vermillion in October 2012. Offsetting these increases were decreases in management fees of approximately $85.4 million resulting from the change in the basis for earning management fees from commitments to invested capital for certain funds in the Corporate Private Equity and Real Assets segments.

Fund management fees include transaction and portfolio advisory fees, net of rebate offsets, of $38.4 million and $33.2 million for the nine months ended September 30, 2013 and 2012, respectively. The $5.2 million increase in transaction and portfolio advisory fees resulted primarily from higher transaction fees generated in the corporate private equity segment in 2013 as compared to 2012, partially offset by fewer portfolio advisory fees received in 2013 upon the sale or public offering of portfolio companies as compared to 2012.

Performance Fees. Performance fees for the nine months ended September 30, 2013 were $1,222.0 million compared to $776.7 million for the nine months ended September 30, 2012. In addition, performance fees from consolidated funds increased $39.1 million for the nine months ended September 30, 2013 as compared to 2012. These fees eliminate upon consolidation. The performance fees recorded in the nine months ended September 30, 2013 and 2012 were due principally to increases in the fair value of the underlying carry funds, which increased approximately 13% and 11% in total remaining value during the nine months ended September 30, 2013 and 2012, respectively. The change in the fair value of the investments was driven by asset performance and operating projections as well as increases or decreases in market comparables. Approximately $886.5 million and $597.7 million of performance fees for the nine months ended September 30, 2013 and 2012, respectively, were generated by our Corporate Private Equity segment. Performance fees for the nine months ended September 30, 2013 and 2012 were $142.4 million and $56.3 million for the Global Market Strategies segment, $73.7 million and $78.3 million for the Real Assets segment, and $119.4 million and $44.4 million for the Solutions segment. Further, approximately $771.4 million and $388.6 million of our performance fees for the nine months ended September 30, 2013 and 2012, respectively, were related to CP V and CP IV.

Investment Income. Investment income of $16.4 million for the nine months ended September 30, 2013 decreased 58% from the nine months ended September 30, 2012. The $22.3 million decrease relates primarily to net investment losses on investments in certain Europe real estate funds and from net investment losses of $8.5 million for the nine months ended September 30, 2013 from the investment in NGP Management. Also contributing to the decrease in investment income from 2012 was the distribution in March 2012, in conjunction with the reorganization and initial public offering, of certain investments that were funded by certain existing and former owners of Carlyle

Table of Contents

indirectly through Carlyle; those investments generated net investment income for the nine months ended September 30, 2012. In addition, investment income from Consolidated Funds decreased $32.6 million for the nine months ended September 30, 2013 as compared to 2012, which was due primarily to $32.0 million of net investment losses in the nine months ended September 30, 2013 from investments in Urbplan through the consolidated Carlyle vehicle. This income is eliminated upon consolidation.

Interest and Other Income. Interest and other income decreased $0.7 million to $9.2 million for the nine months ended September 30, 2013, as compared to $9.9 million for 2012.

Interest and Other Income of Consolidated Funds. Interest and other income of Consolidated Funds was $823.3 million for the nine months ended September 30, 2013, an increase of $144.9 million from $678.4 million for the nine months ended September 30, 2012.

This increase relates primarily to increases in interest and dividend income in the consolidated fund of fund vehicles of $86.6 million and increases in interest and dividend income in the consolidated hedge funds of $34.1 million. Substantially all interest and other income of our Consolidated Funds and CLOs together with interest expense of our CLOs and net investment gains (losses) of Consolidated Funds is attributable to the related funds limited partners or CLO investors and therefore is allocated to non-controlling interests. Accordingly, such amounts have no material impact on net income attributable to the Partnership.

Expenses

Expenses were $2,492.8 million for the nine months ended September 30, 2013, an increase of $861.8 million from $1,631.0 million for the nine months ended September 30, 2012. The increase is due primarily to an increase in total compensation and benefits, interest and other expenses of Consolidated Funds, and general, administrative and other expenses, which increased $652.7 million, $100.9 million and $100.0 million, respectively.

Total compensation and benefits for the nine months ended September 30, 2013 increased $652.7 million, or 85% from $767.3 million for the nine months ended September 30, 2012 to $1,420.0 million for the nine months ended September 30, 2013. For periods prior to our initial public offering in May 2012, all compensation to senior Carlyle professionals was accounted for as equity distributions in our consolidated financial statements. Had such amounts attributable to senior Carlyle professionals been accounted for as compensation expense, then total expenses would have been $2,492.8 million and $1,896.4 million in the nine months ended September 30, 2013 and 2012, respectively, representing an increase of $596.4 million due primarily to an increase in compensation and benefits of $388.3 million, an increase in interest and other expenses of Consolidated Funds of $100.9 million, and an increase in general, administrative and other expenses of $100.0 million. The increase in compensation primarily reflects higher performance fee related compensation corresponding to the increase in performance fees.

Compensation and Benefits. Base compensation and benefits increased $123.3 million, or 28%, for the nine months ended September 30, 2013 as compared to 2012, which primarily relates to the inclusion of base compensation attributable to senior Carlyle professionals for periods subsequent to our initial public offering in May 2012. Also contributing to the increase was $21.2 million of increased compensation expense in 2013 as compared to 2012 from the value of employment-based contingent cash consideration associated with the Partnership s acquisitions and $15.7 million of increased compensation expense in 2013 associated with fundraising activities. Base compensation and benefits attributable to senior Carlyle professionals was $67.0 million for the period from January 1, 2012 through our initial public offering in May 2012. Had such amounts attributable to senior Carlyle professionals been accounted for as compensation expense, then base compensation expense would have been $556.3 million and $500.0 million for the nine months ended September 30, 2013 and 2012, respectively.

Equity-based compensation increased $109.6 million from $147.4 million for the nine months ended September 30, 2012 to $257.0 million for the nine months ended September 30, 2013. For the nine months ended September 30, 2012, equity-based compensation included $88.4 million of equity-based compensation associated with grants of deferred restricted common units and phantom deferred restricted common units and the issuance of unvested Carlyle Holdings partnership units. Also included in equity-based compensation for the nine months ended September 30, 2012 is $59.0 million of expense associated with the exchange of carried interests rights held by Carlyle professionals for Carlyle Holdings partnership units, which was a component of the reorganization in May 2012.

Table of Contents

Excluding the equity-based compensation in 2012 associated with the exchange of carried interest rights, the increase in equity-based compensation from 2012 to 2013 was due primarily to the equity-based compensation expense for 2012 representing approximately five months of equity-based compensation expense (from the grant in May 2012 through September 30, 2012) versus nine months of compensation expense for 2013. Additionally, the increase was due to $47.9 million of compensation expense recorded in 2013 related to the difference between the estimated forfeitures and actual forfeitures on Carlyle Holdings partnership units that vested in May 2013. Also contributing to the increase was (i) compensation expense recognized in 2013 for grants of deferred restricted common units that occurred subsequent to the initial public offering in May 2012; (ii) an increase in compensation expense associated with the unvested Carlyle Holdings partnership units from revisions to the estimated forfeiture rates in 2013 and from modifications to the vesting terms of certain awards; and (iii) $2.7 million of compensation expense associated with the unvested common units issued in conjunction with the AlpInvest acquisition in 2013.

Performance fee related compensation expense increased $419.8 million for the nine months ended September 30, 2013 as compared to 2012. Performance fee related compensation expense attributable to senior Carlyle professionals was $197.4 million for the period from April 1, 2012 through our initial public offering in May 2012. Had such amounts attributable to senior Carlyle professionals been accounted for as compensation expense, then performance fee compensation expense would have been $606.7 million and $384.3 million for the nine months ended September 30, 2013 and 2012, respectively. As adjusted for amounts related to senior Carlyle professionals, performance fee related compensation as a percentage of performance fees was 50% and 49% for the nine months ended September 30, 2013 and 2012, respectively.

Total compensation and benefits would have been $1,420.0 million and $1,031.7 million for the nine months ended September 30, 2013 and 2012, respectively, had compensation attributable to senior Carlyle professionals been treated as compensation expense.

General, Administrative and Other Expenses. General, administrative and other expenses increased $100.0 million for the nine months ended September 30, 2013 as compared to 2012. This increase was driven primarily by (i) an increase of approximately $32.8 million in amortization expense, primarily from intangible assets acquired in 2012; (ii) an increase of $39.8 million associated with fundraising activities; and (iii) an impairment loss of $20.8 million to reduce the carrying value of certain intangible assets to their estimated fair value.

Interest. Interest expense for the nine months ended September 30, 2013 was $33.8 million, an increase of $13.2 million from 2012. The increase is primarily attributable to a higher level of debt outstanding for the nine months ended September 30, 2013 as compared to 2012, as well as higher interest rates on outstanding borrowings in 2013 as compared to 2012 resulting from the issuances in 2013 of the 3.875% senior notes and the 5.625% senior notes.

Interest and Other Expenses of Consolidated Funds. Interest and other expenses of Consolidated Funds increased $100.9 million for the nine months ended September 30, 2013 as compared to 2012. This increase relates primarily to the four new CLOs formed throughout 2012 and the five new CLOs formed in 2013. The CLOs incur interest expense on their loans payable and incur other expenses consisting of trustee fees, rating agency fees and professional fees. Substantially all interest and other income of our CLOs together with interest expense of our CLOs and net investment gains (losses) of Consolidated Funds is attributable to the related funds limited partners or CLO investors and therefore is allocated to non-controlling interests. Accordingly, such amounts have no material impact on net income attributable to the Partnership.

Other Non-operating Expenses. Other non-operating expenses of $1.9 million for the nine months ended September 30, 2013 reflects a decrease of $5.0 million from $6.9 million for the nine months ended September 30, 2012. The change is due primarily to a decrease in 2013 in the fair value of performance-based contingent consideration related to our acquisitions.

Table of Contents

Net Investment Gains of Consolidated Funds. For the nine months ended September 30, 2013, net investment gains of Consolidated Funds were $420.1 million, as compared to $1,707.6 million for the nine months ended September 30, 2012. This balance is driven predominantly by our consolidated AlpInvest fund of funds vehicles, CLOs, and hedge funds. For the consolidated CLOs, the amount reflects the net gain or loss on the fair value adjustment of both the assets and liabilities. The components of net investment gains (losses) of consolidated funds for the respective periods are comprised of the following:

	Nine Months Ended September 30,	
	2013	2012
	(Dollars in millions)	
Realized gains	$ 556.3	$ 557.7
Net change in unrealized gains and losses	443.7	1,853.2
Total gains on investments	1,000.0	2,410.9
Losses on liabilities of CLOs	(579.6)	(706.5)
Gains (losses) on other assets of CLOs	(0.3)	3.2
Net investment gains of Consolidated Funds	$ 420.1	$ 1,707.6

The realized and unrealized investment gains/losses include the appreciation/depreciation of the equity investments within the consolidated AlpInvest fund of funds vehicles, the appreciation/depreciation of CLO investments in loans and bonds, as well as the appreciation/depreciation of investments made by our consolidated hedge funds and other consolidated funds. The losses on the liabilities of the CLOs reflect the fair value adjustment on the debt of the CLOs. The net investment gains for the nine months ended September 30, 2013 and 2012 were due primarily to net investment gains attributable to the consolidated AlpInvest fund of funds vehicles of $648.0 million and $2,011.9 million, respectively; net investment gains attributable to the consolidated hedge funds and other consolidated funds of $233.5 million and $54.0 million, respectively; and the net appreciation (depreciation) of CLOs of $(461.4) million and $(358.3) million, respectively.

Net Income Attributable to Non-controlling Interests in Consolidated Entities. Net income attributable to non-controlling interests in consolidated entities was $441.4 million for the nine months ended September 30, 2013, as compared to $1,708.2 million for the nine months ended September 30, 2012. These amounts are primarily attributable to the net earnings or losses of the Consolidated Funds for each period, which are substantially all allocated to the related funds limited partners or CLO investors.

For the nine months ended September 30, 2013, the net income of our Consolidated Funds was approximately $378.5 million. This income was substantially due to the consolidated AlpInvest fund of funds vehicles, hedge funds, and CLOs. The net income from the consolidated AlpInvest fund of funds vehicles and the consolidated hedge funds was approximately $619.7 million and $184.6 million, respectively, for the nine months ended September 30, 2013. The net income was partially offset by net losses from the consolidated CLOs of $391.1 million for the nine months ended September 30, 2013. The CLOs investments appreciated in value less than the CLO liabilities, thereby creating a net loss for this period.

For the nine months ended September 30, 2012, the net income of our Consolidated Funds was approximately $1,693.5 million. This income was substantially due to the income from the consolidated AlpInvest fund of funds vehicles, offset by losses from the consolidated CLOs. The net income (loss) from the consolidated AlpInvest fund of funds vehicles and the consolidated CLOs was approximately $1,942.1 million and $(220.2) million, respectively, for the nine months ended September 30, 2012.

Net Income Attributable to The Carlyle Group L.P. The net income attributable to the Partnership was $32.8 million for the nine months ended September 30, 2013. The Partnership is allocated a portion of the net income attributable to Carlyle Holdings based on the Partnership s ownership in Carlyle Holdings (which was approximately 16% as of September 30, 2013). For the nine months ended September 30, 2013, the net income attributable to Carlyle Holdings was $228.9 million. Additionally, the Partnership is allocated 100% of the net income or loss attributable to the Partnership s wholly-owned taxable subsidiaries.

Table of Contents

Non-GAAP Financial Measures

The following table sets forth information in the format used by management when making resource deployment decisions and in assessing performance of our segments. These non-GAAP financial measures are presented for the three months and nine months ended September 30, 2013 and 2012. The table below shows our total segment Economic Net Income which is composed of the sum of Fee Related Earnings, Net Performance Fees and Investment Income. This analysis excludes the effect of consolidated funds, acquisition-related items including amortization of acquired intangible assets and contingent consideration taking the form of earn-outs, charges associated with equity-based compensation grants issued in May 2012 upon completion of the initial public offering or grants issued in acquisitions or strategic investments, corporate actions and infrequently occurring or unusual events, and for the periods prior to the reorganization and initial public offering in May 2012, treats compensation attributable to senior Carlyle professionals as compensation expense. Additionally, during the nine months ended September 30, 2013, we modified the definition of Distributable Earnings used by management to exclude all equity-based compensation expense; the presentation of Distributable Earnings for all periods included in this Quarterly Report on Form 10-Q has been recast to conform with the revised definition. See Note 18 to the unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q.

Table of Contents

	Three Months Ended September 30, 2013	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
	(Dollars in millions)			
Segment Revenues				
Fund level fee revenues				
Fund management fees	$ 281.2	$ 233.9	$ 771.2	$ 694.3
Portfolio advisory fees, net	5.0	4.6	15.3	19.6
Transaction fees, net	5.9	7.2	23.1	13.6
Total fund level fee revenues	292.1	245.7	809.6	727.5
Performance fees				
Realized	103.1	276.4	544.6	668.5
Unrealized	219.6	49.0	604.4	87.6
Total performance fees	322.7	325.4	1,149.0	756.1
Investment income (loss)				
Realized	(0.7)	4.6	4.6	10.7
Unrealized	(2.1)	3.8	2.5	35.0
Total investment income (loss)	(2.8)	8.4	7.1	45.7
Interest and other income	2.6	4.4	9.0	9.5
Total revenues	614.6	583.9	1,974.7	1,538.8
Segment Expenses				
Compensation and benefits				
Direct base compensation	111.4	97.9	320.4	304.9
Indirect base compensation	41.2	32.9	109.8	102.2
Equity-based compensation	4.0	0.6	10.8	1.2
Performance fee related				
Realized	41.8	120.2	224.0	293.8
Unrealized	123.7	40.6	290.6	69.6
Total compensation and benefits	322.1	292.2	955.6	771.7
General, administrative, and other indirect expenses	80.0	62.3	224.3	177.7
Depreciation and amortization expense	6.2	6.2	18.7	15.4
Interest expense	11.8	4.7	31.9	20.6
Total expenses	420.1	365.4	1,230.5	985.4
Economic Net Income	**$ 194.5**	**$ 218.5**	**$ 744.2**	**$ 553.4**
(-) Net Performance Fees	157.2	164.6	634.4	392.7
(-) Investment Income (Loss)	(2.8)	8.4	7.1	45.7
(=) Fee Related Earnings	**$ 40.1**	**$ 45.5**	**$ 102.7**	**$ 115.0**
(+) Realized Net Performance Fees	61.3	156.2	320.6	374.7
(+) Realized Investment Income (Loss)	(0.7)	4.6	4.6	10.7
(+) Equity-based Compensation	4.0	0.6	10.8	0.6
(=) Distributable Earnings	**$ 104.7**	**$ 206.9**	**$ 438.7**	**$ 501.0**

Table of Contents

Income before provision for income taxes is the GAAP financial measure most comparable to economic net income, fee related earnings, and distributable earnings. The following table is a reconciliation of income (loss) before provision for income taxes to economic net income, to fee related earnings, and to distributable earnings.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(Dollars in millions)			
Income (loss) before provision for income taxes	$ (8.6)	$ 602.5	$ 729.7	$ 2,294.4
Adjustments:				
Partner compensation[1]				(265.4)
Equity-based compensation issued in conjunction with the initial public offering, acquisitions and strategic investments	76.2	52.6	251.4	146.2
Acquisition related charges and amortization of intangibles	94.5	43.4	209.5	89.0
Losses associated with debt refinancing activities			1.9	
Other non-operating expenses	7.6	10.3	1.9	6.9
Net (income) loss attributable to non-controlling interests in consolidated entities	26.6	(485.4)	(441.4)	(1,708.2)
Provision for income taxes attributable to non-controlling interests in consolidated entities		(4.0)	(11.7)	(9.7)
Severance and lease terminations	(0.1)	0.9	3.9	5.0
Other adjustments	(1.7)	(1.8)	(1.0)	(4.8)
Economic Net Income	$ 194.5	$ 218.5	$ 744.2	$ 553.4
Net performance fees[2]	157.2	164.6	634.4	392.7
Investment income (loss)[2]	(2.8)	8.4	7.1	45.7
Fee Related Earnings	$ 40.1	$ 45.5	$ 102.7	$ 115.0
Realized performance fees, net of related compensation[2]	61.3	156.2	320.6	374.7
Investment income (loss) realized[2]	(0.7)	4.6	4.6	10.7
Equity-based compensation	4.0	0.6	10.8	1.2
Distributable Earnings	$ 104.7	$ 206.9	$ 438.7	$ 501.6

(1) Adjustments for partner compensation reflect amounts due to senior Carlyle professionals for compensation and performance fees allocated to them, which amounts were classified as distributions from partners capital in our consolidated financial statements for periods prior to the reorganization and initial public offering in May 2012.

Table of Contents

(2) See reconciliation to most directly comparable U.S. GAAP measure below:

	Three Months Ended September 30, 2013		
	Carlyle Consolidated	Adjustments(3)	Total Reportable Segments
	(Dollars in millions)		
Performance fees			
Realized	$ 108.6	$ (5.5)	$ 103.1
Unrealized	211.9	7.7	219.6
Total performance fees	320.5	2.2	322.7
Performance fee related compensation expense			
Realized	45.4	(3.6)	41.8
Unrealized	113.5	10.2	123.7
Total performance fee related compensation expense	158.9	6.6	165.5
Net performance fees			
Realized	63.2	(1.9)	61.3
Unrealized	98.4	(2.5)	95.9
Total net performance fees	$ 161.6	$ (4.4)	$ 157.2
Investment income (loss)			
Realized	$ (3.1)	$ 2.4	$ (0.7)
Unrealized	8.1	(10.2)	(2.1)
Total investment income (loss)	$ 5.0	$ (7.8)	$ (2.8)

	Three Months Ended September 30, 2012		
	Carlyle Consolidated	Adjustments(3)	Total Reportable Segments
	(Dollars in millions)		
Performance fees			
Realized	$ 291.4	$ (15.0)	$ 276.4
Unrealized	64.9	(15.9)	49.0
Total performance fees	356.3	(30.9)	325.4
Performance fee related compensation expense			
Realized	121.9	(1.7)	120.2
Unrealized	41.5	(0.9)	40.6
Total performance fee related compensation expense	163.4	(2.6)	160.8
Net performance fees			
Realized	169.5	(13.3)	156.2
Unrealized	23.4	(15.0)	8.4
Total net performance fees	$ 192.9	$ (28.3)	$ 164.6
Investment income			
Realized	$ 9.8	$ (5.2)	$ 4.6
Unrealized	0.4	3.4	3.8

Total investment income	$ 10.2	$ (1.8)	$ 8.4

104

Table of Contents

	Nine Months Ended September 30, 2013		
	Carlyle Consolidated	Adjustments(3)	Total Reportable Segments
		(Dollars in millions)	
Performance fees			
Realized	$ 564.6	$ (20.0)	$ 544.6
Unrealized	657.4	(53.0)	604.4
Total performance fees	1,222.0	(73.0)	1,149.0
Performance fee related compensation expense			
Realized	232.2	(8.2)	224.0
Unrealized	374.5	(83.9)	290.6
Total performance fee related compensation expense	606.7	(92.1)	514.6
Net performance fees			
Realized	332.4	(11.8)	320.6
Unrealized	282.9	30.9	313.8
Total net performance fees	$ 615.3	$ 19.1	$ 634.4
Investment income			
Realized	$ 5.4	$ (0.8)	$ 4.6
Unrealized	11.0	(8.5)	2.5
Total investment income	$ 16.4	$ (9.3)	$ 7.1

	Nine Months Ended September 30, 2012		
	Carlyle Consolidated	Adjustments(3)	Total Reportable Segments
		(Dollars in millions)	
Performance fees			
Realized	$ 688.7	$ (20.2)	$ 668.5
Unrealized	88.0	(0.4)	87.6
Total performance fees	776.7	(20.6)	756.1
Performance fee related compensation expense			
Realized	188.3	105.5	293.8
Unrealized	(1.4)	71.0	69.6
Total performance fee related compensation expense	186.9	176.5	363.4
Net performance fees			
Realized	500.4	(125.7)	374.7
Unrealized	89.4	(71.4)	18.0
Total net performance fees	$ 589.8	$ (197.1)	$ 392.7
Investment income			
Realized	$ 11.4	$ (0.7)	$ 10.7
Unrealized	27.3	7.7	35.0
Total investment income	$ 38.7	$ 7.0	$ 45.7

(3) Adjustments to performance fees and investment income (loss) relate to amounts earned from the Consolidated Funds, which were eliminated in the U.S. GAAP consolidation but were included in the Non-GAAP results, and amounts attributable to non-controlling interests in consolidated entities, which were excluded from the Non-GAAP results. Adjustments to investment income (loss) also include the reclassification of earnings for the investment in NGP Management to the appropriate operating captions for the Non-GAAP results, and the exclusion of charges associated with the investment in NGP Management that are excluded from the Non-GAAP results. Adjustments to performance fee related compensation expense relate to the inclusion of partner compensation in the Non-GAAP results for periods prior to the reorganization and initial public offering in May 2012. Adjustments are also included in these financial statement captions to reflect Carlyle s 55% economic interest in Claren Road, ESG, and Vermillion, and Carlyle s 60% economic interest in AlpInvest (for periods prior to August 1, 2013), in the Non-GAAP results.

105

Table of Contents

Economic Net Income and Distributable Earnings for our reportable segments are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(Dollars in millions)			
Economic Net Income				
Corporate Private Equity	$ 159.4	$ 177.2	$ 505.0	$ 356.6
Global Market Strategies	10.1	36.0	161.2	106.1
Real Assets	0.4	1.6	31.6	73.9
Solutions	24.6	3.7	46.4	16.8
Economic Net Income	$ 194.5	$ 218.5	$ 744.2	$ 553.4
Distributable Earnings				
Corporate Private Equity	$ 53.6	$ 145.0	$ 251.4	$ 326.7
Global Market Strategies	24.2	27.7	111.6	82.6
Real Assets	11.5	30.8	48.7	80.3
Solutions	15.4	3.4	27.0	12.0
Distributable Earnings	$ 104.7	$ 206.9	$ 438.7	$ 501.6

Segment Analysis

Discussed below is our ENI for our segments for the periods presented. Our segment information is reflected in the manner utilized by our senior management to make operating decisions, assess performance and allocate resources.

For segment reporting purposes, revenues and expenses are presented on a basis that deconsolidates our Consolidated Funds. As a result, segment revenues from management fees, performance fees and investment income are different than those presented on a consolidated GAAP basis because fund management fees recognized in certain segments are received from Consolidated Funds and are eliminated in consolidation when presented on a consolidated GAAP basis. Furthermore, segment expenses are different than related amounts presented on a consolidated GAAP basis due to the exclusion of fund expenses that are paid by the Consolidated Funds. Segment revenue and expenses are also different than those presented on a consolidated GAAP basis because we present our segment revenues and expenses related to Claren Road, ESG, and Vermillion based on our 55% economic interest in those entities. For periods prior to August 1, 2013 (the date we acquired the remaining 40% equity interest in AlpInvest), we present our segment revenues and expenses based on our historical ownership interest in AlpInvest of 60%. Also, ENI excludes expenses associated with equity-based compensation that was issued in our initial public offering or is issued in acquisitions and strategic investments. Finally, for periods prior to the reorganization and initial public offering in May 2012, ENI includes an expense for base and performance fee related compensation attributable to senior Carlyle professionals, which was accounted for as distributions from equity in the consolidated GAAP basis financial statements.

Additionally, during the second quarter of 2013, we modified the definition of Distributable Earnings used by management to exclude all equity-based compensation expense; the presentation of Distributable Earnings for all periods included in this Quarterly Report on Form 10-Q has been recast to conform with the revised definition.

Table of Contents

Corporate Private Equity

The following table presents our results of operations for our Corporate Private Equity segment:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(Dollars in millions)			
Segment Revenues				
Fund level fee revenues				
Fund management fees	$ 131.0	$ 124.8	$ 348.1	$ 372.7
Portfolio advisory fees, net	4.7	3.1	13.7	15.0
Transaction fees, net	5.7	6.2	20.1	9.4
Total fund level fee revenues	141.4	134.1	381.9	397.1
Performance fees				
Realized	79.1	241.4	442.8	545.0
Unrealized	182.2	72.8	421.0	44.4
Total performance fees	261.3	314.2	863.8	589.4
Investment income (loss)				
Realized	1.6	(0.2)	5.1	2.1
Unrealized	5.5	(1.0)	10.7	17.2
Total investment income (loss)	7.1	(1.2)	15.8	19.3
Interest and other income	1.5	3.4	4.2	6.4
Total revenues	411.3	450.5	1,265.7	1,012.2
Segment Expenses				
Compensation and benefits				
Direct base compensation	53.9	56.2	158.9	166.3
Indirect base compensation	27.6	19.9	69.4	64.8
Equity-based compensation	2.1	0.4	5.9	0.8
Performance fee related				
Realized	34.6	115.6	201.3	264.2
Unrealized	79.8	39.2	172.2	30.9
Total compensation and benefits	198.0	231.3	607.7	527.0
General, administrative, and other indirect expenses	43.7	36.0	124.3	107.7
Depreciation and amortization expense	3.3	3.5	10.2	9.0
Interest expense	6.9	2.5	18.5	11.9
Total expenses	251.9	273.3	760.7	655.6
Economic Net Income	**$ 159.4**	**$ 177.2**	**$ 505.0**	**$ 356.6**
(-) Net Performance Fees	146.9	159.4	490.3	294.3
(-) Investment Income (Loss)	7.1	(1.2)	15.8	19.3
(=) Fee Related Earnings	**$ 5.4**	**$ 19.0**	**$ (1.1)**	**$ 43.0**
(+) Realized Net Performance Fees	44.5	125.8	241.5	280.8
(+) Realized Investment Income (Loss)	1.6	(0.2)	5.1	2.1

(+) Equity-based Compensation	2.1	0.4	5.9	0.8
(=) Distributable Earnings	**$ 53.6**	**$ 145.0**	**$ 251.4**	**$ 326.7**

107

Table of Contents

Three Months Ended September 30, 2013 Compared to the Three Months Ended September 30, 2012

Total fee revenues were $141.4 million for the three months ended September 30, 2013, representing an increase of $7.3 million, or 5%, from the three months ended September 30, 2012. This increase reflects an increase in fund management fees of $6.2 million and an increase in net portfolio advisory fees of $1.6 million, partially offset by a decrease in net transaction fees of $0.5 million. The weighted average management fee rate decreased from 1.32% at September 30, 2012 to 1.11% at September 30, 2013. This decrease was due primarily to the expiration of the investment period in our third European buyout (CEP III) and second Japan buyout (CJP II) funds, prior to the raising of a successor fund. Also contributing to the decrease in the weighted average management fee rate was the step-down in the management fee rate for CP V during the three months ended September 30, 2013. Fee-earning AUM was $41.9 billion and $36.9 billion as of September 30, 2013 and 2012, respectively, reflecting an increase of $5.0 billion.

Interest and other income was $1.5 million for the three months ended September 30, 2013, a decrease from $3.4 million for the three months ended September 30, 2012.

Total compensation and benefits was $198.0 million and $231.3 million for the three months ended September 30, 2013 and 2012, respectively. Performance fee related compensation expense was $114.4 million and $154.8 million, or 44% and 49% of performance fees, for the three months ended September 30, 2013 and 2012, respectively. As part of the reorganization and initial public offering in May 2012, the portion of carried interest allocated to our senior Carlyle professionals and other personnel who work in our fund operations decreased from historical levels to approximately 45%.

Direct and indirect base compensation expense increased $5.4 million for the three months ended September 30, 2013, or 7% more than the three months ended September 30, 2012, primarily reflecting higher compensation associated with fundraising activities for buyout funds.

Equity-based compensation was $2.1 million for the three months ended September 30, 2013, an increase from $0.4 million for the three months ended September 30, 2012. The increase is due primarily to expense associated with grants of deferred restricted common units that occurred subsequent to the initial public offering in May 2012.

General, administrative and other indirect expenses increased $7.7 million for the three months ended September 30, 2013 as compared to 2012. The expense increase primarily reflected higher expenses associated with fundraising activities for buyout funds.

Depreciation and amortization expense was $3.3 million for the three months ended September 30, 2013, a decrease from $3.5 million in 2012.

Interest expense increased $4.4 million, or 176%, for the three months ended September 30, 2013 as compared to 2012. This increase was due primarily to a higher level of outstanding borrowings and higher interest rates in 2013 as compared to 2012.

Economic Net Income. ENI was $159.4 million for the three months ended September 30, 2013, reflecting a 10% decrease as compared to ENI of $177.2 million for the three months ended September 30, 2012. The decrease in ENI in the third quarter of 2013 was driven primarily by a $13.6 million decrease in fee related earnings and a $12.5 million decrease in net performance fees as compared to 2012. These decreases were partially offset by an $8.3 million increase in investment income.

Fee Related Earnings. Fee related earnings were $5.4 million for the three months ended September 30, 2013, as compared to $19.0 million for the three months ended September 30, 2012, representing a decrease of $13.6 million. The decrease in fee related earnings is primarily attributable to increases in general, administrative and other indirect expenses of $7.7 million and interest expense of $4.4 million.

Performance Fees. Performance fees decreased $52.9 million for the three months ended September 30, 2013 as compared to 2012. Performance fees of $261.3 million and $314.2 million are inclusive of performance fees reversed of approximately $19.8 million and $18.2 million during the three months ended September 30, 2013 and 2012, respectively. Performance fees for this segment by type of fund are as follows:

	Three Months Ended September 30,	
	2013	2012
	(Dollars in millions)	
Buyout funds	$ 246.3	$ 322.4
Growth Capital funds	15.0	(8.2)
Performance fees	$ 261.3	$ 314.2

The $261.3 million in performance fees for the three months ended September 30, 2013 primarily was driven by performance fees for CP V of $120.6 million, CP IV of $94.0 million, and CGFSP I of $32.6 million. The third quarter 2013 and 2012 appreciation in the remaining value of assets for funds in this segment was approximately 5% for both periods. Comparatively, the $314.2 million of performance fees for the three months ended September 30, 2012 primarily was driven by performance fees for CP V of $114.2 million, CAP II of $87.5 million, and CP IV of $79.0 million.

During the three months ended September 30, 2013, net performance fees were $146.9 million or 56% of performance fees and $12.5 million less than the net performance fees in the third quarter of 2012.

Investment Income. Investment income for the three months ended September 30, 2013 was $7.1 million compared to a loss of $1.2 million in the third quarter of 2012. The increase primarily relates to increases in unrealized investment income related to buyout funds.

Distributable Earnings. Distributable earnings decreased $91.4 million for the three months ended September 30, 2013 to $53.6 million from $145.0 million for the same period in 2012. This primarily reflects a decrease in realized net performance fees of $81.3 million for the three months ended September 30, 2013 as compared to 2012, and a decrease in fee related earnings of $13.6 million for the three months ended September 30, 2013 as compared to 2012.

Nine Months Ended September 30, 2013 Compared to the Nine Months Ended September 30, 2012

Total fee revenues were $381.9 million for the nine months ended September 30, 2013, representing a decrease of $15.2 million, or 4%, from the nine months ended September 30, 2012. This decrease reflects a $24.6 million decrease in fund management fees and a decrease in net portfolio advisory fees of $1.3 million. These decreases were partially offset by an increase in net transaction fees of $10.7 million. The weighted average management fee rate decreased from 1.32% at September 30, 2012 to 1.11% at September 30, 2013. This decrease was due primarily to the expiration of the investment period in CEP III and CJP II funds, prior to the raising of a successor fund. Also contributing to the decrease in the weighted average management fee rate was the step-down in the management fee rate for CP V during the nine months ended September 30, 2013. Fee-earning AUM was $41.9 billion and $36.9 billion as of September 30, 2013 and 2012, respectively, reflecting an increase of $5.0 billion. The decrease in net portfolio fees was primarily due to fewer portfolio advisory fees received in 2013 upon the sale or public offering of portfolio companies as compared to 2012. The increase in net transaction fees resulted primarily from several significant transaction fees that were generated by two of the buyout funds in 2013.

Interest and other income was $4.2 million for the nine months ended September 30, 2013, a decrease from $6.4 million for the nine months ended September 30, 2012.

Total compensation and benefits was $607.7 million and $527.0 million for the nine months ended September 30, 2013 and 2012, respectively. Performance fee related compensation expense was $373.5 million and $295.1 million, or 43% and 50% of performance fees, for the nine months ended September 30, 2013 and 2012, respectively. As part of the reorganization and initial public offering in May 2012, the portion of carried interest allocated to our senior Carlyle professionals and other personnel who work in our fund operations decreased from historical levels to approximately 45%.

Direct and indirect base compensation expense decreased $2.8 million for the nine months ended September 30, 2013, or 1% less than the nine months ended September 30, 2012, primarily reflecting adjustments to reflect lower expected annual bonuses, partially offset by higher compensation associated with fundraising activities.

Equity-based compensation was $5.9 million for the nine months ended September 30, 2013, an increase from $0.8 million for the nine months ended September 30, 2012. The increase is due primarily to equity-based compensation expense for 2012 representing approximately five months of equity-based compensation expense (from the grant in May 2012 through September 30, 2012) versus nine months of compensation expense for 2013. Also contributing to the increase is expense associated with grants of deferred restricted common units that occurred subsequent to the initial public offering in May 2012.

General, administrative and other indirect expenses increased $16.6 million for the nine months ended September 30, 2013 as compared to 2012. The expense increase primarily reflected higher expenses associated with fundraising activities for buyout funds.

Depreciation and amortization expense was $10.2 million for the nine months ended September 30, 2013, an increase from $9.0 million in 2012.

Interest expense increased $6.6 million, or 55%, for the nine months ended September 30, 2013 as compared to 2012. This increase was due primarily to a higher level of outstanding borrowings and higher interest rates in 2013 as compared to 2012.

Economic Net Income. ENI was $505.0 million for the nine months ended September 30, 2013, reflecting a 42% increase as compared to ENI of $356.6 million for the nine months ended September 30, 2012. The increase in ENI in the nine months ended September 30, 2013 was driven by a $196.0 million increase in net performance fees as compared to 2012, partially offset by decreases of $44.1 million in fee related earnings and $3.5 million in investment income.

Fee Related Earnings. Fee related earnings were $(1.1) million for the nine months ended September 30, 2013, as compared to $43.0 million for the nine months ended September 30, 2012, representing a decrease of $44.1 million. The decrease in fee related earnings is primarily attributable to an increase in general, administrative and other indirect expenses of $16.6 million, a decrease in fee revenues of $15.2 million, and an increase in interest expense of $6.6 million.

Performance Fees. Performance fees increased $274.4 million for the nine months ended September 30, 2013 as compared to 2012. Performance fees of $863.8 million and $589.4 million are inclusive of performance fees reversed of approximately $7.9 million and $13.3 million during the nine months ended September 30, 2013 and 2012, respectively. Performance fees for this segment by type of fund are as follows:

	Nine Months Ended September 30,	
	2013	**2012**
	(Dollars in millions)	
Buyout funds	$ 844.4	$ 584.2
Growth Capital funds	19.4	5.2
Performance fees	$ 863.8	$ 589.4

The $863.8 million in performance fees for the nine months ended September 30, 2013 primarily was driven by performance fees for CP V and CP IV of $461.1 million and $291.7 million, respectively. The total 2013 and 2012 appreciation in the remaining value of assets for funds in this segment was approximately 20% and 12%, respectively. Comparatively, the $589.4 million of performance fees for the nine months ended September 30, 2012 primarily was driven by performance fees for CP IV, CP V, and CAP II of $197.8 million, $190.3 million, and $110.1 million, respectively.

Table of Contents

During the nine months ended September 30, 2013, net performance fees were $490.3 million or 57% of performance fees and $196.0 million more than the net performance fees in the nine months ended September 30, 2012.

Investment Income. Investment income for the nine months ended September 30, 2013 was $15.8 million compared to $19.3 million in the nine months ended September 30, 2012. The decrease in investment income from 2012 to 2013 relates primarily to the distribution in March 2012, in conjunction with the reorganization and initial public offering, of certain investments that were funded by certain existing and former owners of Carlyle indirectly through Carlyle; those investments generated unrealized investment income for the nine months ended September 30, 2012.

Distributable Earnings. Distributable earnings decreased $75.3 million for the nine months ended September 30, 2013 to $251.4 million from $326.7 million for the same period in 2012. This decrease primarily reflects a reduction in fee related earnings of $44.1 million and a decrease in realized net performance fees of $39.3 million.

Fee-earning AUM as of and for the Three and Nine Months Ended September 30, 2013 and 2012.

Fee-earning AUM is presented below for each period together with the components of change during each respective period.

The table below breaks out Fee-earning AUM by its respective components at each period.

	As of September 30,	
	2013	**2012**
	(Dollars in millions)	
Corporate Private Equity		
Components of Fee-earning AUM (1)		
Fee-earning AUM based on capital commitments	$ 16,890	$ 29,006
Fee-earning AUM based on invested capital	25,023	7,941
Balance, End of Period	**$ 41,913**	**$ 36,947**
Weighted Average Management Fee Rates (2)		
All Funds	1.13%	1.32%
Funds in Investment Period	1.42%	1.38%

(1) For additional information concerning the components of Fee-earning AUM, please see Fee-earning Assets under Management.
(2) Represents the aggregate effective management fee rate of each fund in the segment, weighted by each fund s fee-earning AUM, as of the end of each period presented.

The table below provides the period to period rollforward of Fee-earning AUM.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	**2012**	**2013**	**2012**
	(Dollars in millions)		(Dollars in millions)	
Corporate Private Equity				
Fee-earning AUM Rollforward				
Balance, Beginning of Period	$ 38,507	$ 37,129	$ 33,840	$ 37,996
Inflows, including Commitments (1)	3,877	285	14,500	698
Outflows, including Distributions (2)	(761)	(669)	(5,813)	(1,707)
Foreign Exchange and other (3)	290	202	(614)	(40)
Balance, End of Period	**$ 41,913**	**$ 36,947**	**$ 41,913**	**$ 36,947**

(1) Inflows represent limited partner capital raised and capital invested by funds outside the investment period.
(2) Outflows represent distributions from funds outside the investment period and changes in basis for our carry funds where the investment period has expired.
(3) Represents the impact of foreign exchange rate fluctuations on the translation of our non-U.S. dollar denominated funds. Activity during the period is translated at the average rate for the period. Ending balances are translated at the spot rate as of period end.

Table of Contents

Fee-earning AUM was $41.9 billion at September 30, 2013, an increase of $3.4 billion, or 9%, compared to $38.5 billion at June 30, 2013. Inflows of $3.9 billion were primarily a result of limited partner commitments raised by CP VI, CEP IV, CAP IV, our third Japan buyout (CJP III) fund, and our Sub-Saharan Africa buyout (CSSAF I) fund. This was offset by outflows of $0.8 billion, which includes the corresponding change in basis for our Middle East (MENA) fund, in addition to the impact of distributions in funds outside of the investment period, and a $0.3 billion foreign exchange gain. Investment and distribution activity by funds still in the investment period does not impact Fee-earning AUM as these funds are based on commitments and not invested capital. Changes in fair value have no material impact on Fee-earning AUM for Corporate Private Equity as substantially all of the funds generate management fees based on either commitments or invested capital at cost, neither of which is impacted by fair value movements.

Fee-earning AUM was $41.9 billion at September 30, 2013, an increase of $8.1 billion, or approximately 24%, compared to $33.8 billion at December 31, 2012. Inflows of $14.5 billion were primarily a result of limited partner commitments raised by CP VI, CAP IV, CGFSP II, CAP IV, CEP IV, CSSAF I, and CJP III. This was offset by outflows of $5.8 billion, which includes the corresponding change in basis for CP V, our third Asia buyout fund (CAP III) and our first financial services buyout fund (CGFSP I), in addition to distributions in funds outside the investment period and a $0.6 billion foreign exchange loss.

Fee-earning AUM was $41.9 billion at September 30, 2013, an increase of $5.0 billion, or approximately 13%, compared to $36.9 billion at September 30, 2012. This increase reflects new limited partner commitments raised by several of our buyout funds, including CP VI, CAP IV, CGFSP II, and CEP IV, offset by the corresponding change in basis for predecessor funds, the expiration of the investment period for MENA, as well as distributions in various funds outside of their original investment period.

Fee-earning AUM was $36.9 billion at September 30, 2012, a decrease of $0.2 billion, or less than 1%, compared to $37.1 billion at June 30, 2012. Outflows of $0.7 billion were principally a result of distributions from several buyout funds that were outside of their investment period. Inflows of $0.3 billion were primarily related to limited partner commitments raised by our equity opportunities fund (CEOF), as well as equity invested by various funds outside of their investment period.

Fee-earning AUM was $36.9 billion at September 30, 2012, a decrease of $1.1 billion, or 3%, compared to $38.0 billion at December 31, 2011. Outflows of $1.7 billion were principally a result of distributions from several of the funds outside of their investment period. Inflows of $0.7 billion were primarily related to limited partner commitments raised by our Peru buyout fund (CPF I), CSSAF I, and CEOF, as well as equity invested by various funds outside of their investment period.

Total AUM as of and for the Three and Nine Months Ended September 30, 2013.

The table below provides the period to period rollforwards of Available Capital and Fair Value of Capital, and the resulting rollforward of Total AUM.

	Three Months Ended September 30, 2013 (Dollars in millions)			Nine Months Ended September 30, 2013 (Dollars in millions)		
	Available Capital	**Fair Value of Capital**	**Total AUM**	**Available Capital**	**Fair Value of Capital**	**Total AUM**
Corporate Private Equity						
Balance, Beginning of Period	$ 20,098	$ 37,794	$ 57,892	$ 17,642	$ 35,696	$ 53,338
Commitments (1)	3,652		3,652	8,905		8,905
Capital Called, net (2)	(1,178)	1,057	(121)	(4,115)	3,931	(184)
Distributions (3)	158	(1,791)	(1,633)	382	(6,925)	(6,543)
Market Appreciation/(Depreciation) (4)		1,931	1,931		6,628	6,628
Foreign Exchange and other (5)	85	369	454	1	30	31
Balance, End of Period	**$ 22,815**	**$ 39,360**	**$ 62,175**	**$ 22,815**	**$ 39,360**	**$ 62,175**

(1) Represents capital raised by our carry funds, net of expired available capital.
(2)

Represents capital called by our carry funds, net of fund fees and expenses. Equity Invested amounts may vary from Capital Called due to timing differences between acquisition and capital call dates.

112

(3) Represents distributions from our carry funds, net of amounts recycled. Distributions are based on when proceeds are actually distributed to investors, which may differ from when they are realized.
(4) Market Appreciation/(Depreciation) represents realized and unrealized gains (losses) on portfolio investments.
(5) Represents the impact of foreign exchange rate fluctuations on the translation of our non-U.S. dollar denominated funds. Activity during the period is translated at the average rate for the period. Ending balances are translated at the spot rate as of the period end.

Total AUM was $62.2 billion at September 30, 2013, an increase of $4.3 billion, or approximately 7%, compared to $57.9 billion at June 30, 2013. This increase was primarily driven by $3.7 billion in new commitments for several funds and co-investment vehicles, including CP VI, CAP IV, CEP IV, and CJP III, as well as $1.9 billion in market appreciation. Our portfolio experienced a 5% increase in value over the period, due to a 5% increase across our buyout funds, and a 7% increase across our growth capital funds. The 5% increase in our buyout funds was primarily driven by appreciation in CP IV, CP V and CEP III. This increase was partially offset by distributions of $1.6 billion.

Total AUM was $62.2 billion at September 30, 2013, an increase of $8.8 billion, or approximately 17%, compared to $53.3 billion at December 31, 2012. This increase was primarily driven by new commitments of $8.9 billion for several funds and co-investment vehicles, including CP VI, CEP IV and CAP IV, as well as $6.6 billion of market appreciation across our portfolio, which experienced a 20% increase in value over the period, due to a 20% increase across our buyout funds, and an 11% increase across our growth capital funds. The 20% increase in our buyout funds was primarily driven by appreciation in CP IV, CP V, CAP III and CEP III. This increase was partially offset by distributions of $6.5 billion.

Fund Performance Metrics

Fund performance information for our investment funds that have at least $1.0 billion in capital commitments, cumulative equity invested or total value as September 30, 2013, which we refer to as our significant funds is included throughout this discussion and analysis to facilitate an understanding of our results of operations for the periods presented. The fund return information reflected in this discussion and analysis is not indicative of the performance of The Carlyle Group L.P. and is also not necessarily indicative of the future performance of any particular fund. An investment in The Carlyle Group L.P. is not an investment in any of our funds. There can be no assurance that any of our funds or our other existing and future funds will achieve similar returns.

Table of Contents

The following tables reflect the performance of our significant funds in our Corporate Private Equity business. Please see Our Family of Funds for a legend of the fund acronyms listed below.

			TOTAL INVESTMENTS as of September 30, 2013					REALIZED/PARTIALLY REALIZED INVESTMENTS(5) as of September 30, 2013			
	Fund Inception Date(1)	Committed Capital	Cumulative Invested Capital(2)	Total Fair Value(3)	MOIC(4)	Gross IRR(7)	Net IRR(8)	Cumulative Invested Capital(2)	Total Fair Value(3)	MOIC(4)	Gross IRR(7)
			(Reported in Local Currency, in Millions)					(Reported in Local Currency, in Millions)			
Corporate Private Equity											
Fully Invested Funds(6)											
CP II	10/1994	$ 1,331.1	$ 1,362.4	$ 4,071.5	3.0x	34%	25%	$ 1,362.4	$ 4,071.5	3.0x	34%
CP III	2/2000	$ 3,912.7	$ 4,031.6	$ 10,146.6	2.5x	27%	21%	$ 4,031.6	$ 10,146.6	2.5x	27%
CP IV	12/2004	$ 7,850.0	$ 7,612.6	$ 16,909.6	2.2x	16%	13%	$ 5,063.6	$ 12,477.9	2.5x	19%
CP V	5/2007	$ 13,719.7	$ 12,165.1	$ 19,741.4	1.6x	18%	13%	$ 3,033.8	$ 7,269.3	2.4x	28%
CEP I	12/1997	1,003.6	981.6	2,126.5	2.2x	18%	11%	981.6	2,126.5	2.2x	18%
CEP II	9/2003	1,805.4	2,048.4	3,762.6	1.8x	37%	20%	1,230.8	3,059.2	2.5x	61%
CAP I	12/1998	$ 750.0	$ 627.7	$ 2,491.0	4.0x	25%	18%	$ 627.7	$ 2,491.0	4.0x	25%
CAP II	2/2006	$ 1,810.0	$ 1,626.6	$ 2,833.1	1.7x	12%	8%	$ 664.7	$ 1,950.5	2.9x	27%
CAP III	5/2008	$ 2,551.6	$ 2,238.3	$ 2,855.9	1.3x	12%	7%	$ 585.7	$ 1,039.1	1.8x	20%
CJP I	10/2001	¥ 50,000.0	¥ 47,291.4	¥ 134,285.1	2.8x	61%	37%	¥ 39,756.6	¥ 130,976.9	3.3x	65%
CJP II	7/2006	¥ 165,600.0	¥ 141,866.7	¥ 149,199.4	1.1x	1%	(3%)	¥ 31,806.1	¥ 52,822.8	1.7x	22%
CGFSP I	9/2008	$ 1,100.2	$ 1,007.2	$ 1,486.6	1.5x	17%	10%	$ 184.3	$ 435.7	2.4x	27%
All Other Funds(9)	Various		$ 3,814.2	$ 5,635.6	1.5x	16%	6%	$ 2,559.0	$ 4,300.7	1.7x	20%
Coinvestments and Other(10)	Various		$ 7,554.7	$ 18,304.3	2.4x	36%	33%	$ 4,759.9	$ 14,623.3	3.1x	36%
Total Fully Invested Funds			**$ 48,066.6**	**$ 95,331.1**	**2.0x**	**27%**	**19%**	**$ 26,595.2**	**$ 67,694.4**	**2.5x**	**30%**
Funds in the Investment Period(6)											
CP VI(12)	5/2012	$ 11,588.3	n/a	n/a	n/a	n/a	n/m				
CEP III	12/2006	5,294.9	4,966.4	6,705.9	1.4x	11%	8%				
CAP IV(12)	11/2012	$ 1,442.6	n/a	n/a	n/a	n/a	n/m				
CAGP IV	6/2008	$ 1,041.4	$ 665.2	$ 805.9	1.2x	10%	1%				
CEOF I	5/2011	$ 1,119.1	$ 388.0	$ 457.3	1.2x	19%	7%				
All Other Funds(11)	Various		$ 1,022.0	$ 1,288.7	1.3x	12%	1%				
Total Funds in the Investment Period			**$ 8,795.6**	**$ 11,626.2**	**1.3x**	**11%**	**7%**	**$ 1,013.1**	**$ 2,114.6**	**2.1x**	**22%**
TOTAL CORPORATE PRIVATE EQUITY(13)			**$ 56,862.3**	**$ 106,957.3**	**1.9x**	**26%**	**18%**	**$ 27,608.3**	**$ 69,809.0**	**2.5x**	**30%**

(1) The data presented herein that provides inception to date performance results of our segments relates to the period following the formation of the first fund within each segment. For our Corporate Private Equity segment our first fund was formed in 1990.

(2) Represents the original cost of all capital called for investments since inception of the fund.

(3) Represents all realized proceeds combined with remaining fair value, before management fees, expenses and carried interest.

(4) Multiple of invested capital (MOIC) represents total fair value, before management fees, expenses and carried interest, divided by cumulative invested capital.

(5) An investment is considered realized when the investment fund has completely exited, and ceases to own an interest in, the investment. An investment is considered partially realized when the total amount of proceeds received in respect of such investment, including dividends, interest or other distributions and/or return of capital, represents at least 85% of invested capital and such investment is not yet fully realized. Because part of our value creation strategy involves pursuing best exit alternatives, we believe information regarding Realized/Partially Realized MOIC and Gross IRR, when considered together with the other investment performance metrics presented,

provides investors with meaningful information regarding our investment performance by removing the impact of investments where significant realization activity has not yet occurred. Realized/Partially Realized MOIC and Gross IRR have limitations as measures of investment performance, and should not be considered in isolation. Such limitations include the fact that these measures do not include the performance of earlier stage and other investments that do not satisfy the criteria provided above. The exclusion of such investments will have a positive impact on Realized/Partially Realized MOIC and Gross IRR in instances when the MOIC and Gross IRR in respect of such investments are less than the aggregate MOIC and Gross IRR. Our measurements of Realized/Partially Realized MOIC and Gross IRR may not be comparable to those of other companies that use similarly titled measures. We do not present Realized/Partially Realized performance information separately for funds that are still in the investment period because of the relatively insignificant level of realizations for funds of this type. However, to the extent such funds have had realizations, they are included in the Realized/Partially Realized performance information presented for Total Corporate Private Equity.

Table of Contents

(6) Fully Invested funds are past the expiration date of the investment period as defined in the respective limited partnership agreement. In instances where a successor fund has had its first capital call, the predecessor fund is categorized as fully invested.

(7) Gross Internal Rate of Return (Gross IRR) represents the annualized IRR for the period indicated on Limited Partner invested capital based on contributions, distributions and unrealized value before management fees, expenses and carried interest.

(8) Net Internal Rate of Return (Net IRR) represents the annualized IRR for the period indicated on Limited Partner invested capital based on contributions, distributions and unrealized value after management fees, expenses and carried interest.

(9) Aggregate includes the following funds: CP I, CMG, CVP I, CVP II, CUSGF III, CEVP, CETP I, CAVP I, CAVP II, CAGP III , Mexico and MENA.

(10) Includes co-investments, prefund investments and certain other stand-alone investments arranged by us.

(11) Aggregate includes the following funds: CJP III, CGFSP II, CSABF, CSSAF, CETP II, CBPF and CPF I.

(12) Returns are not considered meaningful, as the investment period commenced in May 2012 for CP VI and November 2012 for CAP IV.

(13) For purposes of aggregation, funds that report in foreign currency have been converted to U.S. dollars at the reporting period spot rate.

115

Table of Contents

Global Market Strategies

For purposes of presenting our results of operations for this segment, we include only our 55% economic interest in the results of operations of Claren Road, ESG, and Vermillion. Vermillion was acquired on October 1, 2012. The following table presents our results of operations for our Global Market Strategies segment:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(Dollars in millions)			
Segment Revenues				
Fund level fee revenues				
Fund management fees	$ 65.7	$ 58.2	$ 205.8	$ 166.3
Portfolio advisory fees, net	0.1	0.8	0.8	2.0
Transaction fees, net		0.3	0.1	0.3
Total fund level fee revenues	65.8	59.3	206.7	168.6
Performance fees				
Realized	5.8	0.9	47.8	34.6
Unrealized	(13.6)	5.7	73.7	22.4
Total performance fees	(7.8)	6.6	121.5	57.0
Investment income (loss)				
Realized	2.0	4.6	16.1	8.7
Unrealized	3.2	0.8	(3.6)	9.3
Total investment income (loss)	5.2	5.4	12.5	18.0
Interest and other income	0.7	0.5	3.3	1.5
Total revenues	63.9	71.8	344.0	245.1
Segment Expenses				
Compensation and benefits				
Direct base compensation	23.6	17.4	74.2	62.3
Indirect base compensation	4.6	5.9	14.9	15.3
Equity-based compensation	0.6		1.6	0.1
Performance fee related				
Realized	0.8	0.2	17.2	18.7
Unrealized	3.1	(1.8)	18.9	8.1
Total compensation and benefits	32.7	21.7	126.8	104.5
General, administrative, and other indirect expenses	17.8	11.7	46.8	28.1
Depreciation and amortization expense	1.2	1.1	3.5	2.5
Interest expense	2.1	1.3	5.7	3.9
Total expenses	53.8	35.8	182.8	139.0
Economic Net Income	**$ 10.1**	**$ 36.0**	**$ 161.2**	**$ 106.1**
(-) Net Performance Fees	(11.7)	8.2	85.4	30.2
(-) Investment Income	5.2	5.4	12.5	18.0
(=) Fee Related Earnings	**$ 16.6**	**$ 22.4**	**$ 63.3**	**$ 57.9**
(+) Realized Net Performance Fees	5.0	0.7	30.6	15.9

(+) Realized Investment Income	2.0	4.6	16.1	8.7
(+) Equity-based Compensation	0.6		1.6	0.1
(=) Distributable Earnings	**$ 24.2**	**$ 27.7**	**$ 111.6**	**$ 82.6**

116

Table of Contents

Three Months Ended September 30, 2013 Compared to the Three Months Ended September 30, 2012

Total fee revenues were $65.8 million for the three months ended September 30, 2013, an increase of $6.5 million from 2012. The increase primarily was due to an increase of $5.7 million in management fees from the Claren Road and ESG hedge funds from greater assets under management and $2.5 million of incremental management fees from the acquisition of Vermillion on October 1, 2012. The weighted average management fee rate for our carry funds and hedge funds collectively was 1.74% and 1.78% as of September 30, 2013 and 2012, respectively. The weighted average management fee rate on our hedge funds decreased from 1.87% at September 30, 2012 to 1.79% at September 30, 2013 due to lower rates charged on the Vermillion hedge funds. The weighted average management fee rate on our carry funds increased from 1.45% at September 30, 2012 to 1.53% at September 30, 2013 due to increased commitments to our first energy mezzanine fund (CEMOF I) and our third distressed and corporate opportunities fund (CSP III), which are both currently in the investment period. Fee-earning AUM was $33.7 billion and $28.5 billion as of September 30, 2013 and 2012, respectively, reflecting an increase of $5.2 billion.

Interest and other income was $0.7 million for the three months ended September 30, 2013 as compared to $0.5 million for the same period in 2012.

Total compensation and benefits was $32.7 million and $21.7 million for the three months ended September 30, 2013 and 2012, respectively. Performance fee related compensation expense was $3.9 million and $(1.6) million, for the three months ended September 30, 2013 and 2012, respectively. Since we only include our 55% economic interest in Claren Road, ESG and Vermillion in our segment results, the percentage of performance fee related compensation expense to performance fees is generally not a meaningful percentage for Global Market Strategies.

Direct and indirect base compensation increased $4.9 million for the three months ended September 30, 2013 as compared to 2012, which primarily relates to the acquisition of Vermillion and higher compensation associated with fundraising activities for the business development companies, partially offset by adjustments to reflect lower expected annual bonuses.

Equity-based compensation was $0.6 million for the three months ended September 30, 2013, an increase from $0 for the three months ended September 30, 2012. The increase is due primarily to expense associated with grants of deferred restricted common units that occurred subsequent to the initial public offering in May 2012.

General, administrative and other indirect expenses increased $6.1 million to $17.8 million for the three months ended September 30, 2013 as compared to 2012. The expense increase primarily reflected higher expenses associated with fundraising activities for the business development companies.

Depreciation and amortization expense was $1.2 million for the three months ended September 30, 2013, an increase from $1.1 million in 2012.

Interest expense increased $0.8 million, or 62%, for the three months ended September 30, 2013 as compared to 2012. This increase was due primarily to a higher level of outstanding borrowings and higher interest rates in 2013 as compared to 2012.

Economic Net Income. ENI was $10.1 million for the three months ended September 30, 2013, a decrease of $25.9 million from $36.0 million for the three months ended September 30, 2012. The decrease in ENI for the three months ended September 30, 2013 as compared to 2012 was primarily driven by a decrease in net performance fees of $19.9 million and fee related earnings of $5.8 million.

Fee Related Earnings. Fee related earnings decreased $5.8 million to $16.6 million for the three months ended September 30, 2013 as compared to 2012. The decrease primarily was due to increases in general, administrative and other indirect expenses of $6.1 million and increases in base compensation of $4.9 million, partially offset by an increase in fee revenues of $6.5 million.

Table of Contents

Performance Fees. Performance fees of $(7.8) million and $6.6 million for the three months ended September 30, 2013 and 2012, respectively, are inclusive of performance fees reversed of approximately $25.6 million and $4.7 million, respectively. Performance fees for this segment by type of fund are as follows:

	Three Months Ended September 30,	
	2013	2012
	(Dollars in millions)	
Carry funds	$ (1.4)	$ 3.1
Hedge funds	(7.8)	2.9
Structured credit funds	1.4	0.6
Performance fees	$ (7.8)	$ 6.6

Performance fees for the three months ended September 30, 2013 were generated primarily by the hedge funds, including $(14.8) million from the Claren Road Master Fund. Performance fees for the three months ended September 30, 2012 were generated primarily by the carry funds, including $4.6 million of performance fees from CSP II.

Net performance fees decreased $19.9 million to $(11.7) million for the three months ended September 30, 2013 as compared to $8.2 million for the same period in 2012.

Investment Income. Investment income was $5.2 million for the three months ended September 30, 2013 as compared to $5.4 million for the same period in 2012.

Distributable Earnings. Distributable earnings decreased $3.5 million to $24.2 million for the three months ended September 30, 2013 from $27.7 million for the three months ended September 30, 2012. The decrease related primarily to a decrease in fee related earnings of $5.8 million and realized investment income of $2.6 million for the three months ended September 30, 2013 as compared to 2012. These decreases were partially offset by increases in realized net performance fees of $4.3 million for the three months ended September 30, 2013 as compared to 2012.

Nine Months Ended September 30, 2013 Compared to the Nine Months Ended September 30, 2012

Total fee revenues were $206.7 million for the nine months ended September 30, 2013, an increase of $38.1 million from 2012. The increase was due primarily to approximately $10.4 million of catch-up management fees earned from a subsequent closing of CSP III during the nine months ended September 30, 2013, an increase of $12.5 million in management fees from the Claren Road and ESG hedge funds from greater assets under management, and $10.7 million of incremental management fees from the acquisition of Vermillion on October 1, 2012. Also included in management fees for the nine months ended September 30, 2013 were $7.4 million of subordinated management fees earned from two CLOs that liquidated during the period. The weighted average management fee rate on our hedge funds decreased from 1.87% at September 30, 2012 to 1.79% at September 30, 2013 due to lower rates charged on the Vermillion hedge funds. The weighted average management fee rate on our carry funds increased from 1.45% at September 30, 2012 to 1.53% at September 30, 2013 due to increased commitments to CEMOF I and CSP III, which are both currently in the investment period. Fee-earning AUM was $33.7 billion and $28.5 billion as of September 30, 2013 and 2012, respectively, reflecting an increase of $5.2 billion.

Interest and other income was $3.3 million for the nine months ended September 30, 2013 as compared to $1.5 million for the same period in 2012.

Total compensation and benefits was $126.8 million and $104.5 million for the nine months ended September 30, 2013 and 2012, respectively. Performance fee related compensation expense was $36.1 million and $26.8 million for the nine months ended September 30, 2013 and 2012, respectively. Since we only include our 55% economic interest in Claren Road, ESG and Vermillion in our segment results, the percentage of performance fee related compensation expense to performance fees is generally not a meaningful percentage for Global Market Strategies.

Direct and indirect base compensation increased $11.5 million for the nine months ended September 30, 2013 as compared to 2012, which primarily relates to the acquisition of Vermillion and higher compensation associated with fundraising activities for the business development companies, partially offset by adjustments to reflect lower expected annual bonuses.

Equity-based compensation was $1.6 million for the nine months ended September 30, 2013, an increase from $0.1 million for the nine months ended September 30, 2012. The increase is due primarily to equity-based compensation expense for 2012 representing approximately five months of equity-based compensation expense (from the grant in May 2012 through September 30, 2012) versus nine months of compensation expense for 2013. Also contributing to the increase is expense associated with grants of deferred restricted common units that occurred subsequent to the initial public offering in May 2012.

General, administrative and other indirect expenses increased $18.7 million to $46.8 million for the nine months ended September 30, 2013 as compared to 2012. The expense increase primarily reflected higher expenses associated with fundraising activities for the business development companies and for carry funds.

Depreciation and amortization expense was $3.5 million for the nine months ended September 30, 2013, an increase from $2.5 million in 2012.

Interest expense increased $1.8 million, or 46%, for the nine months ended September 30, 2013 as compared to 2012. This increase was due primarily to a higher level of outstanding borrowings and higher interest rates in 2013 as compared to 2012.

Economic Net Income. ENI was $161.2 million for the nine months ended September 30, 2013, an increase of $55.1 million from $106.1 million for the nine months ended September 30, 2012. The increase in ENI for the nine months ended September 30, 2013 as compared to 2012 was primarily driven by an increase in net performance fees of $55.2 million and an increase in fee related earnings of $5.4 million. These increases were partially offset by a decrease in investment income of $5.5 million.

Fee Related Earnings. Fee related earnings increased $5.4 million to $63.3 million for the nine months ended September 30, 2013 as compared to 2012. The increase was primarily due to increases in fee revenues of $38.1 million, partially offset by increases in general, administrative and other indirect expenses of $18.7 million and base compensation expense of $11.5 million.

Performance Fees. Performance fees of $121.5 million and $57.0 million for the nine months ended September 30, 2013 and 2012, respectively, are inclusive of $0.3 million and $0.8 million of performance fees reversed. Performance fees for this segment by type of fund are as follows:

	Nine Months Ended September 30,	
	2013	2012
	(Dollars in millions)	
Carry funds	$ 33.6	$ 46.1
Hedge funds	84.1	9.5
Structured credit funds	3.8	1.4
Performance fees	$ 121.5	$ 57.0

Performance fees for the nine months ended September 30, 2013 were generated primarily by the hedge funds, including $32.5 million from the Claren Road Master Fund and $26.6 million from the ESG Cross Border Equity fund, as well as the carry funds, including $30.2 million of performance fees from CSP II. Performance fees for the nine months ended September 30, 2012 were generated primarily by the carry funds, including $44.6 million from CSP II.

Net performance fees increased $55.2 million to $85.4 million for the nine months ended September 30, 2013 as compared to $30.2 million for the same period in 2012.

Table of Contents

Investment Income. Investment income was $12.5 million for the nine months ended September 30, 2013 as compared to $18.0 million for the same period in 2012. During the nine months ended September 30, 2013, realized investment income was $16.1 million as compared to $8.7 million for the nine months ended September 30, 2012. The increase in realized investment income was due primarily to a realization of a debt investment in 2013 that resulted in a gain of approximately $10.0 million. Unrealized investment income was $(3.6) million for the nine months ended September 30, 2013 as compared to $9.3 million for the nine months ended September 30, 2012. The decrease in unrealized investment income was due primarily to the reclassification of the unrealized gain on the debt investment to a realized gain, as well as changes to the fair value of our investments in the equity tranches of our CLOs.

Distributable Earnings. Distributable earnings increased $29.0 million to $111.6 million for the nine months ended September 30, 2013 from $82.6 million for the nine months ended September 30, 2012. The increase related primarily to increases in net realized performance fees of $14.7 million, realized investment income of $7.4 million, and fee related earnings of $5.4 million for the nine months ended September 30, 2013 as compared to 2012.

Fee-earning AUM as of and for the Three and Nine Months Ended September 30, 2013 and 2012.

Fee-earning AUM is presented below for each period together with the components of change during each respective period.

The table below breaks out Fee-earning AUM by its respective components at each period.

	As of September 30, 2013	2012
	(Dollars in millions)	
Global Market Strategies		
Components of Fee-earning AUM (1)		
Fee-earning AUM based on capital commitments	$ 2,439	$ 1,512
Fee-earning AUM based on invested capital	651	1,136
Fee-earning AUM based on collateral balances, at par	17,029	15,845
Fee-earning AUM based on net asset value	13,479	9,436
Fee-earning AUM based on lower of cost or fair value and other (2)	139	521
Balance, End of Period	**$ 33,737**	**$ 28,450**
Weighted Average Management Fee Rates (3)		
All Funds, excluding CLOs	1.74%	1.78%

(1) For additional information concerning the components of Fee-earning AUM, please see Fee-earning Assets under Management.
(2) Includes funds with fees based on notional value and gross asset value, less cash and cash equivalents.
(3) Represents the aggregate effective management fee rate for carry funds and hedge funds, weighted by each fund s fee-earning AUM, as of the end of each period presented. Management fees for CLOs are based on the total par amount of the assets (collateral) in the fund and are not calculated as a percentage of equity and are therefore not included.

Table of Contents

The table below provides the period to period rollforward of Fee-earning AUM.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(Dollars in millions)		(Dollars in millions)	
Global Market Strategies				
Fee-earning AUM Rollforward				
Balance, Beginning of Period	$ 33,057	$ 27,740	$ 31,034	$ 23,186
Acquisitions				2,866
Inflows, including Commitments (1)	138	203	473	705
Outflows, including Distributions (2)	(49)	(46)	(416)	(428)
Subscriptions, net of Redemptions (3)	423	407	1,179	1,778
Changes in CLO collateral balances	(76)	171	728	675
Market Appreciation/(Depreciation) (4)	(6)	(131)	577	(200)
Foreign Exchange and other (5)	250	106	162	(132)
Balance, End of Period	**$ 33,737**	**$ 28,450**	**$ 33,737**	**$ 28,450**

(1) Inflows represent limited partner capital raised and capital invested by our carry funds outside the investment period.
(2) Outflows represent limited partner distributions from our carry funds and changes in basis for our carry funds where the investment period has expired.
(3) Represents subscriptions and redemptions in our hedge funds.
(4) Market Appreciation/(Depreciation) represents changes in the net asset value of our hedge funds and open-end structured credit funds.
(5) Includes funds with fees based on gross asset value, less cash and cash equivalents, and represents the impact of foreign exchange rate fluctuations on the translation of our non-U.S. dollar denominated funds. Activity during the period is translated at the average rate for the period. Ending balances are translated at the spot rate as of the period end.

Fee-earning AUM was $33.7 billion at September 30, 2013, an increase of $0.7 billion, or 2%, compared to $33.1 billion at June 30, 2013. This increase was primarily a result of net subscriptions to our hedge funds of $0.4 billion, foreign exchange gains of $0.3 billion, and inflows of $0.1 billion from limited partner commitments to CSP III. This increase was offset by decreases in the aggregate par value of our CLO collateral balances of $0.1 billion.

Fee-earning AUM was $33.7 billion at September 30, 2013, an increase of $2.7 billion, or approximately 9%, compared to $31.0 billion at December 31, 2012. This increase was primarily a result of net subscriptions to our hedge funds of $1.2 billion, increases in the aggregate par value of our CLO collateral balances of $0.7 billion and market appreciation of $0.6 billion. Outflows of $0.4 billion were primarily driven by distributions from funds outside the investment period. Distributions from carry funds still in the investment period do not impact Fee-earning AUM as these funds are based on commitments and not invested capital.

Fee-earning AUM was $33.7 billion at September 30, 2013, an increase of $5.3 billion, or approximately 19%, compared to $28.5 billion at September 30, 2012. This increase was driven by the acquisition of a 55% equity interest in Vermillion Asset Management, additional closes in CEMOF I and CSP III, and net subscriptions to our existing hedge funds.

Fee-earning AUM was $28.5 billion at September 30, 2012, an increase of $0.8 billion, or 3%, compared to $27.7 billion at June 30, 2012. This increase was primarily a result of $0.4 billion of subscriptions, net of redemptions in our hedge funds, $0.2 billion of new commitments raised by our carry funds, and a $0.2 billion increase in the aggregate par value of our CLO collateral balances due to the launch of a $0.6 billion new-issue CLO.

Fee-earning AUM was $28.5 billion at September 30, 2012, an increase of $5.3 billion, or 23%, compared to $23.2 billion at December 31, 2011. This increase was primarily a result of the $2.9 billion acquisition of four CLO management contracts from Highland Capital Management, L.P. Additionally, we had subscriptions, net of redemptions, of $1.8 billion in our hedge funds and $0.7 billion in new commitments to our carry funds. The aggregate par value of our CLO collateral balances increased $0.7 billion due to the launch of three new-issue CLOs totaling $1.6 billion. These increases were offset by outflows of $0.4 billion due to distributions from our fully invested carry

funds, and $0.2 billion of market deprecation in our hedge funds.

121

Table of Contents

Total AUM as of and for the Three and Nine Months Ended September 30, 2013.

The table below provides the period to period rollforwards of Available Capital and Fair Value of Capital, and the resulting rollforward of Total AUM.

	Three Months Ended September 30, 2013			Nine Months Ended September 30, 2013		
	Available Capital	Fair Value of Capital	Total AUM	Available Capital	Fair Value of Capital	Total AUM
	(Dollars in millions)			(Dollars in millions)		
Global Market Strategies						
Balance, Beginning of Period	$ 1,797	$ 32,946	$ 34,743	$ 1,820	$ 30,722	$ 32,542
Commitments (1)	(14)		(14)	259		259
Capital Called, net (2)	(184)	309	125	(548)	704	156
Distributions (3)	41	(133)	(92)	109	(861)	(752)
Subscriptions, net of Redemptions (4)		419	419		1,290	1,290
Changes in CLO collateral balances (5)		(52)	(52)		819	819
Market Appreciation/(Depreciation) (6)		31	31		936	936
Foreign Exchange and other (7)		260	260		170	170
Balance, End of Period (8)	**$ 1,640**	**$ 33,780**	**$ 35,420**	**$ 1,640**	**$ 33,780**	**$ 35,420**

(1) Represents capital raised by our carry funds, net of expired available capital.
(2) Represents capital called by our carry funds, net of fund fees and expenses. Equity Invested amounts may vary from Capital Called due to timing differences between acquisition and capital call dates.
(3) Represents distributions from our carry funds, net of amounts recycled. Distributions are based on when proceeds are actually distributed to investors, which may differ from when they are realized.
(4) Represents the net result of subscriptions to and redemptions from our hedge funds.
(5) Represents the net change in the aggregate collateral balance and principal cash at par of the CLOs.
(6) Market Appreciation/(Depreciation) represents realized and unrealized gains (losses) on portfolio investments and changes in the net asset value of our hedge funds.
(7) Represents the impact of foreign exchange rate fluctuations on the translation of our non-U.S. dollar denominated funds and other changes in Total AUM. Activity during the period is translated at the average rate for the period. Ending balances are translated at the spot rate as of the period end.
(8) Ending balance is comprised of approximately $17.5 billion from our structured credit funds, $14.0 billion in our hedge funds, $3.6 billion (including $1.6 billion of Available Capital) in our carry funds, and $0.2 billion from our business development companies.

Total AUM was $35.4 billion at September 30, 2013, an increase of $0.7 billion, or approximately 2%, compared to $34.7 billion at June 30, 2013. This increase was driven by net subscriptions to our hedge funds of $0.4 billion, $0.3 billion of foreign exchange gain and $0.1 billion of capital calls, net of recycled capital, in our carry funds. These increases were partially offset by distributions of $0.1 billion from our carry funds.

Total AUM was $35.4 billion at September 30, 2013, an increase of $2.9 billion, or approximately 9%, compared to $32.5 billion at December 31, 2012. This increase was driven by net subscriptions to our hedge funds of $1.3 billion, an increase of $0.8 billion in the par value of our CLO collateral balances due to the launch of five new-issue CLOs totaling $2.7 billion, as well as market appreciation of $0.9 billion. These increases were partially offset by distributions of $0.8 billion from our carry funds.

Fund Performance Metrics

Fund performance information for certain of our Global Market Strategies Funds is included throughout this discussion and analysis to facilitate an understanding of our results of operations for the periods presented. The fund return information reflected in this discussion and analysis is not indicative of the performance of The Carlyle Group L.P. and is also not necessarily indicative of the future performance of any particular fund. An investment in The Carlyle Group L.P. is not an investment in any of our funds. There can be no assurance that any of our funds or our other existing and future funds will achieve similar returns.

122

Table of Contents

The following tables reflect the performance of certain funds in our Global Market Strategies business. These tables separately present funds that, as of the periods presented, had at least $1.0 billion in capital commitments, cumulative equity invested or total equity value. Please see Our Family of Funds for a legend of the fund acronyms listed below.

		TOTAL INVESTMENTS					
		as of September 30, 2013				Inception to September 30, 2013	
	Fund Inception Date(1)	Committed Capital	Cumulative Invested Capital(2)	Total Fair Value(3)	MOIC(4)	Gross IRR(5)	Net IRR(6)
		(Reported in Local Currency, in Millions)					
Global Market Strategies							
CSP II	6/2007	$ 1,352.3	$ 1,352.3	$ 2,418.8	1.8x	18%	13%
CEMOF I	12/2010	$ 1,382.5	$ 489.0	$ 589.0	1.2x	27%	9%

(1) The data presented herein that provides inception to date performance results of our segments relates to the period following the formation of the first fund within each segment. For our Global Market Strategies segment, CSP II was formed in 2007 and CEMOF I was formed in 2010.
(2) Represents the original cost of investments net of investment level recallable proceeds which is adjusted to reflect recyclability of invested capital for the purpose of calculating the fund MOIC.
(3) Represents all realized proceeds combined with remaining fair value, before management fees, expenses and carried interest.
(4) Multiple of invested capital (MOIC) represents total fair value, before management fees, expenses and carried interest, divided by cumulative invested capital.
(5) Gross Internal Rate of Return (Gross IRR) represents the annualized IRR for the period indicated on Limited Partner invested capital based on contributions, distributions and unrealized value before management fees, expenses and carried interest.
(6) Net Internal Rate of Return (Net IRR) represents the annualized IRR for the period indicated on Limited Partner invested capital based on contributions, distributions and unrealized value after management fees, expenses and carried interest.

The following table reflects the performance of the Claren Road Master Fund and the Claren Road Opportunities Fund, which had AUM of approximately $5.8 billion and $2.0 billion, respectively, as of September 30, 2013:

	1 Year (2)	3-Year (2)	5-Year (2)	Inception (3)
Net Annualized Return (1)				
Claren Road Master Fund	2%	4%	9%	9%
Claren Road Opportunities Fund	4%	5%	n/a	14%
Barclays Aggregate Bond Index	4%	6%	6%	5%
Volatility (4)				
Claren Road Master Fund Standard Deviation (Annualized)	4%	4%	4%	4%
Claren Road Opportunities Fund Standard Deviation (Annualized)	5%	6%	n/a	7%
Barclays Aggregate Bond Index Standard Deviation (Annualized)	2%	2%	4%	3%
Sharpe Ratio (1M LIBOR) (5)				
Claren Road Master Fund	0.36	1.04	1.92	1.82
Claren Road Opportunities Fund	0.64	1.23	n/a	1.72
Barclays Aggregate Bond Index	1.99	2.46	1.48	0.95

(1) For the Claren Road funds, net annualized return is presented for fee-paying investors only on a total return basis, net of all fees and expenses. The Barclays Aggregate Bond Index is a market-value weighted, intermediate-term bond index of over 8,400 intermediate-term government bonds, investment grade corporate debt securities and mortgage-backed securities. This index is an unmanaged statistical composite and its returns do not include payment of any sales charge or fees an investor would pay to purchase the securities the index represents, which would lower performance if taken into account. The index results are shown for illustrative purposes only.

(2) As of December 31, 2012.

(3) The Claren Road Master Fund was established in January 2006. The Claren Road Opportunities Fund was established in April 2008. Performance is from inception through September 30, 2013.

(4) Volatility is the annualized standard deviation of monthly net investment returns.

(5) The Sharpe Ratio compares the historical excess return on an investment over the risk free rate of return with its historical annualized volatility.

123

Table of Contents

The following table reflects the performance of the ESG Cross Border Equity Master Fund Ltd., which had AUM of approximately $3.4 billion as of September 30, 2013:

	1 Year (2)	3-Year (2)	5-Year (2)	Inception (3)
Net Annualized Return (1)				
CBE	7%	9%	2%	6%
MSCI EM index	18%	5%	(1%)	4%
Volatility (4)				
CBE Standard Deviation (Annualized)	6%	6%	8%	7%
MSCI EM index Standard Deviation (Annualized)	20%	22%	29%	26%
Sharpe Ratio (1M LIBOR) (5)				
CBE	1.11	1.57	0.21	0.66
MSCI EM index	0.94	0.22	(0.04)	0.12

(1) For the CBE fund, net annualized return is presented on a total return basis, net of all fees and expenses. The MSCI EM Index comprises large and mid-cap securities across 21 emerging markets countries. This index is an unmanaged statistical composite and its returns do not include payment of any sales charges or fees an investor would pay to purchase the securities the index represents, which would lower performance if taken into account. The index results are shown for illustrative purposes only.

(2) As of December 31, 2012.

(3) The CBE Fund was established in January 2007. Performance is from inception through September 30, 2013.

(4) Volatility is the annualized standard deviation of monthly net investment returns.

(5) The Sharpe Ratio compares the historical excess return on an investment over the risk free rate of return with its historical annualized volatility.

Table of Contents

Real Assets

For purposes of presenting results of operations for this segment, our earnings from our investment in NGP Management are presented in the respective operating captions. The following table presents our results of operations for our Real Assets segment:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(Dollars in millions)			
Segment Revenues				
Fund level fee revenues				
Fund management fees	$ 47.3	$ 34.4	$ 140.7	$ 105.1
Portfolio advisory fees, net	0.2	0.7	0.8	2.6
Transaction fees, net	0.2	0.7	2.9	3.9
Total fund level fee revenues	47.7	35.8	144.4	111.6
Performance fees				
Realized	12.5	31.9	44.1	82.1
Unrealized	12.1	(27.7)	28.2	(1.3)
Total performance fees	24.6	4.2	72.3	80.8
Investment income (loss)				
Realized	(4.3)	0.2	(16.6)	(0.1)
Unrealized	(10.9)	4.0	(4.7)	8.5
Total investment income (loss)	(15.2)	4.2	(21.3)	8.4
Interest and other income	0.4	0.4	1.3	1.2
Total revenues	57.5	44.6	196.7	202.0
Segment Expenses				
Compensation and benefits				
Direct base compensation	17.1	16.1	53.2	51.2
Indirect base compensation	7.9	5.7	21.8	17.7
Equity-based compensation	1.2	0.2	3.0	0.3
Performance fee related				
Realized	3.8	2.5	0.5	4.9
Unrealized	11.1	5.3	37.6	13.3
Total compensation and benefits	41.1	29.8	116.1	87.4
General, administrative, and other indirect expenses	12.8	11.4	39.7	34.2
Depreciation and amortization expense	1.0	1.1	3.3	2.8
Interest expense	2.2	0.7	6.0	3.7
Total expenses	57.1	43.0	165.1	128.1
Economic Net Income	**$ 0.4**	**$ 1.6**	**$ 31.6**	**$ 73.9**
(-) Net Performance Fees	9.7	(3.6)	34.2	62.6
(-) Investment Income	(15.2)	4.2	(21.3)	8.4
(=) Fee Related Earnings	**$ 5.9**	**$ 1.0**	**$ 18.7**	**$ 2.9**
(+) Realized Net Performance Fees	8.7	29.4	43.6	77.2
(+) Realized Investment Income	(4.3)	0.2	(16.6)	(0.1)

(+) Equity-based Compensation	1.2	0.2	3.0	0.3
(=) Distributable Earnings	**$ 11.5**	**$ 30.8**	**$ 48.7**	**$ 80.3**

125

Table of Contents

Three Months Ended September 30, 2013 Compared to the Three Months Ended September 30, 2012

Total fee revenues were $47.7 million for the three months ended September 30, 2013, an increase of $11.9 million from the three months ended September 30, 2012. The increase in total fee revenues reflects an increase in fund management fees of $12.9 million, partially offset by declines in net transaction fees and portfolio advisory fees of $1.0 million. The increase in fund management fees primarily reflects our share of management fees from NGP Management totaling $15.8 million for the three months ended September 30, 2013. This increase was partially offset by declines in management fees due to the change in basis from commitments to invested capital for our infrastructure fund in 2013. The weighted average management fee rate was 1.19% at September 30, 2013 compared to 1.18% at September 30, 2012. Fee-earning AUM was $28.5 billion and $19.5 billion as of September 30, 2013 and 2012, respectively, reflecting an increase of $9.0 billion.

Interest and other income was $0.4 million for the three months ended September 30, 2013 and 2012.

Total compensation and benefits was $41.1 million and $29.8 million for the three months ended September 30, 2013 and 2012, respectively. Performance fee related compensation expense was $14.9 million and $7.8 million for the three months ended September 30, 2013 and 2012, respectively. Performance fees earned from the Legacy Energy funds are allocated solely to Carlyle and are not otherwise shared or allocated with our investment professionals. To date, performance fee related compensation expense in Real Assets reflects amounts earned primarily by our real estate investment professionals as we generally incur no compensation expense for the Legacy Energy funds and we have not yet generated any performance fees or related compensation from our infrastructure fund. Accordingly, performance fee compensation as a percentage of performance fees is generally not a meaningful percentage for Real Assets.

Direct and indirect base compensation was $25.0 million for the three months ended September 30, 2013 as compared to $21.8 million for the same period in 2012.

Equity-based compensation was $1.2 million for the three months ended September 30, 2013, an increase from $0.2 million for the three months ended September 30, 2012. The increase is due primarily to expense associated with grants of deferred restricted common units that occurred subsequent to the initial public offering in May 2012.

General, administrative and other indirect compensation increased $1.4 million to $12.8 million for the three months ended September 30, 2013 as compared to 2012. The increase primarily relates to expenses from NGP Management.

Depreciation and amortization expense was $1.0 million for the three months ended September 30, 2013, a decline from $1.1 million in 2012.

Interest expense increased $1.5 million, or 214%, for the three months ended September 30, 2013 as compared to 2012. This increase was due primarily to a higher level of outstanding borrowings and higher interest rates in 2013 as compared to 2012.

Economic Net Income. ENI was $0.4 million for the three months ended September 30, 2013, a decline of $1.2 million from $1.6 million for the same period in 2012. The decline in ENI for the three months ended September 30, 2013 as compared to 2012 was primarily driven by a decline in investment income of $19.4 million, partially offset by increases in net performance fees of $13.3 million and fee related earnings of $4.9 million.

Fee Related Earnings. Fee related earnings increased $4.9 million for the three months ended September 30, 2013 as compared to 2012 to $5.9 million. The increase in fee related earnings is primarily attributable to an increase in fee revenues of $11.9 million, partially offset by increases in base compensation of $3.2 million, interest expense of $1.5 million, and general, administrative, and other indirect expenses of $1.4 million.

Table of Contents

Performance Fees. Performance fees of $24.6 million and $4.2 million for the three months ended September 30, 2013 and 2012, respectively, are inclusive of performance fees reversed of approximately $14.3 million and $16.9 million, respectively. Performance fees for this segment by type of fund are as follows:

	Three Months Ended September 30, 2013	2012
	(Dollars in millions)	
Energy funds	$ (6.3)	$ (13.9)
Real Estate funds	30.9	18.1
Performance fees	$ 24.6	$ 4.2

Performance fees for the three months ended September 30, 2013 were primarily driven by performance fees related to our sixth U.S. real estate fund (CRP VI) of $23.7 million. Investments in our Real Assets portfolio appreciated 1% during the three months ended September 30, 2013, with energy investments remaining flat and real estate investments appreciating 3%. This compares to investments in our Real Assets portfolio remaining flat overall during the three months ended September 30, 2012, with energy investments declining 3% and real estate investments appreciating 5%. Performance fees for the three months ended September 30, 2012 were primarily driven by performance fees related to several of our real estate funds, partially offset by negative performance fees related to several of our energy funds, including our second Legacy Energy fund (Energy II) of $(6.9) million and our third Legacy Energy fund (Energy III) (including co-investments) of $(6.2) million.

Net performance fees for the three months ended September 30, 2013 were $9.7 million, representing an increase of $13.3 million from $(3.6) million in net performance fees for the three months ended September 30, 2012.

Investment Income (Loss). Investment loss was $15.2 million for the three months ended September 30, 2013 compared to investment income of $4.2 million for the same period in 2012. The decline in investment income was due primarily to investment losses on the investment in Urbplan and investments in certain European real estate funds.

Distributable Earnings. Distributable earnings declined $19.3 million to $11.5 million for the three months ended September 30, 2013 from $30.8 million for the same period in 2012. The decline was primarily due to declines in realized net performance fees of $20.7 million and realized investment income of $4.5 million, partially offset by an increase in fee related earnings of $4.9 million.

Nine Months Ended September 30, 2013 Compared to the Nine Months Ended September 30, 2012

Total fee revenues were $144.4 million for the nine months ended September 30, 2013, an increase of $32.8 million from the nine months ended September 30, 2012. The increase in total fee revenues reflects an increase in fund management fees of $35.6 million, partially offset by a decline in net portfolio advisory and transaction fees of $2.8 million. The increase in fund management fees primarily reflects our share of management fees from NGP Management totaling $47.6 million for the nine months ended September 30, 2013. This increase was partially offset by declines in management fees due to the change in basis from commitments to invested capital for our infrastructure fund in 2013 and from distributions from real estate funds outside of their investment period. The weighted average management fee rate was 1.19% at September 30, 2013, a slight increase from 1.18% at September 30, 2012. Fee-earning AUM was $39.0 billion and $29.5 billion as of September 30, 2013 and 2012, respectively, reflecting an increase of $10.5 billion.

Interest and other income was $1.3 million for the nine months ended September 30, 2013, an increase from $1.2 million for the same period in 2012.

Total compensation and benefits was $116.1 million and $87.4 million for the nine months ended September 30, 2013 and 2012, respectively. Performance fee related compensation expense was $38.1 million and $18.2 million for the nine months ended September 30, 2013 and 2012, respectively. Performance fees earned from the Legacy Energy funds are allocated solely to Carlyle and are not otherwise shared or allocated with our investment professionals. To date, performance fee related compensation expense in Real Assets reflects amounts earned primarily by our real estate investment professionals as we generally incur no compensation expense for the Legacy Energy funds and we have not yet generated any performance fees or related compensation from our infrastructure fund. Accordingly, performance fee compensation as a percentage of performance fees is generally not a meaningful percentage for Real Assets.

127

Table of Contents

Direct and indirect base compensation was $75.0 million for the nine months ended September 30, 2013 as compared to $68.9 million for the same period in 2012.

Equity-based compensation was $3.0 million for the nine months ended September 30, 2013, an increase from $0.3 million for the nine months ended September 30, 2012. The increase is due primarily to equity-based compensation expense for 2012 representing approximately five months of equity-based compensation expense (from the grant in May 2012 through September 30, 2012) versus nine months of compensation expense for 2013. Also contributing to the increase is expense associated with grants of deferred restricted common units that occurred subsequent to the initial public offering in May 2012.

General, administrative and other indirect expenses increased $5.5 million to $39.7 million for the nine months ended September 30, 2013 as compared to 2012. The increase primarily relates to an increase in professional fees as well as expenses from NGP Management.

Depreciation and amortization expense was $3.3 million for the nine months ended September 30, 2013, an increase from $2.8 million in 2012.

Interest expense increased $2.3 million, or 62%, for the nine months ended September 30, 2013 as compared to 2012. This increase was due primarily to a higher level of outstanding borrowings and higher interest rates in 2013 as compared to 2012.

Economic Net Income. ENI was $31.6 million for the nine months ended September 30, 2013, a decline of $42.3 million from $73.9 million for the same period in 2012. The decline in ENI for the nine months ended September 30, 2013 as compared to 2012 was primarily driven by declines in net performance fees of $28.4 million and investment income of $29.7 million, partially offset by increases in fee related earnings of $15.8 million.

Fee Related Earnings. Fee related earnings increased $15.8 million for the nine months ended September 30, 2013 as compared to 2012 to $18.7 million. The increase in fee related earnings is primarily attributable to an increase in fee revenues of $32.8 million, partially offset by increases in general, administrative, and other indirect expenses of $5.5 million, base compensation of $6.1 million, and interest expense of $2.3 million.

Performance Fees. Performance fees of $72.3 million and $80.8 million for the nine months ended September 30, 2013 and 2012, respectively, are inclusive of performance fees reversed of approximately $16.8 million and $2.4 million, respectively. Performance fees for this segment by type of fund are as follows:

	Nine Months Ended September 30,	
	2013	2012
	(Dollars in millions)	
Energy funds	$ (9.9)	$ 43.8
Real Estate funds	82.2	37.0
Performance fees	$ 72.3	$ 80.8

Performance fees for the nine months ended September 30, 2013 were primarily driven by performance fees related to CRP VI of $60.0 million. Investments in our Real Assets portfolio appreciated 2% during the nine months ended September 30, 2013, with energy investments appreciating 1% and real estate investments appreciating 4%. This compares to an 8% increase during the nine months ended September 30, 2012, with energy investments appreciating 6% and real estate investments appreciating 12%. Performance fees for the nine months ended September 30, 2012 were primarily driven by performance fees related to our Legacy Energy funds, including Energy III (including co-investments) of $22.3 million and Energy II (including co-investments) of $9.7 million, and our third U.S. real estate fund (CRP III) of $12.3 million.

Table of Contents

Net performance fees for the nine months ended September 30, 2013 were $34.2 million, representing a decline of $28.4 million from $62.6 million in net performance fees for the nine months ended September 30, 2012.

Investment Income (Loss). Investment loss was $21.3 million for the nine months ended September 30, 2013 compared to investment income of $8.4 million for the same period in 2012. The decline in investment income was due primarily to investment losses on the investment in Urbplan and investments in certain European real estate funds.

Distributable Earnings. Distributable earnings declined $31.6 million to $48.7 million for the nine months ended September 30, 2013 from $80.3 million for the same period in 2012. The decline was due to declines in realized net performance fees of $33.6 million and realized investment income of $16.5 million, partially offset by an increase in fee related earnings of $15.8 million for the nine months ended September 30, 2013 as compared to the nine months ended September 30, 2012.

Fee-earning AUM as of and for the Three and Nine Months Ended September 30, 2013 and 2012.

Fee-earning AUM is presented below for each period together with the components of change during each respective period.

The table below breaks out Fee-earning AUM by its respective components at each period.

	As of September 30,	
	2013	**2012**
	(Dollars in millions)	
Real Assets		
Components of Fee-earning AUM		
Fee-earning AUM based on capital commitments (1)	$ 9,520	$ 6,726
Fee-earning AUM based on invested capital (2)	18,501	12,845
Fee-earning AUM based on other (3)	509	
Balance, End of Period (4)	**$ 28,530**	**$ 19,571**
Weighted Average Management Fee Rates (5)		
All Funds	1.19%	1.18%
Funds in Investment Period	1.26%	1.32%

(1) For additional information concerning the components of Fee-earning AUM, please see Fee-earning Assets under Management.
(2) Includes amounts committed to or reserved for investments for certain real estate funds.
(3) Includes certain funds that are calculated on gross asset value.
(4) Energy I, Energy II, Energy III, Energy IV, Renew I, and Renew II (collectively, the Legacy Energy Funds), are managed with Riverstone Holdings LLC and its affiliates. Affiliates of both Carlyle and Riverstone act as investment advisers to each of the Legacy Energy Funds. With the exception of Energy IV and Renew II, where Carlyle has a minority representation on the funds management committees, management of each of the Legacy Energy Funds is vested in committees with equal representation by Carlyle and Riverstone, and the consent of representatives of both Carlyle and Riverstone are required for investment decisions. As of September 30, 2013, the Legacy Energy Funds had, in the aggregate, approximately $13.0 billion in AUM and $8.5 billion in Fee-earning AUM. NGP VII, NGP VIII, NGP IX, NGP X, or in the case of NGP M&R, NGP ETP I, NGP ETP II, and NGPC, certain affiliated entities (collectively, the NGP management fee funds), are managed by NGP Energy Capital Management. As of September 30, 2013, the NGP management fee funds had, in the aggregate, approximately $11.8 billion in AUM and $9.6 billion in Fee-earning AUM.
(5) Represents the aggregate effective management fee rate of each fund in the segment, weighted by each fund s Fee-earning AUM, as of the end of each period presented. Calculation reflects Carlyle s 10% and 47.5% interest in management fees earned by the Legacy Energy funds and the NGP management fee funds, respectively.

Table of Contents

The table below provides the period to period rollforward of Fee-earning AUM.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(Dollars in millions)		(Dollars in millions)	
Real Assets				
Fee-earning AUM Rollforward				
Balance, Beginning of Period	$ 28,685	$ 19,528	$ 29,305	$ 22,172
Inflows, including Commitments (1)	680	327	1,678	1,504
Outflows, including Distributions (2)	(963)	(347)	(2,446)	(4,126)
Foreign Exchange and other (3)	128	63	(7)	21
Balance, End of Period	**$ 28,530**	**$ 19,571**	**$ 28,530**	**$ 19,571**

(1) Inflows represent limited partner capital raised and capital invested by funds outside the investment period.

(2) Outflows represent distributions from funds outside the investment period and changes in basis for our carry funds where the investment period has expired.

(3) Represents the impact of foreign exchange rate fluctuations on the translation of our non-U.S. dollar denominated funds. Activity during the period is translated at the average rate for the period. Ending balances are translated at the spot rate as of the period end.

Fee-earning AUM was $28.5 billion at September 30, 2013, a decrease of $0.2 billion, or less than 1%, compared to $28.7 billion at June 30, 2013. This decrease was driven by outflows of $1.0 billion, primarily a result of distributions from our fully invested real estate funds, Legacy and NGP Energy funds and related co-investments, as well as foreign exchange losses of $0.1 billion. This decrease is offset by inflows of $0.7 billion, primarily related to commitments to our new International Energy (CIEP I) fund and investment activity in our real estate funds outside of the investment period. Investment and distribution activity by funds still in the investment period do not impact Fee-earning AUM as these funds are based on commitments and not invested capital. Changes in fair value have no impact on Fee-earning AUM for Real Assets as substantially all of the funds generate management fees based on either commitments or invested capital at cost, neither of which is impacted by fair value movements.

Fee-earning AUM was $28.5 billion at September 30, 2013, a decrease of $0.8 billion compared to $29.3 billion at December 31, 2012. Outflows of $2.4 billion were primarily related to distributions from our fully invested real estate funds, Legacy and NGP Energy funds and related co-investments. Offsetting this decrease were inflows of $1.7 billion, principally a result of investment activity in our real estate funds outside of the investment period.

Fee-earning AUM was $28.5 billion at September 30, 2013, an increase of $9.0 billion, or approximately 46%, compared to $19.6 billion at September 30, 2012. This increase was primarily related to the acquisition of an equity interest in NGP, offset by the change in basis of our infrastructure fund (CIP I) and our fourth Legacy Energy fund (Energy IV), along with distributions from our fully invested real estate funds and related co-investments.

Fee-earning AUM was $19.6 billion at September 30, 2012, an increase of $0.1 billion, or less than 1%, compared to $19.5 billion at June 30, 2012. Inflows of $0.3 billion were primarily related to investment activity in both our energy funds and several of our real estate funds in the U.S., Europe and Asia. Outflows of $0.3 billion were principally due to distributions from our fully invested energy funds, and U.S. real estate funds and related co-investments.

Fee-earning AUM was $19.6 billion at September 30, 2012, a decrease of $2.6 billion, or nearly 12%, compared to $22.2 billion at December 31, 2011. Outflows of $4.1 billion were principally due to the completion of the investment period of one of our energy funds (Energy IV), resulting in a change in basis from commitments to invested equity, in addition to distributions from our fully invested energy funds, U.S. and Europe real estate funds and related co-investments. Inflows of $1.5 billion were primarily related to follow-on investment activity by funds across both our real estate and energy portfolios that are outside of their investment period.

130

Table of Contents

Total AUM as of and for the Three and Nine Months Ended September 30, 2013.

The table below provides the period to period rollforwards of Available Capital and Fair Value of Capital, and the resulting rollforward of Total AUM.

	Three Months Ended September 30, 2013			Nine Months Ended September 30, 2013		
	Available Capital	Fair Value of Capital	Total AUM	Available Capital	Fair Value of Capital	Total AUM
		(Dollars in millions)			(Dollars in millions)	
Real Assets						
Balance, Beginning of Period	**$ 9,189**	**$ 30,580**	**$ 39,769**	**$ 9,944**	**$ 30,250**	**$ 40,194**
Commitments (1)	790		790	1,505		1,505
Capital Called, net (2)	(1,119)	1,318	199	(2,875)	2,959	84
Distributions (3)	235	(2,618)	(2,383)	529	(4,827)	(4,298)
Market Appreciation/(Depreciation) (4)		468	468		1,533	1,533
Foreign Exchange and other (5)	18	129	147	10	(38)	(28)
Balance, End of Period (6)	**$ 9,113**	**$ 29,877**	**$ 38,990**	**$ 9,113**	**$ 29,877**	**$ 38,990**

(1) Represents capital raised by our carry funds, net of expired available capital.
(2) Represents capital called by our carry funds, net of fund fees and expenses. Equity Invested amounts may vary from Capital Called due to timing differences between acquisition and capital call dates.
(3) Represents distributions from our carry funds, net of amounts recycled. Distributions are based on when proceeds are actually distributed to investors, which may differ from when they are realized.
(4) Market Appreciation/(Depreciation) represents realized and unrealized gains (losses) on portfolio investments.
(5) Represents the impact of foreign exchange rate fluctuations on the translation of our non-U.S. dollar denominated funds. Activity during the period is translated at the average rate for the period. Ending balances are translated at the spot rate as of the period end.
(6) Amounts related to the NGP funds are based on the latest available information (in most cases as of June 30, 2013).

Total AUM was $39.0 billion at September 30, 2013, a decrease of $0.8 billion, or approximately 2%, compared to $39.8 billion at June 30, 2013. This decrease was driven by distributions of $2.4 billion, offset by $0.8 billion of new commitments to CIEP and co-investment amounts related to our Asia real estate funds, and $0.5 billion of market appreciation.

Total AUM was $39.0 billion at September 30, 2013, a decrease of $1.2 billion, or approximately 3%, compared to $40.2 billion at December 31, 2012. This decrease was driven by $4.3 billion of distributions from our real estate funds and Legacy Energy funds. This was offset by $1.5 billion of new commitments and $1.5 billion of market appreciation.

Fund Performance Metrics

Fund performance information for our investment funds that have at least $1.0 billion in capital commitments, cumulative equity invested or total value as of September 30, 2013, which we refer to as our significant funds, is included throughout this discussion and analysis to facilitate an understanding of our results of operations for the periods presented. The fund return information reflected in this discussion and analysis is not indicative of the performance of The Carlyle Group L.P. and is also not necessarily indicative of the future performance of any particular fund. An investment in The Carlyle Group L.P. is not an investment in any of our funds. There can be no assurance that any of our funds or our other existing and future funds will achieve similar returns. The following tables reflect the performance of our significant funds in our Real Assets business. Please see Our Family of Funds for a legend of the fund acronyms listed below.

Table of Contents

	Fund Inception Date(1)	Committed Capital	TOTAL INVESTMENTS as of September 30, 2013 Cumulative Invested Capital(2)	Total Fair Value(3)	MOIC(4)	Gross IRR(7)	Net IRR(8)	REALIZED/PARTIALLY REALIZED INVESTMENTS(5) as of September 30, 2013 Cumulative Invested Capital(2)	Total Fair Value(3)	MOIC(4)	Gross IRR(7)
		(Reported in Local Currency, in Millions)						(Reported in Local Currency, in Millions)			
Real Assets											
Fully Invested Funds(6)											
CRP III	11/2000	$ 564.1	$ 522.5	$ 1,396.7	2.7x	44%	30%	$ 522.5	$ 1,396.7	2.7x	44%
CRP IV	12/2004	$ 950.0	$ 1,186.2	$ 1,237.2	1.0x	1%	(3%)	$ 442.0	$ 466.1	1.1x	10%
CRP V	11/2006	$ 3,000.0	$ 3,259.1	$ 4,576.8	1.4x	11%	7%	$ 2,357.4	$ 3,405.1	1.4x	13%
CEREP I	3/2002	426.6	517.0	741.6	1.4x	13%	7%	503.2	739.1	1.5x	14%
CEREP II	4/2005	762.7	826.9	106.3	0.1x	n/a	n/a	416.6	120.1	0.3x	n/a
CEREP III	5/2007	2,229.5	1,900.6	1,879.5	1.0x	0%	(5%)	83.7	50.4	0.6x	(15%)
CIP	9/2006	$ 1,143.7	$ 911.7	$ 989.2	1.1x	3%	(2%)	$ 180.7	$	0.0x	n/a
Energy II	7/2002	$ 1,100.0	$ 1,334.8	$ 3,616.2	2.7x	81%	54%	$ 827.4	$ 3,354.0	4.1x	105%
Energy III	10/2005	$ 3,800.0	$ 3,559.9	$ 6,620.7	1.9x	15%	11%	$ 1,545.4	$ 4,396.6	2.8x	27%
Energy IV	12/2007	$ 5,979.1	$ 5,171.5	$ 8,188.9	1.6x	20%	13%	$ 1,997.1	$ 4,090.2	2.0x	31%
All Other Funds(9)	Various		$ 2,289.6	$ 2,309.8	1.0x	0%	(5%)	$ 1,484.1	$ 1,699.4	1.1x	8%
Coinvestments and Other(10)	Various		$ 4,286.9	$ 7,089.5	1.7x	20%	15%	$ 1,828.8	$ 4,001.5	2.2x	28%
Total Fully Invested Funds			**$ 26,912.8**	**$ 39,715.5**	**1.5x**	**15%**	**9%**	**$ 12,543.1**	**$ 24,040.6**	**1.9x**	**26%**
Funds in the Investment Period(6)											
CRP VI	9/2010	$ 2,340.0	$ 1,100.7	$ 1,525.7	1.4x	33%	19%				
Renew II	3/2008	$ 3,417.5	$ 2,779.0	$ 3,758.5	1.4x	13%	8%				
All Other Funds(11)	Various		$ 360.7	$ 428.6	1.2x	29%	21%				
Total Funds in the Investment Period			**$ 4,240.4**	**$ 5,712.7**	**1.3x**	**15%**	**9%**	**$ 714.0**	**$ 1,018.9**	**1.4x**	**16%**
TOTAL REAL ASSETS(12)			**$ 31,153.2**	**$ 45,428.2**	**1.5x**	**15%**	**9%**	**$ 13,257.1**	**$ 25,059.4**	**1.9x**	**26%**

(1) The data presented herein that provides inception to date performance results of our segments relates to the period following the formation of the first fund within each segment. For our Real Assets segment our first fund was formed in 1997.

(2) Represents the original cost of all capital called for investments since inception of the fund.

(3) Represents all realized proceeds combined with remaining fair value, before management fees, expenses and carried interest.

(4) Multiple of invested capital (MOIC) represents total fair value, before management fees, expenses and carried interest, divided by cumulative invested capital.

(5) An investment is considered realized when the investment fund has completely exited, and ceases to own an interest in, the investment. An investment is considered partially realized when the total amount of proceeds received in respect of such investment, including dividends, interest or other distributions and/or return of capital, represents at least 85% of invested capital and such investment is not yet fully realized. Because part of our value creation strategy involves pursuing best exit alternatives, we believe information regarding Realized/Partially Realized MOIC and Gross IRR, when considered together with the other investment performance metrics presented, provides investors with meaningful information regarding our investment performance by removing the impact of investments where significant realization activity has not yet occurred. Realized/Partially Realized MOIC and Gross IRR have limitations as measures of investment performance, and should not be considered in isolation. Such limitations include the fact that these measures do not include the performance of earlier stage and other investments that do not satisfy the criteria provided above. The exclusion of such investments will have a positive impact on Realized/Partially Realized MOIC and Gross IRR in instances when the MOIC and Gross IRR in respect of such investments are less than the aggregate MOIC and Gross IRR. Our measurements of Realized/Partially Realized MOIC and Gross IRR may not be comparable to those of other companies that use similarly titled measures. We do not present Realized/Partially Realized performance information separately for funds that are still in the investment period because of the relatively insignificant level of realizations for funds of this type. However, to the extent such funds have had realizations, they are included in the Realized/Partially Realized performance information presented for Total Real Assets.

(6)

Fully Invested funds are past the expiration date of the investment period as defined in the respective limited partnership agreement. In instances where a successor fund has had its first capital call, the predecessor fund is categorized as fully invested.

(7) Gross Internal Rate of Return (Gross IRR) represents the annualized IRR for the period indicated on Limited Partner invested capital based on contributions, distributions and unrealized value before management fees, expenses and carried interest.

(8) Net Internal Rate of Return (Net IRR) represents the annualized IRR for the period indicated on Limited Partner invested capital based on contributions, distributions and unrealized value after management fees, expenses and carried interest.

(9) Aggregate includes the following funds: CRP I, CRP II, CAREP I, CAREP II, ENERGY I and Renew I.

(10) Includes co-investments, prefund investments and certain other stand-alone investments arranged by us.

(11) Aggregate includes the following funds: CRCP I and CPCOP.

(12) For purposes of aggregation, funds that report in foreign currency have been converted to U.S. dollars at the reporting period spot rate.

132

Table of Contents

Solutions

For periods prior to August 1, 2013, our Solutions segment results reflect our 60% ownership interest in AlpInvest s operations, while our consolidated financial statements reflect 100% of AlpInvest s operations and a non-controlling interest of 40%. As a result of our acquisition of the remaining 40% equity interest in AlpInvest on August 1, 2013, our segment results prospectively from that date reflect our 100% ownership interest in AlpInvest.

The following table presents our results of operations for our Solutions segment:

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	2013	**2012**	**2013**	**2012**
	(Dollars in millions)			
Segment Revenues				
Fund level fee revenues				
Fund management fees	$ 37.2	$ 16.5	$ 76.6	$ 50.2
Portfolio advisory fees, net				
Transaction fees, net				
Total fund level fee revenues	37.2	16.5	76.6	50.2
Performance fees				
Realized	5.7	2.2	9.9	6.8
Unrealized	38.9	(1.8)	81.5	22.1
Total performance fees	44.6	0.4	91.4	28.9
Investment income				
Realized				
Unrealized	0.1		0.1	
Total investment income	0.1		0.1	
Interest and other income		0.1	0.2	0.4
Total revenues	81.9	17.0	168.3	79.5
Segment Expenses				
Compensation and benefits				
Direct base compensation	16.8	8.2	34.1	25.1
Indirect base compensation	1.1	1.4	3.7	4.4
Equity-based compensation	0.1		0.3	
Performance fee related				
Realized	2.6	1.9	5.0	6.0
Unrealized	29.7	(2.1)	61.9	17.3
Total compensation and benefits	50.3	9.4	105.0	52.8
General, administrative, and other indirect expenses	5.7	3.2	13.5	7.7
Depreciation and amortization expense	0.7	0.5	1.7	1.1
Interest expense	0.6	0.2	1.7	1.1
Total expenses	57.3	13.3	121.9	62.7
Economic Net Income	**$ 24.6**	**$ 3.7**	**$ 46.4**	**$ 16.8**
(-) Net Performance Fees	12.3	0.6	24.5	5.6
(-) Investment Income	0.1		0.1	

(=) Fee Related Earnings	**$ 12.2**	**$ 3.1**	**$ 21.8**	**$ 11.2**
(+) Realized Net Performance Fees	3.1	0.3	4.9	0.8
(+) Realized Investment Income				
(+) Equity-based Compensation	0.1		0.3	
(=) Distributable Earnings	**$ 15.4**	**$ 3.4**	**$ 27.0**	**$ 12.0**

Table of Contents

Three Months Ended September 30, 2013 Compared to the Three Months Ended September 30, 2012

We completed our acquisition of the remaining 40% equity interest in AlpInvest on August 1, 2013. Accordingly, the financial results for the three months ended September 30, 2013 represent our 100% interest in AlpInvest since August 1, 2013. As a result, a comparison of the financial results for the three months ended September 30, 2013 to the three months ended September 30, 2012 is not meaningful. Unless otherwise discussed below, the variance in the financial results for the three months ended September 30, 2013 as compared to the same period in 2012 was due to the increase in our equity interests in AlpInvest in 2013.

Total fee revenues were $37.2 million and $16.5 million for the three months ended September 30, 2013 and 2012, respectively. Management fees from our fund of funds vehicles generally range from 0.3% to 1.0% on the fund or vehicle s capital commitments during the commitment fee period of the relevant fund. Following the expiration of the commitment fee period of such funds, the management fees generally range from 0.3% to 1.0% on the lower of cost or fair value of the capital invested. After considering the increase in management fees from our acquisition of the remaining 40% equity interest in AlpInvest, the increase in management fees was also due to an increase in Fee-earning AUM. Fee-earning AUM was $33.7 billion and $30.2 billion as of September 30, 2013 and 2012, respectively, representing an increase of $3.5 billion. Also, co-investments represent a larger percentage of Fee-earning AUM in 2013 as compared to 2012. The management fee rate for co-investments generally is higher than the management fee rates for fund investments and secondary investments.

Total compensation and benefits were $50.3 million and $9.4 million for the three months ended September 30, 2013 and 2012, respectively. Performance fee related compensation expense was $32.3 million and $(0.2) million, or 72% and 50% of performance fees for the three months ended September 30, 2013 and 2012, respectively.

Direct and indirect base compensation expense was $17.9 million and $9.6 million for the three months ended September 30, 2013 and 2012, respectively. Equity-based compensation was $0.1 million for the three months ended September 30, 2013.

General, administrative and other indirect expenses were $5.7 million and $3.2 million for the three months ended September 30, 2013 and 2012, respectively. Such expenses are comprised primarily of professional fees and rent.

Depreciation and amortization expense was $0.7 million and $0.5 million for the three months ended September 30, 2013 and 2012, respectively.

Interest expense was $0.6 million and $0.2 million for the three months ended September 30, 2013 and 2012, respectively.

Economic Net Income. Economic net income was $24.6 million and $3.7 million for the three months ended September 30, 2013 and 2012, respectively. After considering the increase in ENI from our acquisition of the remaining 40% equity interest in AlpInvest, the increase was also due to increases in net performance fees and fee related earnings.

Fee Related Earnings. Fee related earnings were $12.2 million for the three months ended September 30, 2013, as compared to $3.1 million for the three months ended September 30, 2012. After considering the increase in fee related earnings from our acquisition of the remaining 40% equity interest in AlpInvest, the increase was also due to increases in fee revenues.

Performance Fees. Performance fees were $44.6 million and $0.4 million for the three months ended September 30, 2013 and 2012, respectively. Under our arrangements with the historical owners and management team of AlpInvest, the management team and employees of AlpInvest are allocated all carried interest in respect of the historical investments and commitments to our fund of funds vehicles that existed as of July 1, 2011 (including any options to increase any such commitments exercised after such date), 85% of the carried interest in respect of commitments from the historical owners of AlpInvest for the period between 2011 and 2020 and 60% of the carried interest in respect of all other commitments (including all future commitments from third parties).

Table of Contents

Distributable Earnings. Distributable earnings were $15.4 million for the three months ended September 30, 2013 as compared to $3.4 million for the same period in 2012. After considering the increase in distributable earnings from our acquisition of the remaining 40% equity interest in AlpInvest, the increase was also due to increases in fee related earnings.

Nine Months Ended September 30, 2013 Compared to the Nine Months Ended September 30, 2012

We completed our acquisition of the remaining 40% interest in AlpInvest on August 1, 2013. Accordingly, the financial results for the nine months ended September 30, 2013 represent our 100% interest in AlpInvest since August 1, 2013. Unless otherwise discussed below, the variance in the financial results for the nine months ended September 30, 2013 as compared to the same period in 2012 was due to the increase in our equity interests in AlpInvest in 2013.

Total fee revenues were $76.6 million and $50.2 million for the nine months ended September 30, 2013 and 2012, respectively. Management fees from our fund of funds vehicles generally range from 0.3% to 1.0% on the fund or vehicle s capital commitments during the commitment fee period of the relevant fund. Following the expiration of the commitment fee period of such funds, the management fees generally range from 0.3% to 1.0% on the lower of cost or fair value of the capital invested. After considering the increase in management fees from our acquisition of the remaining 40% equity interest in AlpInvest, the increase in management fees was also due to an increase in Fee-earning AUM. Fee-earning AUM was $33.7 billion and $30.2 billion as of September 30, 2013 and 2012, respectively, representing an increase of $3.5 billion. Also, co-investments represent a larger percentage of Fee-earning AUM in 2013 as compared to 2012. The management fee rate for co-investments generally is higher than the management fee rates for fund investments and secondary investments.

Total compensation and benefits were $105.0 million and $52.8 million for the nine months ended September 30, 2013 and 2012, respectively. Performance fee related compensation expense was $66.9 million and $23.3 million, or 73% and 81% of performance fees for the nine months ended September 30, 2013 and 2012, respectively. The decrease in performance fee compensation as a percentage of performance fees is due primarily to incremental allocations of carried interest to Carlyle under our existing arrangements with the historical owners and management team of AlpInvest.

Direct and indirect base compensation expense was $37.8 million and $29.5 million for the nine months ended September 30, 2013 and 2012, respectively. Equity-based compensation expense was $0.3 million for the nine months ended September 30, 2013.

General, administrative and other indirect expenses were $13.5 million and $7.7 million for the nine months ended September 30, 2013 and 2012, respectively. Such expenses are comprised primarily of professional fees and rent.

Depreciation and amortization expense was $1.7 million and $1.1 million for the nine months ended September 30, 2013 and 2012, respectively.

Interest expense was $1.7 million and $1.1 million for the nine months ended September 30, 2013 and 2012, respectively.

Economic Net Income. Economic net income was $46.4 million and $16.8 million for the nine months ended September 30, 2013 and 2012, respectively. After considering the increase in ENI from our acquisition of the remaining 40% equity interest in AlpInvest, the increase was also due to increases in net performance fees and fee related earnings.

Fee Related Earnings. Fee related earnings were $21.8 million for the nine months ended September 30, 2013, as compared to $11.2 million for the nine months ended September 30, 2012. After considering the increase in fee related earnings from our acquisition of the remaining 40% equity interest in AlpInvest, the increase was also due to increases in fee revenues.

Table of Contents

Performance Fees. Performance fees were $91.4 million and $28.9 million for the nine months ended September 30, 2013 and 2012, respectively. Under our arrangements with the historical owners and management team of AlpInvest, the management team and employees of AlpInvest are allocated all carried interest in respect of the historical investments and commitments to our fund of funds vehicles that existed as of July 1, 2011 (including any options to increase any such commitments exercised after such date), 85% of the carried interest in respect of commitments from the historical owners of AlpInvest for the period between 2011 and 2020 and 60% of the carried interest in respect of all other commitments (including all future commitments from third parties).

Distributable Earnings. Distributable earnings were $27.0 million for the nine months ended September 30, 2013 as compared to $12.0 million for the same period in 2012. After considering the increase in distributable earnings from our acquisition of the remaining 40% equity interest in AlpInvest, the increase was also due to increases in fee related earnings.

Fee-earning AUM as of and for the Three and Nine Months Ended September 30, 2013.

Fee-earning AUM is presented below for each period together with the components of change during each respective period.

	As of September 30,	
	2013	2012
	(Dollars in millions)	
Solutions		
Components of Fee-earning AUM (1)		
Fee-earning AUM based on capital commitments	$ 11,290	$ 8,665
Fee-earning AUM based on lower of cost or fair value	22,454	21,491
Balance, End of Period	**$ 33,744**	**$ 30,156**

(1) For additional information concerning the components of Fee-earning AUM, please see -Fee-earning Assets under Management.

The table below breaks out fee-earning AUM by its respective components during the period.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(Dollars in millions)		(Dollars in millions)	
Solutions				
Fee-earning AUM Rollforward				
Balance, Beginning of Period	$ 31,775	$ 27,576	$ 28,942	$ 27,671
Inflows, including Commitments (1)	1,793	2,945	6,714	6,143
Outflows, including Distributions (2)	(1,089)	(674)	(3,219)	(4,291)
Market Appreciation/(Depreciation) (3)	(35)	1	352	680
Foreign Exchange and other (4)	1,300	308	955	(47)
Balance, End of Period	**$ 33,744**	**$ 30,156**	**$ 33,744**	**$ 30,156**

(1) Inflows represent capital raised and capital invested by fund of funds vehicles outside the investment period.

(2) Outflows represent distributions from fund of funds vehicles outside the investment period and changes in basis for fund of funds vehicles where the investment period has expired.

(3) Market Appreciation/(Depreciation) represents changes in the net asset value of our fund of funds vehicles based on the lower of cost or fair value.

(4) Includes onboarding of fully committed existing funds from another manager and represents the impact of foreign exchange rate fluctuations on the translation of our non-U.S. dollar denominated funds. Activity during the period is translated at the average rate for the period. Ending balances are translated at the spot rate as of the period end.

Fee-earning AUM was $33.7 billion at September 30, 2013, an increase of $2.0 billion, or more than 6%, compared to $31.8 billion at June 30, 2013. This increase is driven by inflows of $1.8 billion and foreign exchange gain of $1.3 billion, offset by outflows of $1.1 billion. Distributions from funds still in the commitment period do not impact Fee-earning AUM as these funds are based on commitments and not invested capital. Increases in fair value have an impact on Fee-earning AUM for Solutions as fully committed funds are based on the lower of cost or fair value of the underlying investments. However, all funds still in their commitment period charge management fees on commitments, which are not impacted by fair value movements.

Table of Contents

Fee-earning AUM was $33.7 billion at September 30, 2013, an increase of $4.8 billion, or approximately 17%, compared to $28.9 billion at December 31, 2012. This increase was driven by inflows of $6.7 billion and foreign exchange gain of $1.0 billion, offset by outflows of $3.2 billion. Changes in fair value of $0.4 billion have an impact on Fee-earning AUM for Solutions as fully committed funds are based on the lower of cost or fair value of the underlying investments.

Fee-earning AUM was $30.2 billion at September 30, 2012, an increase of $2.6 billion, or approximately 9%, compared to $27.6 billion at June 30, 2012. Inflows of $2.9 billion were primarily related to the initiation of fees on several 2012 mandates that made their first investment during the quarter. For our fund of funds vehicles, existing investor mandates are typically activated at the beginning of each year, but fees are not charged until the first investment is made. Therefore, several mandates that became active earlier this year made their first investment and began charging fees (based on total commitments) during the current quarter. The related impact to management fee revenue will be reflected in future quarters. Inflows also include amounts invested by funds outside of their commitment fee period that are based on the lower of cost or fair value. Outflows of $0.7 billion were principally a result of distributions from several funds outside of their commitment fee period. In addition, the segment experienced a $0.3 billion increase resulting from the translation of the euro-denominated funds into U.S. Dollars as of the end of the period.

Fee-earning AUM was $30.2 billion at September 30, 2012, an increase of $2.5 billion, or approximately 9%, compared to $27.7 billion at December 31, 2011. Inflows of $6.1 billion were primarily related to the initiation of fees on new fund investment mandates activated during the period, as well as capital called on the funds outside the commitment fee period. Outflows of $4.3 billion were principally a result of a change in basis from commitments to the lower of cost or fair value for vehicles that reached the end of their commitment fee period, as well as distributions from several funds outside of their commitment fee period. Market appreciation of $0.7 billion was due to changes in investment values on funds that are based on the lower of cost or fair value of the underlying investments.

Total AUM as of and for the Three and Nine Month Period Ended September 30, 2013.

The table below provides the period to period rollforwards of Available Capital and Fair Value of Capital, and the resulting rollforward of Total AUM.

	Three Months Ended September 30, 2013			Nine Months Ended September 30, 2013		
	Available Capital	**Fair Value of Capital**	**Total AUM**	**Available Capital**	**Fair Value of Capital**	**Total AUM**
	(Dollars in millions)			(Dollars in millions)		
Solutions						
Balance, Beginning of Period	**$ 17,931**	**$ 30,113**	**$ 48,044**	**$ 14,528**	**$ 29,554**	**$ 44,082**
Commitments (1)	126		126	4,664		4,664
Capital Called, net (2)	(939)	832	(107)	(2,139)	2,189	50
Distributions (3)	121	(1,824)	(1,703)	339	(5,413)	(5,074)
Market Appreciation/(Depreciation) (4)		1,251	1,251		4,279	4,279
Foreign Exchange and other (5)	340	488	828	187	251	438
Balance, End of Period	**$ 17,579**	**$ 30,860**	**$ 48,439**	**$ 17,579**	**$ 30,860**	**$ 48,439**

(1) Represents capital raised by our fund of funds vehicles, net of expired available capital.
(2) Represents capital called by our fund of funds vehicles, net of fund fees and expenses.
(3) Represents distributions from our fund of funds vehicles, net of amounts recycled.
(4) Market Appreciation/(Depreciation) represents realized and unrealized gains (losses) on fund investments, secondary investments, and co-investments. Fair market values for AlpInvest primary fund investments and secondary investment funds are based on the latest available valuations of the underlying limited partnership interests (in most cases as of June 30, 2013) as provided by their general partners, plus the net cash flows since the latest valuation, up to September 30, 2013.
(5) Includes onboarding of fully committed existing funds from another manager and represents the impact of foreign exchange rate fluctuations on the translation of our non-U.S. dollar denominated funds. Activity during the period is translated at the average rate for the period. Ending balances are translated at the spot rate as of the period end.

Total AUM was $48.4 billion at September 30, 2013, an increase of $0.4 billion, or less than 1%, compared to $48.0 billion at June 30, 2013. This increase was primarily driven by $1.3 billion of market appreciation and $0.8 of foreign exchange gain. This increase was offset by $1.7 billion of distributions.

137

Table of Contents

Total AUM was $48.4 billion at September 30, 2013, an increase of $4.4 billion, or approximately 10%, compared to $44.1 billion at December 31, 2012. This increase was primarily driven by $4.7 billion of commitments, $4.3 billion of market appreciation and $0.4 billion of foreign exchange gain. This increase was offset by $5.1 billion of distributions.

Fund Performance Metrics

Fund performance information for our investment funds that have at least $1.0 billion in capital commitments, cumulative equity invested or total value as of September 30, 2013, which we refer to as our significant funds is included throughout this discussion and analysis to facilitate an understanding of our results of operations for the periods presented. The fund return information reflected in this discussion and analysis is not indicative of the performance of The Carlyle Group L.P. and is also not necessarily indicative of the future performance of any particular fund. An investment in The Carlyle Group L.P. is not an investment in any of our funds. There can be no assurance that any of our funds or our other existing and future funds will achieve similar returns.

The following tables reflect the performance of our significant funds in our Solutions business.

			TOTAL INVESTMENTS as of September 30, 2013				
	Vintage Year	Fund Size	Cumulative Invested Capital (2)(8)	Total Fair Value (3)(8)	MOIC (4)	Gross IRR (6)	Net IRR (7)
				(Reported in Local Currency, in Millions)			
Solutions (1)							
Fully Committed Funds (5)							
Main Fund I - Fund Investments	2000	5,174.6	3,834.9	6,171.5	1.6x	12%	12%
Main Fund II - Fund Investments	2003	4,545.0	4,342.9	6,325.2	1.5x	10%	9%
Main Fund III - Fund Investments	2005	11,500.0	10,078.6	12,673.5	1.3x	7%	6%
Main Fund IV - Fund Investments	2009	4,880.0	1,777.3	1,900.4	1.1x	5%	4%
Main Fund I - Secondary Investments	2002	519.4	454.3	848.3	1.9x	54%	50%
Main Fund II - Secondary Investments	2003	998.4	906.6	1,618.4	1.8x	28%	26%
Main Fund III - Secondary Investments	2006	2,250.0	2,058.5	2,787.9	1.4x	10%	9%
Main Fund IV - Secondary Investments	2010	1,856.4	1,621.1	2,202.6	1.4x	20%	18%
Main Fund II - Co-Investments	2003	1,090.0	858.6	2,331.6	2.7x	45%	43%
Main Fund III - Co-Investments	2006	2,760.0	2,400.8	3,162.2	1.3x	5%	5%
Main Fund IV - Co-Investments	2010	1,475.0	1,216.7	1,843.4	1.5x	22%	19%
Main Fund II - Mezzanine Investments	2004	700.0	691.5	939.9	1.4x	8%	7%
Main Fund III - Mezzanine Investments	2006	2,000.0	1,396.5	1,806.1	1.3x	10%	9%
All Other Funds (9)	Various		1,328.9	1,934.4	1.5x	17%	14%
Total Fully Committed Funds			**32,967.2**	**46,545.5**	**1.4x**	**12%**	**11%**
Funds in the Commitment Period							
Main Fund V - Fund Investments	2012	4,830.4	134.8	124.0	0.9x	(22%)	(34%)
Main Fund V - Secondary Investments	2011	2,665.3	733.6	953.5	1.3x	39%	35%
Main Fund V - Co-Investments	2012	1,228.0	362.7	443.1	1.2x	40%	35%
All Other Funds (9)	Various		156.4	181.7	1.2x	27%	28%
Total Funds in the Commitment Period			**1,387.5**	**1,702.3**	**1.2x**	**35%**	**31%**
TOTAL SOLUTIONS			**34,354.7**	**48,247.8**	**1.4x**	**12%**	**11%**
TOTAL SOLUTIONS (USD) (10)			**$ 46,488.1**	**$ 65,287.9**	**1.4x**		

(1) Includes private equity and mezzanine primary fund investments, secondary fund investments and co-investments originated by the AlpInvest team. Excluded from the performance information shown are a) investments that were not originated by AlpInvest and b) Direct Investments, which was spun off from AlpInvest in 2005. As of September 30, 2013, these excluded investments represent $0.7 billion of AUM.
(2) Represents the original cost of all capital called for investments since inception of the fund.
(3) Represents all realized proceeds combined with remaining fair value, before management fees, expenses and carried interest.
(4) Multiple of invested capital (MOIC) represents total fair value, before management fees, expenses and carried interest, divided by cumulative invested capital.

138

(5) Fully Committed funds are past the expiration date of the commitment period as defined in the respective limited partnership agreement. In instances where a successor fund has had its first capital call, the predecessor fund is categorized as fully invested.
(6) Gross Internal Rate of Return (Gross IRR) represents the annualized IRR for the period indicated on Limited Partner invested capital based on contributions, distributions and unrealized value before management fees, expenses and carried interest.
(7) Net Internal Rate of Return (Net IRR) represents the annualized IRR for the period indicated on Limited Partner invested capital based on contributions, distributions and unrealized value after management fees, expenses and carried interest.
(8) To exclude the impact of FX, all foreign currency cash flows have been converted to Euro at the reporting period spot rate.
(9) Aggregate includes Main Fund I Co-Investments, Main Fund I Mezzanine Investments, AlpInvest CleanTech Funds and funds which are not included as part of a main fund.
(10) Represents the U.S. dollar equivalent balance translated at the spot rate as of period end.

Liquidity and Capital Resources

Historical Liquidity and Capital Resources

We have historically required limited capital resources to support the working capital and operating needs of our business. Our management fees have largely covered our operating costs and we have distributed all realized performance fees after related compensation to equityholders. Historically, approximately 95% of all capital commitments to our funds have been provided by our fund investors, with the remaining amount typically funded by our senior Carlyle professionals, operating executives and other professionals.

For periods prior to our initial public offering in May 2012, our cash distributions included compensatory payments to our senior Carlyle professionals, which we accounted for as distributions from equity rather than as employee compensation, and also included distributions in respect of co-investments made by the owners of the Parent Entities indirectly through the Parent Entities. Distributions related to co-investments are allocable solely to the individuals that funded those co-investments.

Cash Flows

The significant captions and amounts from our consolidated statements of cash flows which include the effects of our Consolidated Funds and CLOs in accordance with U.S. GAAP are summarized below.

	Nine Months Ended September 30,	
	2013	2012
	(Dollars in millions)	
Statements of Cash Flows Data		
Net cash provided by operating activities	$ 2,556.6	$ 2,052.3
Net cash used in investing activities	(64.0)	(70.6)
Net cash used in financing activities	(2,225.5)	(1,724.9)
Effect of foreign exchange rate change	21.5	2.8
Net change in cash and cash equivalents	$ 288.6	$ 259.6

Net Cash Provided by Operating Activities. Net cash provided by operating activities is primarily driven by our earnings in the respective periods after adjusting for non-cash performance fees, the related non-cash performance fee related compensation, and non-cash equity-based compensation, all of which are included in earnings. Cash flows from operating activities prior to our initial public offering in May 2012 do not reflect any amounts paid or distributed to senior Carlyle professionals as these amounts are included as a use of cash for distributions in financing activities. Subsequent to our initial public offering, we record cash compensation expense related to senior Carlyle professionals, which has the effect of reducing cash provided by operating activities and cash used in financing activities as compared to the periods prior to the initial public offering. Cash used to purchase investments and trading securities as well as the proceeds from the sale of such investments are also reflected in our operating activities as investments are a normal part of our operating activities. Over time investment proceeds may be greater than investment purchases. During the nine months ended September 30, 2013, proceeds were $231.4 million while purchases were $112.2 million. In the nine months ended September 30, 2012, investment proceeds were $178.3 million as compared to purchases of $56.2 million. Also included in our net cash provided by operating activities are proceeds from sales of investments by the Consolidated Funds, offset by purchases of

139

investments by the Consolidated Funds. For the nine months ended September 30, 2013, proceeds from the sales and settlements of investments by the Consolidated Funds were $8,916.5 million, while purchases of investments by the Consolidated Funds were $8,993.1 million. For the nine months ended September 30, 2012, proceeds from the sales and settlements of investments by the Consolidated Funds were $6,409.4 million, while purchases of investments by the Consolidated Funds were $5,212.5 million.

Net Cash Used in Investing Activities. Our investing activities generally reflect cash used for acquisitions, fixed assets and software for internal use, and changes in restricted cash. During the nine months ended September 30, 2013, we received $40.5 million of cash on behalf of a non-consolidated Carlyle fund that was remitted to the fund in October 2013; this amount was classified as restricted cash as of September 30, 2013. We acquired $41.0 million of intangible assets during the nine months ended September 30, 2012, consisting of CLO management contracts.

Net Cash Used in Financing Activities. Financing activities are a net use of cash in each of the historical periods presented. As noted above, for periods prior to the initial public offering in May 2012, financing activities include distributions to senior Carlyle professionals, CalPERS, and Mubadala of $452.3 million for the nine months ended September 30, 2012. For the nine months ended September 30, 2013, we received net proceeds of $495.3 million, net of financing costs, from the $500.0 million senior notes issuance in January 2013 and $394.1 million, net of financing costs, for the $400.0 million senior notes issuance in March 2013. The proceeds from these senior notes issuances were used to repay outstanding borrowings under our revolving credit facility and our term loan. For the nine months ended September 30, 2013, our repayments under our revolving credit facility were $386.3 million and our payments on our loans payable were $475.0 million. For the nine months ended September 30, 2012, our net borrowings under our revolving credit facility were $310.9 million and our payments on our loans payable were $310.0 million. The net proceeds from our initial public offering in May 2012 were $615.8 million. The net payments on loans payable by our Consolidated Funds during the nine months ended September 30, 2013 and 2012, respectively, were $1,462.7 million and $1,071.8 million, respectively. Contributions from non-controlling interest holders were $1,909.5 million and $1,579.4 million for the nine months ended September 30, 2013 and 2012, respectively, and distributions to non-controlling interest holders were $2,728.5 million and $1,757.7 million for the nine months ended September 30, 2013 and 2012, respectively; these amounts primarily relate to activity with the noncontrolling interest holders in Consolidated Funds.

Our Sources of Cash and Liquidity Needs

In the future, we expect that our primary liquidity needs will be to:

- provide capital to facilitate the growth of our existing business lines;
- provide capital to facilitate our expansion into new, complementary business lines, including acquisitions;
- pay operating expenses, including compensation and other obligations as they arise;
- fund capital expenditures;
- repay borrowings and related interest costs and expenses;
- pay earnouts and contingent cash consideration associated with our acquisitions and strategic investments;
- pay income taxes;

- make distributions to our unitholders and the holders of the Carlyle Holdings partnership units in accordance with our distribution policy; and

- fund the capital investments of Carlyle in our funds.

During the three months ended September 30, 2013, we paid distributions totaling $0.16 per common unit, or approximately $7.9 million, to common unitholders in respect of the second quarter of 2013. Also, in November 2013, the Board of Directors of our general partner declared a quarterly distribution of $0.16 per common unit to common unitholders of record on November 18, 2013, which is payable on November 27, 2013.

140

Table of Contents

We currently anticipate that we will cause Carlyle Holdings to make quarterly distributions to its partners, including The Carlyle Group L.P. s wholly owned subsidiaries, that will enable The Carlyle Group L.P. to pay a quarterly distribution of $0.16 per common unit for each of the first three quarters of each year and for the fourth quarter of each year, to pay a distribution of at least $0.16 per common unit that, taken together with the prior quarterly distributions in respect of that year, represents its share, net of taxes and amounts payable under the tax receivable agreement, of Carlyle s Distributable Earnings in excess of the amount determined by Carlyle s general partner to be necessary or appropriate to provide for the conduct of Carlyle s business, to make appropriate investments in its business and its funds or to comply with applicable law or any of its financing agreements. We anticipate that the aggregate amount of our distributions for most years will be less than our Distributable Earnings for that year due to these funding requirements.

Notwithstanding the foregoing, the declaration and payment of any distributions will be at the sole discretion of our general partner, which may change our distribution policy at any time. Our general partner will take into account general economic and business conditions, our strategic plans and prospects, our business and investment opportunities, our financial condition and operating results, working capital requirements and anticipated cash needs, contractual restrictions and obligations, legal, tax and regulatory restrictions, other constraints on the payment of distributions by us to our common unitholders or by our subsidiaries to us, and such other factors as our general partner may deem relevant.

We intend to have Carlyle commit to fund approximately 1-2% of the capital commitments to our future carry funds. We may, from time to time, exercise our right to purchase additional interests in our investment funds that become available in the ordinary course of their operations. We expect our senior Carlyle professionals and employees to continue to make significant capital contributions to our funds based on their existing commitments, and to make capital commitments to future funds consistent with the level of their historical commitments. We also intend to make investments in our open-end funds, our business development companies, and our CLO vehicles.

We generally use our working capital and cash flows to invest in growth initiatives, service our debt, fund the working capital needs of our investment funds and pay distributions to our equity owners. We have multiple sources of liquidity to meet our capital needs, including cash on hand, annual cash flows, accumulated earnings, funds from our senior credit facility, including a term loan facility and a revolving credit facility with $750.0 million available as of September 30, 2013. We believe these sources will be sufficient to fund our capital needs for at least the next 12 months. From time to time, we may access the capital markets, including through the issuance of debt or equity securities, in order to further enhance our liquidity and capital structure. For example, during the first quarter of 2013, we issued $500 million of senior notes due 2023 and $400 million of senior notes due 2043 and used the proceeds from those note issuances to repay the outstanding balance under our revolving credit facility and $475.0 million of our term loan borrowings.

Since our inception through September 30, 2013, we and our senior Carlyle professionals, operating executives and other professionals have invested or committed to invest in or alongside our funds. Approximately 5% of all capital commitments to our funds are funded collectively by us and our senior Carlyle professionals, operating executives and other professionals. The current invested capital and unfunded commitment of Carlyle and our senior Carlyle professionals, operating executives and other professionals to our investment funds as of September 30, 2013, consisted of the following:

Asset Class	**Current Equity Invested**	**Unfunded Commitment**	**Total Current Equity Invested and Unfunded Commitment**
		(Dollars in millions)	
Corporate Private Equity	$ 1,438.5	$ 2,095.3	$ 3,533.8
Global Market Strategies	917.7	241.0	1,158.7
Real Assets	582.0	385.6	967.6
Total	$ 2,938.2	$ 2,721.9	$ 5,660.1

A substantial majority of these investments have been funded by, and a substantial majority of the remaining commitments are expected to be funded by, senior Carlyle professionals, operating executives and other professionals through our internal co-investment program. Of the $2.7 billion of unfunded commitments, approximately $2.5 billion is subscribed individually by senior Carlyle professionals, operating executives and other professionals, with the balance funded directly by the Partnership.

141

Table of Contents

Investments as of September 30, 2013 consist of the following (dollars in millions):

Investments	$ 794.0
Less: Amounts attributable to non-controlling interests in consolidated entities	(274.7)
Less: Strategic equity method investment in NGP Management	(364.4)
Investments excluding non-controlling interests and NGP Management	154.9
Plus: investments in Consolidated Funds, eliminated in consolidation	109.2
Total investments attributable to Carlyle Holdings, exclusive of NGP management	$ 264.1

Another source of liquidity we may use to meet our capital needs is the realized carried interest and incentive fee revenue generated by our investment funds. Carried interest is realized when an underlying investment is profitably disposed of and the fund s cumulative returns are in excess of the preferred return. Incentive fees earned on hedge fund structures are realized at the end of each fund s measurement period. Incentive fees earned on our CLO vehicles are paid upon the dissolution of such vehicles.

Our accrued performance fees by segment as of September 30, 2013, gross and net of accrued giveback obligations, are set forth below:

Asset Class	Accrued Performance Fees	Accrued Giveback Obligation	Net Accrued Performance Fees
		(Dollars in millions)	
Corporate Private Equity	$ 2,172.5	$ 11.7	$ 2,160.8
Global Market Strategies	113.7	1.4	112.3
Real Assets	271.9	35.6	236.3
Solutions	319.6		319.6
Total	$ 2,877.7	$ 48.7	$ 2,829.0
Less: Accrued performance fee-related compensation			(1,259.5)
Plus: Receivable for giveback obligations from current and former employees			24.9
Less: Net accrued performance fees attributable to non-controlling interests in consolidated entities			(21.9)
Net accrued performance fees excluding compensation and non-controlling interests			1,572.5
Plus: Net accrued performance fees in Consolidated Funds, eliminated in consolidation			39.8
Net accrued performance fees attributable to Carlyle Holdings			$ 1,612.3

Our Balance Sheet and Indebtedness

Total assets were $33.9 billion at September 30, 2013, an increase of $2.3 billion from December 31, 2012. The increase in total assets was primarily attributable to increases in investments of Consolidated Funds and accrued performance fees. Assets of the Consolidated Funds were approximately $28.1 billion at September 30, 2013, representing an increase of $1.3 billion from December 31, 2012. Accrued performance fees were approximately $2.9 billion at September 30, 2013, representing an increase of $0.7 billion from December 31, 2012. Additionally, the consolidation in the third quarter of 2013 of a real estate VIE resulted in an increase in total assets of approximately $0.2 billion from December 31, 2012.

142

Total liabilities were $20.1 billion at September 30, 2013, an increase of $2.2 billion from December 31, 2012. The increase in liabilities was primarily attributable to increases in the liabilities of the Consolidated Funds and accrued compensation and benefits. The liabilities of the Consolidated funds were approximately $16.2 billion at September 30, 2013, representing an increase of $1.2 billion from December 31, 2012. Accrued compensation and benefits were approximately $1.8 billion at September 30, 2013, representing an increase of $0.5 billion from December 31, 2012. Additionally, the consolidation in the third quarter of 2013 of a real estate VIE resulted in an increase in total liabilities of approximately $0.2 billion from December 31, 2012.

The assets and liabilities of the Consolidated Funds are generally held within separate legal entities and, as a result, the assets of the Consolidated Funds are not available to meet our liquidity requirements and similarly the liabilities of the Consolidated Funds are non-recourse to us. The assets and liabilities of the consolidated real estate VIE are also held in separate legal entities; we have not guaranteed or assumed any obligation for repayment of its liabilities nor are its assets available to meet our liquidity requirements.

Our balance sheet without the effect of the Consolidated Funds can be seen in Note 20 to the unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q. At September 30, 2013, our total assets were $5.9 billion, including cash and cash equivalents of $855.7 million, accrued performance fees of $2,927.6 million, and investments of $903.2 million.

Loans Payable. Loans payable on our balance sheet at September 30, 2013 reflects $25.0 million outstanding under our senior secured credit facility, comprised of $25.0 million of term loan balance outstanding. No amount was outstanding under the revolving credit facility of our senior secured credit facility.

Senior Credit Facility. The senior credit facility includes $25.0 million in a term loan and $750.0 million in a revolving credit facility. The term loan and revolving credit facility mature on August 9, 2018. Principal amounts outstanding under the amended term loan and revolving credit facility accrue interest, at the option of the borrowers, either (a) at an alternate base rate plus an applicable margin not to exceed 0.75%, or (b) at LIBOR plus an applicable margin not to exceed 1.75% (1.25% at September 30, 2013).

The senior credit facility is unsecured. We are required to maintain management fee-earning assets (as defined in the new senior credit facility) of at least $61.8 billion plus 70% of any future acquired AUM and a total debt leverage ratio of less than 3.0 to 1.0, in each case, tested on a quarterly basis. Non-compliance with any of the financial or non-financial covenants without cure or waiver would constitute an event of default under the senior credit facility. An event of default resulting from a breach of certain financial or non-financial covenants may result, at the option of the lenders, in an acceleration of the principal and interest outstanding, and a termination of the revolving credit facility. The senior credit facility also contains other customary events of default, including defaults based on events of bankruptcy and insolvency, nonpayment of principal, interest or fees when due, breach of specified covenants, change in control and material inaccuracy of representations and warranties.

3.875% Senior Notes. In January 2013, Carlyle Holdings Finance L.L.C., an indirect finance subsidiary of the Partnership, issued $500.0 million of 3.875% senior notes due February 1, 2023 at 99.966% of par. Interest is payable semi-annually on February 1 and August 1, beginning August 1, 2013. The notes are unsecured and unsubordinated obligations of Carlyle Holdings Finance L.L.C. and are fully and unconditionally guaranteed, jointly and severally, by The Carlyle Group L.P. and each of the Carlyle Holdings partnerships. The indenture governing the notes contains customary covenants that, among other things, limit Carlyle Holdings Finance L.L.C. and the guarantors ability, subject to certain exceptions, to incur indebtedness secured by liens on voting stock or profit participating equity interests of their subsidiaries or merge, consolidate or sell, transfer or lease assets. The notes also contain customary events of default. All or a portion of the notes may be redeemed at our option, in whole or in part, at any time and from time to time, prior to their stated maturity, at the make-whole redemption price set forth in the notes. If a change of control repurchase event occurs, the notes are subject to repurchase at the repurchase price as set forth in the notes.

5.625% Senior Notes. In March 2013, Carlyle Holdings II Finance L.L.C., an indirect finance subsidiary of the Partnership, issued $400.0 million of 5.625% Senior Notes due March 30, 2043 at 99.583% of par. Interest is payable semi-annually on March 30 and September 30, beginning September 30, 2013. The notes are unsecured and unsubordinated obligations of Carlyle Holdings Finance L.L.C. and are fully and unconditionally guaranteed, jointly and severally, by The Carlyle Group L.P. and each of the Carlyle Holdings partnerships. The indenture governing the notes contains customary covenants that, among other things, limit Carlyle Holdings II Finance L.L.C. and the

Table of Contents

guarantors ability, subject to certain exceptions, to incur indebtedness secured by liens on voting stock or profit participating equity interests of their subsidiaries or merge, consolidate or sell, transfer or lease assets. The notes also contain customary events of default. All or a portion of the notes may be redeemed at our option, in whole or in part, at any time and from time to time, prior to their stated maturity, at the make-whole redemption price set forth in the notes. If a change of control repurchase event occurs, the notes are subject to repurchase at the repurchase price as set forth in the notes.

Obligations of CLOs. Loans payable of the Consolidated Funds represent amounts due to holders of debt securities issued by the CLOs. We are not liable for any loans payable of the CLOs. Several of the CLOs issued preferred shares representing the most subordinated interest, however these tranches are mandatorily redeemable upon the maturity dates of the senior secured loans payable, and as a result have been classified as liabilities under U.S. GAAP, and are included in loans payable of Consolidated Funds in our consolidated balance sheets.

As of September 30, 2013, the following borrowings were outstanding at our CLOs, including preferred shares classified as liabilities (Dollars in millions):

	Borrowings Outstanding	Weighted Average Interest Rate	Weighted Average Remaining Maturity in Years
Senior secured notes	$ 14,290.8	1.39%	8.98
Subordinated notes, Income notes and Preferred shares	1,277.0	N/A[(1)]	8.11
Combination notes	15.2	N/A[(2)]	8.38
Total	$ 15,583.0		

(1) The subordinated notes, income notes and preferred shares do not have contractual interest rates, but instead receive distributions from the excess cash flows of the CLOs.

(2) The combination notes do not have contractual interest rates and have recourse only to securities specifically held to collateralize such combination notes.

The fair value of senior secured notes, subordinated notes, income notes and preferred shares, and combination notes of our CLOs as of September 30, 2013 was $13,800.0 million, $1,254.4 million, and $16.2 million, respectively.

Loans payable of the CLOs are collateralized by the assets held by the CLOs and the assets of one CLO may not be used to satisfy the liabilities of another. This collateral consists of cash and cash equivalents, corporate loans, corporate bonds and other securities.

In addition, certain CLOs entered into liquidity facility agreements with various liquidity facility providers on or about the various closing dates in order to fund payments of interest when there are insufficient funds available. The proceeds from such draw-downs are available for payments of interest at each interest payment date and the acquisition or exercise of an option or warrant comprised in any collateral enhancement obligation. The liquidity facilities, in aggregate, allow for a maximum borrowing of $13.5 million and bear weighted average interest at EURIBOR plus 0.25% per annum. Amounts borrowed under the liquidity facilities are repaid based on cash flows available subject to priority of payments under each CLO s governing documents. There were no borrowings outstanding under this liquidity facility as of September 30, 2013.

Loans Payable of a Consolidated Real Estate VIE. This balance consists of the borrowings of Urbplan for its real estate development activities. As of September 30, 2013, the principal amount outstanding on the loans was approximately $335.1 million. The fair value of the loans upon initial consolidation at September 30, 2013 was $123.8 million. The principal amounts of the loans accrue interest at a variable rate based on an index plus an applicable margin. Interest rates are based on: (i) CDI plus a margin ranging from 4.0% to 7.4% (12.9% to 16.3% as of September 30, 2013); (ii) IGP-M plus a margin of 12.0% (18.3% as of September 30, 2013); or (iii) IPCA plus a margin ranging from 10.0% to 13.5% (16.2% to 19.7% as of September 30, 2013).

Substantially all of Urbplan s customer and other receivables and investments have been pledged as collateral for the loans. As of September 30, 2013, substantially all of the loans payable of Urbplan are not in compliance with their related debt covenants or are otherwise in technical

default. These violations do not cause a default or event of default under the Partnership s senior credit facility or senior notes. Urbplan management is in

144

Table of Contents

discussions with the lenders to cure or re-negotiate the loans in default. Currently there are no outstanding notices of acceleration of payment on the loans in default. Urbplan management is also negotiating to extend $24.2 million of its borrowings maturing in 2013. There can be no assurances that Urbplan will be successful in its discussions.

All of the loans payable of Urbplan are contractually non-recourse to us.

Unconsolidated Entities

Our Corporate Private Equity funds have not historically utilized substantial leverage at the fund level other than short-term borrowings under certain fund level lines of credit which are used to fund liquidity needs in the interim between the date of an investment and the receipt of capital from the investing fund s investors. These funds do, however, make direct or indirect investments in companies that utilize leverage in their capital structure. The degree of leverage employed varies among portfolio companies.

Certain of our real estate funds have entered into lines of credits secured by their investors unpaid capital commitments or by a pledge of the equity of the underlying investment. Due to the relatively large number of investments made by these funds, the lines of credit are primarily employed to reduce the overall number of capital calls or for working capital needs. In certain instances, however, they may be used for other investment related activities, including serving as bridge financing for investments. The degree of leverage employed varies among portfolio companies.

Off-Balance Sheet Arrangements

In the normal course of business, we enter into various off-balance sheet arrangements including sponsoring and owning limited or general partner interests in consolidated and non-consolidated funds, entering into derivative transactions, entering into operating leases and entering into guarantee arrangements. We also have ongoing capital commitment arrangements with certain of our consolidated and non-consolidated funds. We do not have any other off-balance sheet arrangements that would require us to fund losses or guarantee target returns to investors in any of our other investment funds.

For further information regarding our off-balance sheet arrangements, see Note 2 to the unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q.

Table of Contents

Contractual Obligations

The following table sets forth information relating to our contractual obligations as of September 30, 2013 on a consolidated basis and on a basis excluding the obligations of the Consolidated Funds:

	October 1, 2013 to December 31, 2013	2014-2015	2016-2017	Thereafter	Total
			(Dollars in millions)		
Loans payable and senior notes(a)	$	$	$	$ 925.0	$ 925.0
Interest payable(b)	11.4	90.2	86.1	667.3	855.0
Contingent cash consideration(c)	91.2	156.5	88.2	466.6	802.5
Operating lease obligations(d)	12.0	89.9	66.3	105.0	273.2
Capital commitments to Carlyle funds(e)	2,721.9	7.5			2,729.4
Tax receivable agreement payments(f)	0.9	2.7	2.9	27.3	33.8
Loans payable of Consolidated Funds(g)	50.2	941.3	658.6	15,674.9	17,325.0
Loans payable of a consolidated real estate VIE(h)	66.4	130.4	90.3	256.9	544.0
Unfunded commitments of the CLOs and Consolidated Funds(i)	1,286.6				1,286.6
Redemptions payable of Consolidated Funds(j)	174.4				174.4
Consolidated contractual obligations	4,415.0	1,418.5	992.4	18,123.0	24,948.9
Loans payable of Consolidated Funds(g)	(50.2)	(941.3)	(658.6)	(15,674.9)	(17,325.0)
Loans payable of a consolidated real estate VIE(h)	(66.4)	(130.4)	(90.3)	(256.9)	(544.0)
Unfunded commitments of the CLOs and Consolidated Funds(i)	(1,286.6)				(1,286.6)
Redemptions payable of Consolidated Funds(j)	(174.4)				(174.4)
Carlyle Operating Entities contractual obligations	$ 2,837.4	$ 346.8	$ 243.5	$ 2,191.2	$ 5,618.9

(a) The table above assumes that no prepayments are made on the term loan or senior notes and that the outstanding balance on the revolving credit facility is repaid on the maturity date of the senior credit facility. On August 9, 2013, we entered into Amendment No. 1 to the senior credit facility to extend the maturity date of the term loan and revolving credit facility from September 30, 2016 until August 9, 2018, and to eliminate all amortization of outstanding term loans, with all such term loans being due and payable on the new maturity date.

(b) The interest rate on the loans payable consist of 3.875% on $500.0 million of senior notes, 5.625% on $400.0 million of senior notes and approximately 2.33% on $25.0 million of term loan. Interest payments assume that no prepayments are made and loans are held until maturity.

(c) These obligations represent our probability-weighted estimate of amounts to be paid on the contingent cash consideration obligations associated with our business acquisitions and strategic investment in NGP Management. The actual amounts to be paid under these agreements will not be determined until the specific performance conditions are met. Refer to Contingent Cash Payments for Business Acquisitions and Strategic Investments below for the maximum amounts we may be required to pay under these arrangements and Note 6 and Note 9 to the unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for more information. Included in these amounts are $84.3 million of employment-based contingent consideration payments that have been earned but are not payable until the individuals are no longer employees of Carlyle, the timing of which cannot be predicted. For purposes of the table above, this amount has been included in the less than one year category. Excluded from this table are two options we have to purchase additional investments in NGP for a total payment of approximately $97 million. One option is exercisable now through January 2015 for approximately $36 million; the other option is exercisable from July 2014 through July 2015 for approximately $61 million.

(d) We lease office space in various countries around the world and maintain our headquarters in Washington, D.C., where we lease our primary office space under a non-cancelable lease agreement expiring on July 31, 2026. Our office leases in other locations expire in

various years from 2013 through 2021. The amounts in this table represent the minimum lease payments required over the term of the lease.

(e) These obligations represent commitments by us to fund a portion of the purchase price paid for each investment made by our funds. These amounts are generally due on demand and are therefore presented in the less than one year category. A substantial majority of these investments is expected to be funded by senior Carlyle professionals and other professionals through our internal co-investment program. Of the $2.7 billion of unfunded commitments, approximately $2.5 billion is subscribed individually by senior Carlyle professionals, operating executives and other professionals, with the balance funded directly by the Partnership. Also included in these amounts is $7.5 million that will be paid to NGP in exchange for an additional 7.5% equity interest in NGP Management.

(f) Represents obligations by the Partnership s corporate taxpayers to make payments under the tax receivable agreement. Holders of partnership units in Carlyle Holdings may exchange their Carlyle Holdings partnership units for common units in The Carlyle Group L.P. on a one-for-one basis. These exchanges may reduce the amount of tax that the corporate taxpayers would be required to pay in the future. The corporate taxpayers will pay to the limited partner of Carlyle Holdings making the exchange 85% of the amount of cash savings that the corporate taxpayers realize upon an exchange. See Tax Receivable Agreement below.

(g) These obligations represent amounts due to holders of debt securities issued by the consolidated CLO vehicles. These obligations include interest to be paid on debt securities issued by the consolidated CLO vehicles. Interest payments assume that no prepayments are made and loans are held until maturity. For debt securities with rights only to the residual value of the CLO and no stated interest, no interest payments were included in this calculation. Interest payments on variable-rate debt securities are based on interest rates in effect as of September 30, 2013, at spreads to market rates pursuant to the debt agreements, and range from 0.45% to 12.65%.

(h) These obligations represent amounts owed to the lenders of Urbplan. These obligations include interest to be paid on the loans of Urbplan. Principal and interest payments shown herein assume that amounts will be paid according to the contractual maturities of the loans without acceleration due to default or covenant violation or other voluntarily prepayments. Interest payments on variable-rate debt are based on interest rates in effect as of September 30, 2013, at spreads to market rates pursuant to the loan agreements, and range from 12.9% to 19.7%. Due to the timing and availability of financial information from Urbplan, we consolidate the financial position and results of operations of Urbplan on a financial reporting lag of 90 days. The balances shown in this table are based on Urbplan s outstanding borrowings as of June 30, 2013.

(i) These obligations represent commitments of the CLOs and Consolidated Funds to fund certain investments. These amounts are generally due on demand and are therefore presented in the less than one year category.

(j) Our consolidated hedge funds are subject to quarterly or monthly redemption by investors in these funds. These obligations represent the amount of redemptions where the amount requested in the redemption notice has become fixed and payable.

Excluded from the table above are liabilities for uncertain tax positions of $18.8 million at September 30, 2013 as we are unable to estimate when such amounts may be paid. Also excluded from the table above are outstanding commitments of Urbplan for land development services with an estimated $144 million of future costs to be incurred; these amounts have been excluded as we are unable to determine when such amounts will be paid.

Contingent Funding of the Consolidated Real Estate VIE

As described in Note 17 to the unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q, we and certain of our senior Carlyle professionals have made and may make additional investments in Urbplan. During the nine months ended September 30, 2013, Urbplan has received additional capital funding of $32.0 million, of which $6.4 million was funded by us and $25.6 million was funded by certain senior Carlyle professionals. Subsequent to September 30, 2013, we and certain senior Carlyle professionals have funded an additional $18.0 million ($3.6 million from us). Urbplan is expected to require additional funding of approximately $200 million to enable it to continue operations. While no contractual or other obligations exist to provide additional financial support to Urbplan, we and our senior Carlyle professionals expect to provide additional capital funding to Urbplan in the future and Urbplan will continue to seek capital funding from unaffiliated parties. We and our senior Carlyle professionals will evaluate the possibility of further capital infusions based on the circumstances at the time (including levels of third-party funding participation). It is anticipated that we would fund 25% and our senior Carlyle professionals would fund 75% of any additional investments made by us and our senior Carlyle professionals.

We may not recover, in whole or in part, the capital that we have invested in Urbplan (the fair value of which was estimated to be $0 as of September 30, 2013) or any additional capital that we may elect to invest in Urbplan in the future, and our results of operations could be adversely impacted by impairments, write-downs, lawsuits by customers or creditors, other claims against Urbplan or us or other losses associated with our investment in Urbplan. The assets and liabilities of Urbplan are held in separate legal entities; we have not guaranteed or assumed any obligation for repayment of Urbplan s liabilities nor are the assets of Urbplan available to meet our liquidity requirements. However, if Urbplan fails to complete its construction projects, customers or other creditors in certain circumstances might seek to assert claims against us under certain consumer protection or other laws.

Table of Contents

Contingent Cash Payments For Business Acquisitions and Strategic Investments

We have certain contingent cash obligations associated with our business acquisitions and our strategic investment in NGP Management. For our business acquisitions, these contingent cash payments relate to performance-based contingent cash consideration payable to the sellers of the businesses, some of whom are senior Carlyle professionals. Certain of these payments to those senior Carlyle professionals require such senior Carlyle professional to be employed by us at the time the performance conditions are met, while other payments are not contingent upon employment. For our strategic investment in NGP Management, the contingent cash payments relate to performance-based contingent cash consideration payable to NGP and an affiliate of Barclays Bank PLC, as well as two options we have to purchase additional investments in NGP that would entitle us to an allocation of income equal to 40% of the carried interest generated from certain NGP funds. The exercise of the NGP options and the resulting payments under the option agreements are at our discretion. See Note 6 and Note 9 to the unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for more information.

The amounts shown in the contractual obligations table above represent our probability-weighted estimate of amounts to be paid on the contingent cash consideration obligations associated with our business acquisitions and our strategic investment in NGP Management. Except as noted below, the following table represents the maximum amounts that could be paid from our contingent cash obligations associated with our business acquisitions and our strategic investment in NGP Management and the amount payable if we elect to exercise our options related to NGP:

	As of September 30, 2013			
	Hedge Fund Acquisitions	NGP Investment	Total	Liability Recognized on Financial Statements[1]
	(Dollars in millions)			
Performance-based contingent cash consideration	$ 354.2	$ 183.0	$ 537.2	$ 171.5
Employment-based contingent cash consideration	389.3	45.0	434.3	143.5
Options to acquire additional investments in NGP		97.2	97.2	
Total	$ 743.5	$ 325.2	$ 1,068.7	$ 315.0

(1) On our consolidated balance sheet, the liability for performance-based contingent cash consideration is included in due to affiliates (for amounts owed to senior Carlyle professionals) and accounts payable, accrued expenses, and other liabilities (for amounts owed to other sellers), and the liability for employment-based contingent cash consideration is included in accrued compensation and benefits. Also, the amounts shown here exclude the liabilities that have been recognized on our consolidated financial statements for performance-based contingent equity consideration.

Some of the employment-based contingent cash consideration agreements do not contain provisions limiting the amount that could be paid by us. For purposes of the table above, we have used our current estimate of the amount to be paid upon the determination dates for such payments. In our consolidated financial statements, we record the performance-based contingent cash consideration from our business acquisitions at fair value at each reporting period. For the employment-based contingent cash consideration, we accrue the compensation liability over the implied service period. If we exercise our options to acquire additional investments in NGP, the amount paid will be included in the carrying value of our equity-method investment in NGP at such time.

In October 2013, the Partnership and the sellers of Claren Road agreed to modifications to the terms of the performance-based contingent cash consideration associated with the 2010 acquisition of Claren Road as well as adjustments to separation payments made upon the sellers departure from Claren Road. The modifications resulted in changes to the performance conditions and measurement date to earn the performance-based contingent cash consideration and changes to the basis of calculation and length of time for the separation payments. The modifications also include a new performance-based compensatory cash payment of $25.0 million, which is payable in 2018 based on the achievement of certain performance conditions.

148

Table of Contents

Guarantees

In 2001, we entered into an agreement with a financial institution pursuant to which we are the guarantor on a credit facility for eligible employees investing in Carlyle sponsored funds. This credit facility renews on an annual basis, allowing for annual incremental borrowings up to an aggregate of $16.3 million, and accrues interest at the lower of the prime rate, as defined, or three-month LIBOR plus 2%, reset quarterly. At September 30, 2013, approximately $9.4 million was outstanding under the credit facility and payable by the employees. No material funding under the guarantee has been required, and we believe the likelihood of any material funding under the guarantee to be remote.

In July 2012, we provided a guarantee to the French tax authorities as credit support for a 45.7 million tax assessment and in October 2012, placed an additional 4.4 million in escrow, in each case, related to CEREP I. We expect to incur costs on behalf of CEREP I and its related entities. We will attempt to recover any amounts advanced or paid under the guarantee from proceeds of subsequent portfolio dispositions by CEREP I. The amount of any unrecoverable costs that may be incurred by us is not estimable at this time. Refer to Contingencies below and Note 11 to the consolidated financial statements included in this Quarterly Report on Form 10-Q for additional information.

In October 2013, we entered into an agreement with a financial institution to guarantee repayment on a $200.0 million credit facility entered into by one of Carlyle s hedge funds. The credit facility expires on December 20, 2013. We believe the likelihood of any material funding under this guarantee to be remote. The fair value of this guarantee would not be significant to our condensed consolidated financial statements.

Indemnifications

In many of our service contracts, we agree to indemnify the third-party service provider under certain circumstances. The terms of the indemnities vary from contract to contract, and the amount of indemnification liability, if any, cannot be determined and has not been included in the table above or recorded in our condensed consolidated financial statements as of September 30, 2013.

Tax Receivable Agreement

Holders of partnership units in Carlyle Holdings (other than The Carlyle Group L.P. s wholly-owned subsidiaries), subject to the vesting and minimum retained ownership requirements and transfer restrictions applicable to such holders as set forth in the partnership agreements of the Carlyle Holdings partnerships, may (subject to the terms of the exchange agreement) exchange their Carlyle Holdings partnership units for The Carlyle Group L.P. common units on a one-for-one basis. A Carlyle Holdings limited partner must exchange one partnership unit in each of the three Carlyle Holdings partnerships to effect an exchange for a common unit. The exchanges are expected to result in increases in the tax basis of the tangible and intangible assets of Carlyle Holdings. These increases in tax basis may increase (for tax purposes) depreciation and amortization deductions and therefore reduce the amount of tax that Carlyle Holdings I GP Inc. and any other corporate taxpayers would otherwise be required to pay in the future, although the IRS may challenge all or part of that tax basis increase, and a court could sustain such a challenge.

In connection with the reorganization and initial public offering, we have entered into a tax receivable agreement with the limited partners of the Carlyle Holdings partnerships that will provide for the payment by the corporate taxpayers to such parties of 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax or franchise tax that the corporate taxpayers realize as a result of these increases in tax basis and of certain other tax benefits related to entering into the tax receivable agreement, including tax benefits attributable to payments under the tax receivable agreement. This payment obligation is an obligation of the corporate taxpayers and not of Carlyle Holdings. While the actual increase in tax basis, as well as the amount and timing of any payments under this agreement, will vary depending upon a number of factors, including the timing of exchanges, the price of our common units at the time of the exchange, the extent to which such exchanges are taxable and the amount and timing of our income, we expect that as a result of the size of the transfers and increases in the tax basis of the tangible and intangible assets of Carlyle Holdings, the payments that we may make under the tax receivable agreement will be substantial. The payments under the tax receivable agreement are not conditioned upon these parties continued ownership of us. In the event that The Carlyle Group L.P. or any of its wholly-owned subsidiaries that are not treated as corporations for U.S. federal income tax purposes become taxable as a corporation for U.S. federal income tax purposes, these entities will also be obligated to make payments under the tax receivable agreement on the same basis and to the same extent as the corporate taxpayers.

Table of Contents

The tax receivable agreement provides that upon certain changes of control, or if, at any time, the corporate taxpayers elect an early termination of the tax receivable agreement, the corporate taxpayers obligations under the tax receivable agreement (with respect to all Carlyle Holdings partnership units whether or not previously exchanged) would be calculated by reference to the value of all future payments that the counterparties would have been entitled to receive under the tax receivable agreement using certain valuation assumptions, including that the corporate taxpayers will have sufficient taxable income to fully utilize the deductions arising from the increased tax deductions and tax basis and other benefits related to entering into the tax receivable agreement and, in the case of an early termination election, that any Carlyle Holdings partnership units that have not been exchanged are deemed exchanged for the market value of the common units at the time of termination. In addition, the counterparties will not reimburse us for any payments previously made under the tax receivable agreement if such tax basis increase is successfully challenged by the IRS. The corporate taxpayers ability to achieve benefits from any tax basis increase, and the payments to be made under this agreement, will depend upon a number of factors, including the timing and amount of our future income. As a result, even in the absence of a change of control or an election to terminate the tax receivable agreement, payments under the tax receivable agreement could be in excess of the corporate taxpayers actual cash tax savings.

Contingent Obligations (Giveback)

An accrual for potential repayment of previously received performance fees of $48.7 million at September 30, 2013 ($58.8 million before $10.1 million is eliminated in the consolidation of Consolidated Funds) is shown as accrued giveback obligations on the condensed consolidated balance sheet, representing the giveback obligation that would need to be paid if the funds were liquidated at their current fair values at September 30, 2013. However, the ultimate giveback obligation, if any, does not arise until the end of a fund s life. We have recorded $24.9 million of unbilled receivables from former and current employees and our individual senior Carlyle professionals as of September 30, 2013 related to giveback obligations, which are included in due from affiliates and other receivables, net in our consolidated balance sheet as of such date.

During the nine months ended September 30, 2013, we repaid $14.0 million of giveback obligations to certain funds. This amount was funded primarily through collection of employee receivables related to giveback obligations and from contributions from non-controlling interests for their portion of the obligation.

If, as of September 30, 2013, all of the investments held by our funds were deemed worthless, the amount of realized and distributed carried interest subject to potential giveback would be $1.0 billion, on an after-tax basis where applicable.

Our senior Carlyle professionals and employees who have received carried interest distributions are severally responsible for funding their proportionate share of any giveback obligations. However, the governing agreements of certain of our funds provide that to the extent a current or former employee from such funds does not fund his or her respective share, then we may have to fund additional amounts beyond what we received in carried interest, although we will generally retain the right to pursue any remedies that we have under such governing agreements against those carried interest recipients who fail to fund their obligations.

Contingencies

In the ordinary course of business, we are a party to litigation, investigations, disputes and other potential claims. Certain of these matters are described below. We are not currently able to estimate for any such matters the reasonably possible amount of loss or range of loss. We do not believe it is probable that the outcome of any existing litigation, investigations, disputes or other potential claims will materially affect us. We believe that these matters are without merit and intend to vigorously contest them.

In September 2006 and March 2009, Carlyle received requests for certain documents and other information from the Antitrust Division of the U.S. Department of Justice (DOJ) in connection with the DOJ s investigation of global alternative asset firms to determine whether they have engaged in conduct prohibited by U.S. antitrust laws. We fully cooperated with the DOJ s investigation.

On February 14, 2008, a private class-action lawsuit challenging club bids and other alleged anti-competitive business practices was filed in the U.S. District Court for the District of Massachusetts (*Police and Fire Retirement System of the City of Detroit v. Apollo Global Management, LLC*). The complaint alleges, among other things, that certain global alternative asset firms, including Carlyle, violated Section 1 of the Sherman Act by forming multi-sponsor consortiums for the purpose of bidding collectively in company buyout transactions in certain going private transactions, which the plaintiffs allege constitutes a conspiracy in restraint of trade. Count One of the complaint alleges an overarching conspiracy relating to certain large buyout transactions. Count Two of the complaint alleges a conspiracy with regard to the buyout of Healthcare Corporation of America. The plaintiffs seek damages as provided for in Section 4 of the Clayton Act and an injunction against such conduct in restraint of trade in the future. The defendants moved for summary judgment on both counts. On March 13, 2013, the U.S. District Court for the District of Massachusetts ruled that plaintiffs could proceed on Count One solely on the basis of an alleged conspiracy to refrain from jumping announced proprietary (i.e., non-auction) deals. The Court stated that it would entertain further summary judgment motions by individual defendants as to their participation in the more narrowly-defined alleged conspiracy. The Court also denied summary judgment as to Count Two. On April 16, 2013, Carlyle filed a consolidated motion, renewing its motion for summary judgment on Count One, and moving for reconsideration on Count Two. On April 22, 2013, Carlyle joined a motion seeking reconsideration on Count Two filed on behalf of all Count Two defendants. On June 20, 2013, the Court denied the motion for reconsideration on Count Two filed by the Count Two defendants. On July 18, 2013, the Court denied Carlyle s individual summary judgment motion regarding its participation in the conspiracy alleged in Count One. The U.S. District Court for the District of Massachusetts has set a schedule for class certification proceedings, which calls for a hearing on class certification sometime after May 19, 2014.

Along with many other companies and individuals in the financial sector, Carlyle and CMP are named as defendants in *Foy v. Austin Capital*, a case filed in June 2009, pending in the State of New Mexico s First Judicial District Court, County of Santa Fe, which purports to be a qui tam suit on behalf of the State of New Mexico. The suit alleges that investment decisions by New Mexico public investment funds were improperly influenced by campaign contributions and payments to politically connected placement agents. The plaintiffs seek, among other things, actual damages, actual damages for lost income, rescission of the investment transactions described in the complaint and disgorgement of all fees received. In May 2011, the Attorney General of New Mexico moved to dismiss certain defendants including Carlyle and CMP on the grounds that separate civil litigation by the Attorney General is a more effective means to seek recovery for the State from these defendants. The Attorney General has brought two civil actions against certain of those defendants, not including the Carlyle defendants. The Attorney General has stated that its investigation is continuing and it may bring additional civil actions.

Carlyle Capital Corporation Limited (CCC) was a fund sponsored by Carlyle that invested in AAA-rated residential mortgage backed securities on a highly leveraged basis. In March of 2008, amidst turmoil throughout the mortgage markets and money markets, CCC filed for insolvency protection in Guernsey. Several different lawsuits, described below, developed from the CCC insolvency.

First, on July 13, 2009, a former shareholder of CCC, claiming to have lost $20.0 million, filed a claim against CCC, Carlyle and certain affiliates and one of our officers (*Huffington v. TC Group L.L.C., et al.*) alleging violations of Massachusetts blue sky law provisions relating to material misrepresentations and omissions allegedly made during and after the marketing of CCC. The plaintiff sought treble damages, interest, expenses, attorney s fees and to have the subscription agreement deemed null and void and to receive a full refund of the investment. In March 2010, the United States District Court for the District of Massachusetts dismissed the plaintiff s complaint on the grounds that it should have been filed in Delaware instead of Massachusetts based on the forum selection provision in the plaintiff s subscription agreement. The plaintiff subsequently filed a notice of appeal to the United States Court of Appeals for the First Circuit. The plaintiff lost his appeal to the First Circuit and filed a new claim in Delaware State Court. The Delaware State Court granted in part and denied in part defendants motion to dismiss, which was converted to a motion for summary judgment. The plaintiff has since dismissed his claim without any monetary compensation, in exchange for Carlyle s dismissal of its counterclaim against him for violation of the forum selection clause.

Second, in November 2009, another CCC investor, National Industries Group (Holding) (National Industries) instituted legal proceedings on similar grounds in Kuwait s Court of First Instance (*National Industries Group v. Carlyle Group*) seeking to recover losses incurred in connection with an investment in CCC. In July 2011, the Delaware Court of Chancery issued a decision restraining National Industries from proceeding in Kuwait on any CCC-related claims based on the forum selection clause in National Industries subscription agreement,

151

Table of Contents

which provided for exclusive jurisdiction in the Delaware courts. In September 2011, National Industries reissued its complaint in Kuwait naming CCC only, and reissued its complaint in January 2012 joining Carlyle Investment Management, L.L.C. as a defendant. In April 2013, the court in Kuwait dismissed National Industries claim without prejudice for failure to serve process. Hearings in the case and related to the case have nevertheless taken place on several occasions since that time, most recently in September 2013. Meanwhile, in August 2012, National Industries had filed a motion to vacate the Delaware Court of Chancery s decision. Carlyle successfully opposed that motion and the Court s injunction remained in effect. In November 2012, National Industries appealed that decision to the Delaware Supreme Court. On May 29, 2013, the Delaware Supreme Court affirmed the Chancery Court s decision and upheld the 2011 injunction barring National Industries from filing or prosecuting any CCC-related action in any forum other than the courts of Delaware.

Third, the Guernsey liquidators who took control of CCC in March 2008 filed four suits on July 7, 2010 against Carlyle, certain of its affiliates and the former directors of CCC in the Delaware Chancery Court, the Royal Court of Guernsey, the Superior Court of the District of Columbia and the Supreme Court of New York, New York County, (*Carlyle Capital Corporation Limited v. Conway et al.)* seeking $1.0 billion in damages. They allege that Carlyle and the CCC board of directors were negligent, grossly negligent or willfully mismanaged the CCC investment program and breached certain fiduciary duties allegedly owed to CCC and its shareholders. The liquidators further allege (among other things) that the directors and Carlyle put the interests of Carlyle ahead of the interests of CCC and its shareholders and gave priority to preserving and enhancing Carlyle s reputation and its brand over the best interests of CCC. In July 2011, the Royal Court of Guernsey held that the case should be litigated in Delaware pursuant to the exclusive jurisdiction clause in the investment management agreement. That ruling was appealed by the liquidators, and in February 2012 was reversed by the Guernsey Court of Appeal, which held that the case should proceed in Guernsey. Defendants attempts to appeal to the Privy Council were unsuccessful and the plaintiffs case is proceeding in Guernsey. Two claims in that case, which sought the return of certain documents and other property purportedly belonging to CCC, were resolved by agreement of the parties and order of the Royal Court of Guernsey in December 2012. Carlyle has now completed its document production pursuant to that order. On July 24, 2013, plaintiffs filed an amended complaint, which contained further detail in support of the existing claims but no new defendants or claims. Defendants are now preparing a defense to the amended claim, which will be filed by December 20, 2013. After the defense is filed, the court is expected to set a schedule for the remainder of the case. In addition, the liquidators lawsuits in New York and the District of Columbia were dismissed in December 2011 without prejudice.

Fourth, on June 21, 2011, August 24, 2011 and September 1, 2011, respectively, three putative shareholder class actions were filed against Carlyle, certain of its affiliates and former directors of CCC alleging that the fund offering materials and various public disclosures were materially misleading or omitted material information. Two of the shareholder class actions (*Phelps v. Stomber, et al.* and *Glaubach v. Carlyle Capital Corporation Limited, et al.*) were filed in the United States District Court for the District of Columbia. *Phelps v. Stomber, et al.* was also filed in the Supreme Court of New York, New York County and was subsequently removed to the United States District Court for the Southern District of New York. The two original D.C. cases were consolidated into one case under the caption of *Phelps v. Stomber* and the Phelps named plaintiffs were designated lead plaintiffs by the Court. The New York case was transferred to the D.C. federal court and the plaintiffs requested that it be consolidated with the other two D.C. actions. The plaintiffs were seeking compensatory damages sustained as a result of the alleged misrepresentations, costs and expenses, as well as reasonable attorney s fees. On August 13, 2012, the United States District Court for the District of Columbia dismissed both the D.C. and New York shareholder class actions. The plaintiffs moved for leave to amend their complaint and/or for amendment of the Court s decision, but the trial court denied that motion on June 4, 2013. The plaintiffs previously filed notice of appeal to the Court of Appeals for the District of Columbia Circuit was then automatically reinstated and that appeal is now proceeding.

From 2007 to 2009, a Luxembourg subsidiary of Carlyle Europe Real Estate Partners, L.P. (CEREP I), a real estate fund, received proceeds from the sale of real estate located in Paris, France. The relevant French tax authorities have asserted that CEREP I was ineligible to claim certain exemptions from French tax under the Luxembourg-French tax treaty, and have issued a tax assessment seeking to collect approximately 97.0 million, consisting of taxes, interest and penalties. Additionally, the French Ministry of Justice has commenced an investigation regarding the legality under French law of claiming the exemptions under the tax treaty.

152

Table of Contents

CEREP I and its subsidiaries are contesting the French tax assessment while exploring settlement opportunities. In July 2012, the Partnership provided a guarantee to the French tax authorities as credit support for the 45.7 million tax assessment and in October 2012, placed an additional 4.4 million in escrow, in each case, related to CEREP I. The Partnership expects to incur costs on behalf of CEREP I and its related entities. The Partnership will attempt to recover any amounts advanced or paid from proceeds of subsequent portfolio dispositions by CEREP I. The amount of any unrecoverable costs that may be incurred by the Partnership is not estimable at this time. Commencing with the issuance of the credit support on behalf of CEREP I in July 2012, the Partnership consolidated the fund into its consolidated financial statements. As of September 30, 2013, CEREP I had accrued 41.8 million ($56.5 million as of September 30, 2013) related to this contingency, which is included in other liabilities of Consolidated Funds in the consolidated financial statements.

During 2006, CEREP I completed a reorganization of several Italian subsidiaries. Certain of those Italian subsidiaries sold various properties located in Italy. The Italian tax authorities issued formal notices of assessment to certain of those subsidiaries, in each case, disallowing deductions of certain capital losses claimed with respect to the reorganization of the Italian subsidiaries. CEREP I and its relevant subsidiaries recently reached a settlement with the Italian tax authorities regarding this dispute and, in connection therewith, paid approximately 16.0 million.

Carlyle Holdings Partnership Units

A rollforward of the outstanding Carlyle Holdings partnership units from December 31, 2012 through September 30, 2013 is as follows:

	Units as of December 31, 2012	Units Issued	Units Forfeited	Units Exchanged	Units as of September 30, 2013
Carlyle Holdings partnership units held by the Partnership	43,244,180	5,040,725		177,104	48,462,009
Carlyle Holdings partnership units not held by the Partnership	262,873,250		(562,269)	(177,104)	262,133,877
Total Carlyle Holdings partnership units	306,117,430	5,040,725	(562,269)		310,595,886

The Carlyle Holdings partnership units issued to the Partnership were issued in conjunction with (i) the vesting of the Partnership s deferred restricted common units during the nine months ended September 30, 2013; and (ii) the acquisition of the remaining 40% equity interest in AlpInvest. The Partnership is expected to acquire an additional 747,536 Carlyle Holdings partnership units in future periods at such time as certain of the Partnership s unvested common units vest. See Note 3 to the unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q.

The Carlyle Holdings partnership units forfeited relate to unvested Carlyle Holdings partnership units that are forfeited when the holder ceases to provide services to the Partnership. The Carlyle Holdings partnership units exchanged relate to the exchange by the other limited partners of Carlyle Holdings of their Carlyle Holdings partnership units for common units of the Partnership on a one-for-one basis, which resulted in an increase in the number of Carlyle Holdings partnership units held by the Partnership.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Our primary exposure to market risk is related to our role as general partner or investment advisor to our investment funds and the sensitivities to movements in the fair value of their investments, including the effect on management fees, performance fees and investment income. Although our investment funds share many common themes, each of our alternative asset management asset classes runs its own investment and risk management processes, subject to our overall risk tolerance and philosophy. The investment process of our investment funds involves a comprehensive due diligence approach, including review of reputation of shareholders and management, company size and sensitivity of cash flow generation, business sector and competitive risks, portfolio fit, exit risks and other key factors highlighted by the deal team. Key investment decisions are subject to approval by both the fund-level managing directors, as well as the investment committee, which is generally comprised of one or more of the three founding partners, one sector head, one or more operating executives and senior investment professionals associated with that particular fund. Once an investment in a portfolio company has been made, our fund teams closely monitor the performance of the portfolio company, generally through frequent contact with management and the receipt of financial and management reports.

153

Table of Contents

There was no material change in our market risks during the three months ended September 30, 2013. For additional information, refer to our Annual Report on Form 10-K for the year ended December 31, 2012.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)) that are designed to ensure that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms, and that such information is accumulated and communicated to our management, including our co-principal executive officers and principal financial officer, as appropriate, to allow timely decisions regarding required disclosures. In designing disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure controls and procedures also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Any controls and procedures, no matter how well designed and operated, can provide only reasonable, not absolute, assurance of achieving the desired control objectives. Our management, with the participation of our co-principal executive officers and principal financial officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based upon that evaluation and subject to the foregoing, our co-principal executive officers and principal financial officer concluded that, as of the end of the period covered by this report, the design and operation of our disclosure controls and procedures were effective to accomplish their objectives at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter ended September 30, 2013 that have materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

Not applicable.

Item 1A. Risk Factors

For a discussion of our potential risks and uncertainties, see the information under Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2012, which is accessible on the SEC s website at sec.gov.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Not applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

Required exhibits are listed in the Index to Exhibits and are incorporated herein by reference.

Table of Contents

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	The Carlyle Group L.P.	
	By:	Carlyle Group Management L.L.C.,
		its general partner
Date: November 12, 2013	By:	/s/ Adena T. Friedman
	Name:	Adena T. Friedman
	Title:	Chief Financial Officer

156

INDEX TO EXHIBITS

The following is a list of all exhibits filed or furnished as part of this report:

Exhibit No.	Description
3.1	Certificate of Limited Partnership of The Carlyle Group L.P. (incorporated by reference to Exhibit 3.1 to Registrant s Registration Statement on Form S-1 (file No. 333-176685) filed with the SEC on September 6, 2011).
3.2	Amended and Restated Limited Partnership Agreement of The Carlyle Group L.P. (incorporated by reference to Exhibit 3.1 on Form 8-K filed with the SEC on May 8, 2012).
31.1 *	Certification of the co-principal executive officer pursuant to Rule 13a 14(a).
31.2 *	Certification of the co-principal executive officer pursuant to Rule 13a 14(a).
31.3 *	Certification of the co-principal executive officer pursuant to Rule 13a 14(a).
31.4 *	Certification of the principal financial officer pursuant to Rule 13a 14(a).
32.1 *	Certification of the co-principal executive officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2 *	Certification of the co-principal executive officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.3 *	Certification of the co-principal executive officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.4 *	Certification of the principal financial officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS**	XBRL Instance Document
101.SCH**	XBRL Taxonomy Extension Schema Document
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF**	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB**	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith.

** XBRL (Extensible Business Reporting Language) information is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934.

The agreements and other documents filed as exhibits to this report are not intended to provide factual information or other disclosure other than with respect to the terms of the agreements or other documents themselves, and you should not rely on them for that purpose. In particular, any representations and warranties made by us in these agreements or other documents were made solely within the specific context of the relevant agreement or document and may not describe the actual state of affairs as of the date they were made or at any other time.