

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2019
OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM _____ TO _____
Commission File Number: 001-35538

The Carlyle Group L.P.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

45-2832612
(I.R.S. Employer
Identification No.)

1001 Pennsylvania Avenue, NW
Washington, DC, 20004-2505
(Address of principal executive offices) (Zip Code)

(202) 729-5626
(Registrant's telephone number, including area code)

Not Applicable
(Former name or former address, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common units representing limited partner interests	CG	The Nasdaq Global Select Market

The number of the registrant's common units representing limited partner interests outstanding as of October 28, 2019 was 117,268,088.

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

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Forward-Looking Statements

This report may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements include, but are not limited to, statements related to our expectations regarding the performance of our business, our financial results, our liquidity and capital resources, contingencies, our distribution policy, our expected future dividend policy, anticipated benefits from converting to a corporation, and other non-historical statements. You can identify these forward-looking statements by the use of words such as “outlook,” “believes,” “expects,” “potential,” “continues,” “may,” “will,” “should,” “seeks,” “approximately,” “predicts,” “intends,” “plans,” “estimates,” “anticipates” or the negative version of these words or other comparable words. Such forward-looking statements are subject to various risks, uncertainties and assumptions. Accordingly, there are or will be important factors that could cause actual outcomes or results to differ materially from those indicated in these statements including, but not limited to, those described under the section entitled “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2018 filed with the United States Securities and Exchange Commission (“SEC”) on February 13, 2019 and in this report, as such factors may be updated from time to time in our periodic filings with the SEC, which are accessible on the SEC’s website at www.sec.gov. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this report and in our other periodic filings with the SEC. We undertake no obligation to publicly update or review any forward-looking statements, whether as a result of new information, future developments or otherwise, except as required by applicable law.

Website and Social Media Disclosure

We use our website (www.carlyle.com), our corporate Facebook page (<https://www.facebook.com/onecarlyle/>) and our corporate Twitter account (@OneCarlyle) as channels of distribution of material company information. For example, financial and other material information regarding our company is routinely posted on and accessible at www.carlyle.com. Accordingly, investors should monitor these channels, in addition to following our press releases, SEC filings and public conference calls and webcasts. In addition, you may automatically receive email alerts and other information about Carlyle when you enroll your email address by visiting the “Email Alert Subscription” section at <http://ir.carlyle.com/alerts.cfm>. The contents of our website and social media channels are not, however, a part of this Quarterly Report on Form 10-Q and are not incorporated by reference herein.

Unless the context suggests otherwise, references in this report to “Carlyle,” the “Company,” “we,” “us” and “our” refer to The Carlyle Group L.P. and its consolidated subsidiaries. When we refer to the “partners of The Carlyle Group L.P.,” we are referring specifically to the common unitholders and our general partner and any others who may from time to time be partners of that specific Delaware limited partnership. When we refer to our “senior Carlyle professionals,” we are referring to the partner-level personnel of our firm. References in this report to the ownership of the senior Carlyle professionals include the ownership of personal planning vehicles of these individuals. When we refer to the “Carlyle Holdings partnerships” or “Carlyle Holdings”, we are referring to Carlyle Holdings I L.P., Carlyle Holdings II L.P., and Carlyle Holdings III L.P.

On July 31, 2019, we announced our decision to convert (the “Conversion”) The Carlyle Group L.P. from a Delaware limited partnership to a Delaware corporation named The Carlyle Group Inc. (the “Corporation”). Refer to “Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operation - Conversion to a Corporation.”

“Carlyle funds,” “our funds” and “our investment funds” refer to the investment funds and vehicles advised by Carlyle.

“Carry funds” generally refers to closed-end investment vehicles, in which commitments are drawn down over a specified investment period, and in which the general partner receives a special residual allocation of income from limited partners, which we refer to as carried interest, in the event that specified investment returns are achieved by the fund. Disclosures referring to carry funds will also include the impact of certain commitments which do not earn carried interest, but are either part of, or associated with our carry funds. The rate of carried interest, as well as the share of carried interest allocated to Carlyle, may vary across the carry fund platform. Carry funds generally include the following investment vehicles across our four business segments:

- Corporate Private Equity: Buyout, middle market and growth capital funds advised by Carlyle
- Real Assets: Real estate, power, infrastructure and energy funds advised by Carlyle, as well as certain energy funds advised by our strategic partner NGP Energy Capital Management (“NGP”) in which Carlyle is entitled to receive a share of carried interest (“NGP Carry Funds”)

- Global Credit: Distressed credit, energy credit, opportunistic credit, corporate mezzanine funds, aircraft financing and servicing, and other closed-end credit funds advised by Carlyle
- Investment Solutions: Funds and vehicles advised by AlpInvest Partners B.V. (“AlpInvest”) and Metropolitan Real Estate Equity Management, LLC (“Metropolitan”), which include primary fund, secondary and co-investment strategies

Carry funds specifically exclude certain funds advised by NGP in which Carlyle is not entitled to receive a share of carried interest (or “NGP Predecessor Funds”), collateralized loan obligation vehicles (“CLOs”), business development companies, and our former hedge fund platform.

For an explanation of the fund acronyms used throughout this Quarterly Report, refer to “Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation - Our Family of Funds.”

“Fee-earning assets under management” or “Fee-earning AUM” refers to the assets we manage or advise from which we derive recurring fund management fees. Our Fee-earning AUM is generally based on one of the following, once fees have been activated:

- the amount of limited partner capital commitments, generally for carry funds where the original investment period has not expired, for AlpInvest carry funds during the commitment fee period and for Metropolitan carry funds during the weighted-average investment period of the underlying funds;
- the remaining amount of limited partner invested capital at cost, generally for carry funds and certain co-investment vehicles where the original investment period has expired, Metropolitan carry funds after the expiration of the weighted-average investment period of the underlying funds, and one of our business development companies;
- the amount of aggregate fee-earning collateral balance at par of our CLOs and other securitization vehicles, as defined in the fund indentures (typically exclusive of equities and defaulted positions) as of the quarterly cut-off date;
- the external investor portion of the net asset value of our open-ended funds (pre redemptions and subscriptions), as well as certain carry funds;
- the gross assets (including assets acquired with leverage), excluding cash and cash equivalents, of one of our business development companies and certain carry funds; or
- the lower of cost or fair value of invested capital, generally for AlpInvest carry funds where the commitment fee period has expired and certain carry funds where the investment period has expired.

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

- the aggregate fair value of our carry funds and related co-investment vehicles, NGP Predecessor Funds and separately managed accounts, plus the capital that Carlyle is entitled to call from investors in those funds and vehicles (including Carlyle 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;
- the amount of aggregate collateral balance and principal cash at par or aggregate principal amount of the notes of our CLOs and other structured products (inclusive of all positions);
- the net asset value (pre-redemptions and subscriptions) of our open-ended funds; and
- the gross assets (including assets acquired with leverage) of our business development companies, plus the capital that Carlyle is entitled to call from investors in those vehicles pursuant to the terms of their capital commitments to those vehicles.

We include in our calculation of AUM and Fee-earning AUM certain energy and renewable resources funds that we jointly advise with Riverstone Holdings L.L.C. (“Riverstone”) and the NGP Predecessor Funds and NGP Carry Funds (collectively, the “NGP Energy Funds”) that are advised by NGP.

For most of our carry 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 original 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 AUM and Fee-earning AUM may differ from the calculations of other asset managers. As a result, these measures may not be comparable to similar measures presented by other asset managers. In addition, our calculation of AUM (but not Fee-earning AUM) includes uncalled commitments to, and the fair value of invested capital in, our investment funds from Carlyle and our personnel, regardless of whether such commitments or invested capital are subject to management fees, incentive fees or performance allocations. Our calculations of AUM or Fee-earning AUM are not based on any definition of AUM or Fee-earning AUM that is set forth in the agreements governing the investment funds that we manage or advise.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

The Carlyle Group L.P.
Condensed Consolidated Balance Sheets
(Dollars in millions)

	September 30, 2019	December 31, 2018
	(Unaudited)	
Assets		
Cash and cash equivalents	\$ 1,489.8	\$ 629.6
Cash and cash equivalents held at Consolidated Funds	124.1	247.5
Restricted cash	16.0	8.7
Corporate treasury investments	—	51.7
Investments, including accrued performance allocations of \$3,867.2 million and \$3,480.0 million as of September 30, 2019 and December 31, 2018, respectively	6,895.8	5,697.5
Investments of Consolidated Funds	4,457.3	5,286.6
Due from affiliates and other receivables, net	246.4	441.1
Due from affiliates and other receivables of Consolidated Funds, net	69.8	135.4
Fixed assets, net	110.8	95.1
Lease right-of-use assets, net	212.8	—
Deposits and other	53.8	49.3
Intangible assets, net	65.7	77.3
Deferred tax assets	185.7	194.4
Total assets	\$ 13,928.0	\$ 12,914.2
Liabilities and partners' capital		
Debt obligations	\$ 1,961.9	\$ 1,550.4
Loans payable of Consolidated Funds	4,231.4	4,840.1
Accounts payable, accrued expenses and other liabilities	334.4	442.2
Accrued compensation and benefits	2,532.0	2,222.3
Due to affiliates	182.2	174.0
Deferred revenue	311.8	111.3
Deferred tax liabilities	68.4	64.3
Other liabilities of Consolidated Funds	249.0	610.1
Lease liabilities	292.8	—
Accrued giveback obligations	63.2	63.2
Redeemed Series A preferred units	405.4	—
Total liabilities	10,632.5	10,077.9
Commitments and contingencies		
Series A preferred units (16,000,000 units issued and outstanding as of December 31, 2018)	—	387.5
Partners' capital (common units 117,268,088 and 107,746,443 issued and outstanding as of September 30, 2019 and December 31, 2018, respectively)	976.5	673.4
Accumulated other comprehensive loss	(89.1)	(83.3)
Non-controlling interests in consolidated entities	310.1	324.2
Non-controlling interests in Carlyle Holdings	2,098.0	1,534.5
Total partners' capital	3,295.5	2,836.3
Total liabilities and partners' capital	\$ 13,928.0	\$ 12,914.2

See accompanying notes.

The Carlyle Group L.P.
Condensed Consolidated Statements of Operations
(Unaudited)
(Dollars in millions, except unit and per unit data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Revenues				
Fund management fees	\$ 359.5	\$ 328.8	\$ 1,103.8	\$ 894.6
Incentive fees	9.9	6.8	26.8	20.5
Investment income (loss)				
Performance allocations	112.4	214.2	709.1	947.4
Principal investment income	212.2	44.4	856.0	176.7
Total investment income	324.6	258.6	1,565.1	1,124.1
Interest and other income	23.3	24.4	71.5	74.9
Interest and other income of Consolidated Funds	51.3	60.5	149.5	161.4
Total revenues	768.6	679.1	2,916.7	2,275.5
Expenses				
Compensation and benefits				
Cash-based compensation and benefits	200.0	186.6	631.9	549.9
Equity-based compensation	36.6	49.7	107.8	199.5
Performance allocations and incentive fee related compensation	92.6	146.0	391.6	526.0
Total compensation and benefits	329.2	382.3	1,131.3	1,275.4
General, administrative and other expenses	121.7	166.2	344.9	388.0
Interest	20.0	26.3	59.2	62.6
Interest and other expenses of Consolidated Funds	34.1	40.5	99.7	121.7
Other non-operating expenses	0.3	0.3	1.0	0.9
Total expenses	505.3	615.6	1,636.1	1,848.6
Other income				
Net investment gains (losses) of Consolidated Funds	(1.9)	(2.9)	(6.9)	12.0
Income before provision for income taxes	261.4	60.6	1,273.7	438.9
Provision for income taxes	9.4	17.4	48.9	36.8
Net income	252.0	43.2	1,224.8	402.1
Net income attributable to non-controlling interests in consolidated entities	10.5	14.5	45.8	42.2
Net income attributable to Carlyle Holdings	241.5	28.7	1,179.0	359.9
Net income attributable to non-controlling interests in Carlyle Holdings	149.3	11.2	789.8	233.3
Net income attributable to The Carlyle Group L.P.	92.2	17.5	389.2	126.6
Net income attributable to Series A Preferred Unitholders	7.3	5.9	19.1	17.7
Series A Preferred Units redemption premium	16.5	—	16.5	—
Net income attributable to The Carlyle Group L.P. Common Unitholders	\$ 68.4	\$ 11.6	\$ 353.6	\$ 108.9
Net income attributable to The Carlyle Group L.P. per common unit (see Note 11)				
Basic	\$ 0.60	\$ 0.11	\$ 3.17	\$ 1.06
Diluted	\$ 0.55	\$ 0.10	\$ 2.93	\$ 0.96
Weighted-average common units				
Basic	114,930,365	105,560,193	111,547,969	102,936,949
Diluted	124,875,070	346,930,017	120,558,967	112,851,327

Substantially all revenue is earned from affiliates of the Partnership. See accompanying notes.

The Carlyle Group L.P.
Condensed Consolidated Statements of Comprehensive Income
(Unaudited)
(Dollars in millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net income	\$ 252.0	\$ 43.2	\$ 1,224.8	\$ 402.1
Other comprehensive income (loss)				
Foreign currency translation adjustments	(31.4)	(9.0)	(30.2)	(34.7)
Unrealized gains on Fortitude Re available-for-sale securities	4.6	—	17.0	—
Defined benefit plans				
Unrealized gain (loss) for the period	0.6	(0.1)	2.6	(0.4)
Less: reclassification adjustment for gain during the period, included in cash-based compensation and benefits expense	0.3	0.2	0.8	0.7
Other comprehensive loss	(25.9)	(8.9)	(9.8)	(34.4)
Comprehensive income	226.1	34.3	1,215.0	367.7
Comprehensive income attributable to non-controlling interests in consolidated entities	(8.2)	(8.2)	(37.7)	(28.7)
Comprehensive income attributable to Carlyle Holdings	217.9	26.1	1,177.3	339.0
Comprehensive income attributable to non-controlling interests in Carlyle Holdings	(133.7)	(9.5)	(789.0)	(218.8)
Comprehensive income attributable to The Carlyle Group L.P.	\$ 84.2	\$ 16.6	\$ 388.3	\$ 120.2

See accompanying notes.

The Carlyle Group L.P.
Condensed Consolidated Statements of Changes in Partners' Capital
(Unaudited)
(Dollars and units in millions)

	Common Units	Preferred Equity	Partners' Capital	Accumulated Other Comprehensive Income (Loss)	Non- controlling Interests in Consolidated Entities	Non- controlling Interests in Carlyle Holdings	Total Partners' Capital
Balance at June 30, 2019	110.7	\$ 387.5	\$ 921.2	\$ (77.8)	\$ 308.5	\$ 2,078.9	\$ 3,618.3
Reallocation of ownership interests in Carlyle Holdings	—	—	34.2	(2.5)	—	(31.7)	—
Exchange of Carlyle Holdings units for common units	1.2	—	11.4	(0.8)	—	(10.6)	—
Units repurchased	(1.0)	—	(22.5)	—	—	—	(22.5)
Deferred tax effects resulting from acquisition of interests in Carlyle Holdings	—	—	0.6	—	—	—	0.6
Equity-based compensation	—	—	13.1	—	—	26.8	39.9
Issuances of common units for equity-based awards	6.4	—	—	—	—	—	—
Contributions	—	—	—	—	15.6	—	15.6
Distributions	—	(5.9)	(49.9)	—	(11.0)	(99.1)	(165.9)
Net income	—	23.8	68.4	—	10.5	149.3	252.0
Redemption of preferred units (see Note 12)	—	(405.4)	—	—	—	—	(405.4)
Deconsolidation of a Consolidated Entity	—	—	—	—	(11.2)	—	(11.2)
Currency translation adjustments	—	—	—	(9.9)	(2.3)	(19.2)	(31.4)
Unrealized gains on Fortitude Re available-for-sale securities	—	—	—	1.6	—	3.0	4.6
Defined benefit plans, net	—	—	—	0.3	—	0.6	0.9
Balance at September 30, 2019	117.3	\$ —	\$ 976.5	\$ (89.1)	\$ 310.1	\$ 2,098.0	\$ 3,295.5

	Common Units	Preferred Equity	Partners' Capital	Accumulated Other Comprehensive Income (Loss)	Non- controlling Interests in Consolidated Entities	Non- controlling Interests in Carlyle Holdings	Total Partners' Capital
Balance at December 31, 2018	107.7	\$ 387.5	\$ 673.4	\$ (83.3)	\$ 324.2	\$ 1,534.5	\$ 2,836.3
Reallocation of ownership interests in Carlyle Holdings	—	—	49.6	(3.8)	—	(45.8)	—
Exchange of Carlyle Holdings units for common units	1.6	—	14.7	(1.1)	—	(13.6)	—
Units repurchased	(1.6)	—	(34.5)	—	—	—	(34.5)
Deferred tax effects resulting from acquisition of interests in Carlyle Holdings	—	—	1.0	—	—	—	1.0
Equity-based compensation	—	—	37.3	—	—	76.7	114.0
Issuances of common units for equity-based awards	9.6	—	—	—	—	—	—
Contributions	—	—	—	—	24.7	—	24.7
Distributions	—	(17.7)	(118.4)	—	(65.3)	(242.3)	(443.7)
Net income	—	35.6	353.6	—	45.8	789.8	1,224.8
Redemption of preferred units (see Note 12)	—	(405.4)	—	—	—	—	(405.4)
Deconsolidation of a Consolidated Entity	—	—	—	—	(11.2)	—	(11.2)
Cumulative effect adjustment upon adoption of ASU 2016-2	—	—	(0.2)	—	—	(0.5)	(0.7)
Currency translation adjustments	—	—	—	(7.6)	(8.1)	(14.5)	(30.2)
Unrealized gains on Fortitude Re available-for-sale securities	—	—	—	5.6	—	11.4	17.0
Defined benefit plans, net	—	—	—	1.1	—	2.3	3.4
Balance at September 30, 2019	117.3	\$ —	\$ 976.5	\$ (89.1)	\$ 310.1	\$ 2,098.0	\$ 3,295.5

The Carlyle Group L.P.
Condensed Consolidated Statements of Changes in Partners' Capital (continued)
(Unaudited)
(Dollars and units in millions)

	Common Units	Preferred Equity	Partners' Capital	Accumulated Other Comprehensive Income (Loss)	Non- controlling Interests in Consolidated Entities	Non- controlling Interests in Carlyle Holdings	Total Partners' Capital
Balance at June 30, 2018	102.1	\$ 387.5	\$ 738.4	\$ (79.6)	\$ 382.3	\$ 1,694.7	\$ 3,123.3
Reallocation of ownership interests in Carlyle Holdings	—	—	23.0	(2.1)	—	(20.9)	—
Exchange of Carlyle Holdings units for common units	1.7	—	13.3	(1.2)	—	(12.1)	—
Units repurchased	(1.6)	—	(36.5)	—	—	—	(36.5)
Deferred tax effects resulting from acquisition of interests in Carlyle Holdings	—	—	0.9	—	—	—	0.9
Equity-based compensation	—	—	13.6	—	—	36.3	49.9
Issuances of common units for equity-based awards	5.5	—	—	—	—	—	—
Contributions	—	—	—	—	8.7	—	8.7
Distributions	—	(5.9)	(23.3)	—	(20.9)	(51.3)	(101.4)
Net income	—	5.9	11.6	—	14.5	11.2	43.2
Currency translation adjustments	—	—	—	(0.9)	(6.3)	(1.8)	(9.0)
Defined benefit plans, net	—	—	—	—	—	0.1	0.1
Balance at September 30, 2018	107.7	\$ 387.5	\$ 741.0	\$ (83.8)	\$ 378.3	\$ 1,656.2	\$ 3,079.2

	Common Units	Preferred Equity	Partners' Capital	Accumulated Other Comprehensive Income (Loss)	Non- controlling Interests in Consolidated Entities	Non- controlling Interests in Carlyle Holdings	Total Partners' Capital
Balance at December 31, 2017	100.1	\$ 387.5	\$ 701.8	\$ (72.7)	\$ 404.7	\$ 1,527.7	\$ 2,949.0
Reallocation of ownership interests in Carlyle Holdings	—	—	22.1	(2.3)	—	(19.8)	—
Exchange of Carlyle Holdings units for common units	3.3	—	25.4	(2.4)	—	(23.0)	—
Units repurchased	(3.9)	—	(87.5)	—	—	—	(87.5)
Deferred tax effects resulting from acquisition of interests in Carlyle Holdings	—	—	1.8	—	—	—	1.8
Equity-based compensation	—	—	54.3	—	—	147.6	201.9
Issuances of common units for equity-based awards	8.2	—	—	—	—	—	—
Contributions	—	—	—	—	17.6	—	17.6
Distributions	—	(17.7)	(84.3)	—	(72.7)	(191.7)	(366.4)
Net income	—	17.7	108.9	—	42.2	233.3	402.1
Cumulative effect adjustment upon adoption of ASU 2016-16	—	—	(1.2)	—	—	(2.9)	(4.1)
Cumulative effect adjustment upon adoption of ASU 2014-09	—	—	(0.3)	—	—	(0.5)	(0.8)
Currency translation adjustments	—	—	—	(6.5)	(13.5)	(14.7)	(34.7)
Defined benefit plans, net	—	—	—	0.1	—	0.2	0.3
Balance at September 30, 2018	107.7	\$ 387.5	\$ 741.0	\$ (83.8)	\$ 378.3	\$ 1,656.2	\$ 3,079.2

See accompanying notes.

The Carlyle Group L.P.
Condensed Consolidated Statements of Cash Flows
(Unaudited)
(Dollars in millions)

	Nine Months Ended September 30,	
	2019	2018
Cash flows from operating activities		
Net income	\$ 1,224.8	\$ 402.1
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	44.9	34.3
Equity-based compensation	107.8	199.5
Non-cash performance allocations and incentive fees	(242.0)	(225.9)
Non-cash principal investment income	(775.1)	(175.2)
Other non-cash amounts	8.0	3.7
Consolidated Funds related:		
Realized/unrealized (gain) loss on investments of Consolidated Funds	(18.8)	52.1
Realized/unrealized (gain) loss from loans payable of Consolidated Funds	25.7	(64.1)
Purchases of investments by Consolidated Funds	(1,399.0)	(2,914.4)
Proceeds from sale and settlements of investments by Consolidated Funds	1,742.5	2,159.8
Non-cash interest income, net	(2.7)	(3.0)
Change in cash and cash equivalents held at Consolidated Funds	49.1	408.9
Change in other receivables held at Consolidated Funds	64.5	(90.5)
Change in other liabilities held at Consolidated Funds	(289.3)	(231.1)
Purchases of investments	(216.5)	(371.8)
Proceeds from the sale of investments	305.2	571.9
Payments of contingent consideration	—	(37.5)
Changes in deferred taxes, net	21.6	1.4
Change in due from affiliates and other receivables	57.8	(1.8)
Change in deposits and other	(6.3)	(17.9)
Change in accounts payable, accrued expenses and other liabilities	(64.6)	115.3
Change in accrued compensation and benefits	99.3	132.8
Change in due to affiliates	0.3	(39.3)
Change in lease right-of-use assets and lease liabilities	(17.1)	—
Change in deferred revenue	203.9	185.7
Net cash provided by operating activities	924.0	95.0
Cash flows from investing activities		
Purchases of fixed assets, net	(17.5)	(20.1)
Net cash used in investing activities	(17.5)	(20.1)
Cash flows from financing activities		
Borrowings under credit facility	42.3	—
Repayments under credit facility	(17.0)	—
Issuance of 3.500% senior notes due 2029, net of financing costs	421.6	—
Issuance of 5.650% senior notes due 2048, net of financing costs	—	346.6
Repurchase of 3.875% senior notes due 2023	—	(254.8)
Repayment of term loan	(25.0)	—
Payments on debt obligations	(44.9)	(149.8)
Proceeds from debt obligations, net of financing costs	40.9	40.8
Net borrowings (payments) on loans payable of Consolidated Funds	(161.7)	662.3
Payments of contingent consideration	(0.2)	—
Distributions to common unitholders	(118.4)	(84.3)
Distributions to preferred unitholders	(17.7)	(17.7)
Distributions to non-controlling interest holders in Carlyle Holdings	(242.3)	(191.7)
Contributions from non-controlling interest holders	24.7	17.6
Distributions to non-controlling interest holders	(42.9)	(72.7)
Common units repurchased	(34.5)	(87.5)
Change in due to/from affiliates financing activities	147.1	(58.5)
Net cash (used in) provided by financing activities	(28.0)	150.3
Effect of foreign exchange rate changes	(11.0)	(14.4)
Increase in cash, cash equivalents and restricted cash	867.5	210.8

Cash, cash equivalents and restricted cash, beginning of period	638.3	1,028.8
Cash, cash equivalents and restricted cash, end of period	\$ 1,505.8	\$ 1,239.6
Supplemental non-cash disclosures		
Net increase in partners' capital and accumulated other comprehensive income related to reallocation of ownership interest in Carlyle Holdings	\$ 45.8	\$ 19.9
Non-cash distributions to non-controlling interest holders	\$ (22.4)	\$ —
Net asset impact of deconsolidation of Consolidated Funds	\$ (24.3)	\$ —
Tax effect from acquisition of Carlyle Holdings partnership units:		
Deferred tax asset	\$ 6.1	\$ 10.8
Tax receivable agreement liability	\$ 5.1	\$ 9.0
Total partners' capital	\$ 1.0	\$ 1.8
Reconciliation of cash, cash equivalents and restricted cash, end of period:		
Cash and cash equivalents	\$ 1,489.8	\$ 1,238.2
Restricted cash	16.0	1.4
Total cash, cash equivalents and restricted cash, end of period	\$ 1,505.8	\$ 1,239.6
Cash and cash equivalents held at Consolidated Funds	\$ 124.1	\$ 241.8

See accompanying notes.

Notes to the Condensed Consolidated Financial Statements
(Unaudited)

1. Organization and Basis of Presentation

The Carlyle Group L.P., together with its consolidated subsidiaries, is one of the world's largest global investment firms that originates, structures and acts as lead equity investor in management-led buyouts, strategic minority equity investments, equity private placements, consolidations and buildups, growth capital financings, real estate opportunities, bank loans, high-yield debt, distressed assets, mezzanine debt and other investment opportunities. The Carlyle Group L.P. is a Delaware limited partnership formed on July 18, 2011, which is managed and operated by its general partner, Carlyle Group Management L.L.C., which is in turn wholly-owned and controlled by Carlyle's founders and other senior Carlyle professionals. Except as otherwise indicated by the context, references to the "Partnership" or "Carlyle" refer to The Carlyle Group L.P., together with its consolidated subsidiaries.

Carlyle provides investment management services to, and has transactions with, various private equity funds, real estate funds, private credit funds, collateralized loan obligations ("CLOs"), and other investment products sponsored by the Partnership for the investment of client assets in the normal course of business. Carlyle typically serves as the general partner, investment manager or collateral manager, making day-to-day investment decisions concerning the assets of these products. Carlyle operates its business through four reportable segments: Corporate Private Equity, Real Assets, Global Credit, and Investment Solutions (see Note 14).

Conversion

On July 31, 2019, Carlyle announced its decision to convert The Carlyle Group L.P. from a Delaware limited partnership to a Delaware corporation named The Carlyle Group Inc. (the "Conversion"). The Conversion is expected to become effective on January 1, 2020. Carlyle also announced the termination of future obligations under the tax receivable agreement, whereby the Partnership will be obligated to pay cash payments aggregating to \$1.50 per Carlyle Holdings partnership unit exchanged, payable in five annual installments of \$0.30 per unit beginning in 2020. Based on the Carlyle Holdings partnership units outstanding as of September 30, 2019, the total cash payments would be approximately \$344 million.

Basis of Presentation

The accompanying condensed consolidated financial statements include the accounts of the Partnership and its consolidated subsidiaries. In addition, certain Carlyle-affiliated funds, related co-investment entities, certain CLOs managed by the Partnership (collectively the "Consolidated Funds") have been consolidated in the accompanying condensed consolidated financial statements pursuant to accounting principles generally accepted in the United States ("U.S. GAAP"), as described in Note 2. The consolidation of the Consolidated Funds generally has a gross-up effect on assets, liabilities and cash flows, and generally has no effect on the net income attributable to the Partnership. The economic ownership interests of the other investors in the Consolidated Funds are reflected as non-controlling interests in consolidated entities in the accompanying condensed consolidated financial statements (see Note 2).

The accompanying condensed consolidated financial statements have been prepared in accordance with U.S. GAAP for interim financial information. These statements, including notes, have not been audited, exclude some of the disclosures required for annual financial statements, and should be read in conjunction with the audited consolidated financial statements included in the Partnership's Annual Report on Form 10-K for the year ended December 31, 2018 filed with the Securities and Exchange Commission ("SEC"). The operating results presented for interim periods are not necessarily indicative of the results that may be expected for any other interim period or for the entire year. In the opinion of management, the condensed consolidated financial statements reflect all adjustments, consisting of normal recurring accruals, which are necessary for the fair presentation of the financial condition and results of operations for the interim periods presented.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The Partnership consolidates all entities that it controls either through a majority voting interest or as the primary beneficiary of variable interest entities ("VIEs").

The Partnership evaluates (1) whether it holds a variable interest in an entity, (2) whether the entity is a VIE, and (3) whether the Partnership's involvement would make it the primary beneficiary. In evaluating whether the Partnership holds a variable interest, fees (including management fees, incentive fees and performance allocations) that are customary and commensurate with the level of services provided, and where the Partnership does not hold other economic interests in the entity that would absorb more than an insignificant amount of the expected losses or returns of the entity, are not considered

Notes to the Condensed Consolidated Financial Statements
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variable interests. The Partnership considers all economic interests, including indirect interests, to determine if a fee is considered a variable interest.

For those entities where the Partnership holds a variable interest, the Partnership determines whether each of these entities qualifies as a VIE and, if so, whether or not the Partnership is the primary beneficiary. The assessment of whether the entity is a VIE is generally performed qualitatively, which requires judgment. These judgments include: (a) determining whether the equity investment at risk is sufficient to permit the entity to finance its activities without additional subordinated financial support, (b) evaluating whether the equity holders, as a group, can make decisions that have a significant effect on the economic performance of the entity, (c) determining whether two or more parties' equity interests should be aggregated, and (d) determining whether the equity investors have proportionate voting rights to their obligations to absorb losses or rights to receive returns from an entity.

For entities that are determined to be VIEs, the Partnership consolidates those entities where it has concluded it is the primary beneficiary. The primary beneficiary is defined as the variable interest holder with (a) the power to direct the activities of a VIE that most significantly impact the entity's economic performance and (b) the obligation to absorb losses of the entity or the right to receive benefits from the entity that could potentially be significant to the VIE. In evaluating whether the Partnership is the primary beneficiary, the Partnership evaluates its economic interests in the entity held either directly or indirectly by the Partnership.

As of September 30, 2019, assets and liabilities of the consolidated VIEs reflected in the unaudited condensed consolidated balance sheets were \$4.7 billion and \$4.5 billion, respectively. Except to the extent of the consolidated assets of the VIEs, the holders of the consolidated VIEs' liabilities generally do not have recourse to the Partnership.

Substantially all of the Partnership's Consolidated Funds are CLOs, which are VIEs that issue loans payable that are backed by diversified collateral asset portfolios consisting primarily of loans or structured debt. In exchange for managing the collateral for the CLOs, the Partnership earns investment management fees, including in some cases subordinated management fees and contingent incentive fees. In cases where the Partnership consolidates the CLOs (primarily because of a retained interest that is significant to the CLO), those management fees have been eliminated as intercompany transactions. As of September 30, 2019, the Partnership held \$165.6 million of investments in these CLOs which represents its maximum risk of loss. The Partnership's investments in these CLOs are generally subordinated to other interests in the entities and entitle the Partnership to receive a pro rata portion of the residual cash flows, if any, from the entities. Investors in the CLOs have no recourse against the Partnership for any losses sustained in the CLO structure.

Entities that do not qualify as VIEs are generally assessed for consolidation as voting interest entities. Under the voting interest entity model, the Partnership consolidates those entities it controls through a majority voting interest.

All significant inter-entity transactions and balances of entities consolidated have been eliminated.

Investments in Unconsolidated Variable Interest Entities

The Partnership holds variable interests in certain VIEs that are not consolidated because the Partnership is not the primary beneficiary, including its investments in certain CLOs and strategic investment in NGP Management Company, L.L.C. ("NGP Management" and, together with its affiliates, "NGP"). Refer to Note 4 for information on the strategic investment in NGP. The Partnership's involvement with such entities is in the form of direct equity interests and fee arrangements. The maximum exposure to loss represents the loss of assets recognized by the Partnership relating to its variable interests in these unconsolidated entities. The assets recognized in the Partnership's consolidated balance sheets related to the Partnership's variable interests in these non-consolidated VIEs were as follows:

	As of	
	September 30, 2019	December 31, 2018
	(Dollars in millions)	
Investments	\$ 1,058.6	\$ 1,152.4
Performance allocations	162.8	121.2
Management fee arrangements	30.0	15.1
Total	<u>\$ 1,251.4</u>	<u>\$ 1,288.7</u>

These amounts represent the Partnership's maximum exposure to loss related to the unconsolidated VIEs as of September 30, 2019 and December 31, 2018.

**Notes to the Condensed Consolidated Financial Statements
(Unaudited)****Basis of Accounting**

The accompanying financial statements are prepared in accordance with U.S. GAAP. Management has determined that the Partnership's Funds are investment companies under U.S. GAAP for the purposes of financial reporting. U.S. GAAP for an investment company requires investments to be recorded at estimated fair value and the unrealized gains and/or losses in an investment's fair value are recognized on a current basis in the statements of operations. Additionally, the Funds do not consolidate their majority-owned and controlled investments (the "Portfolio Companies"). In the preparation of these unaudited condensed consolidated financial statements, the Partnership has retained the specialized accounting for the Funds.

All of the investments held and notes issued by the Consolidated Funds are presented at their estimated fair values in the Partnership's condensed consolidated balance sheets. Interest and other income of the Consolidated Funds as well as interest expense and other expenses of the Consolidated Funds are included in the Partnership's unaudited condensed consolidated statements of operations.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make assumptions and estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management's estimates are based on historical experiences and other factors, including expectations of future events that management believes to be reasonable under the circumstances. It also requires management to exercise judgment in the process of applying the Partnership's accounting policies. Assumptions and estimates regarding the valuation of investments and their resulting impact on performance allocations involve a higher degree of judgment and complexity and these assumptions and estimates may be significant to the consolidated financial statements and the resulting impact on performance allocations and incentive fees. Actual results could differ from these estimates and such differences could be material.

Business Combinations

The Partnership accounts for business combinations using the acquisition method of accounting, under which the purchase price of the acquisition is allocated to the assets acquired and liabilities assumed using the fair values determined by management as of the acquisition date. Contingent consideration obligations that are elements of consideration transferred are recognized as of the acquisition date as part of the fair value transferred in exchange for the acquired business. Acquisition-related costs incurred in connection with a business combination are expensed as incurred.

Revenue Recognition

The Partnership recognizes revenue in accordance with ASC 606, *Revenue from Contracts with Customers*. Revenue is recognized when the Partnership transfers promised goods or services to customers in an amount that reflects the consideration to which the Partnership expects to be entitled to in exchange for those goods or services. ASC 606 includes a five-step framework that requires an entity to: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when the entity satisfies a performance obligation.

The Partnership accounts for performance allocations that represent a performance-based capital allocation from fund limited partners to the Partnership (commonly known as "carried interest", which comprises substantially all of the Partnership's previously reported performance fee revenues) as earnings from financial assets within the scope of ASC 323, *Investments - Equity Method and Joint Ventures*, and therefore are not in the scope of ASC 606. In accordance with ASC 323, the Partnership records equity method income (losses) as a component of investment income based on the change in its proportionate claim on net assets of the investment fund, including performance allocations, assuming the investment fund was liquidated as of each reporting date pursuant to each fund's governing agreements. See Note 4 for additional information on the components of investments and investment income. Performance fees that do not meet the definition of performance-based capital allocations are in the scope of ASC 606 and are included in incentive fees in the consolidated statements of operations.

While the determination of who is the customer in a contractual arrangement will be made on a contract-by-contract basis, the customer will generally be the investment fund for the Partnership's significant management and advisory contracts. The customer determination impacts the Partnership's analysis of the accounting for contract costs. Also, the recovery of certain costs incurred on behalf of Carlyle funds, primarily travel and entertainment costs, are presented gross in the unaudited condensed consolidated statements of operations, as the Partnership controls the inputs to its investment management performance obligation.

**Notes to the Condensed Consolidated Financial Statements
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Fund Management Fees

The Partnership provides management services to funds in which it holds a general partner interest or has a management agreement. The Partnership considers the performance obligations in its contracts with its funds to be the promise to provide (or to arrange for third parties to provide) investment management services related to the management, policies and operations of the funds.

As it relates to the Partnership's performance obligation to provide investment management services, the Partnership typically satisfies this performance obligation over time as the services are rendered, since the funds simultaneously receive and consume the benefits provided as the Partnership performs the service. The transaction price is the amount of consideration to which the Partnership expects to be entitled in exchange for transferring the promised services to the funds. Management fees earned from each investment management contract over the contract life represent variable consideration because the consideration the Partnership is entitled to varies based on fluctuations in the basis for the management fee, for example fund net asset value ("NAV") or AUM. Given that the management fee basis is susceptible to market factors outside of the Partnership's influence, management fees are constrained and, therefore, estimates of future period management fees are generally not included in the transaction price. Revenue recognized for the investment management services provided is generally the amount determined at the end of the period because that is when the uncertainty for that period is resolved.

For closed-end carry funds in the Corporate Private Equity, Real Assets and Global Credit segments, management fees generally range from 1.0% to 2.0% of commitments during the fund's investment period based on limited partners' capital commitments to the funds. Following the expiration or termination of the investment period, management fees generally are based on the lower of cost or fair value of invested capital and the rate charged may also be reduced to between 0.6% and 2.0%. For certain separately managed accounts and longer-dated carry funds, with expected terms greater than ten years, management fees generally range from 0.2% to 1.0% based on contributions for unrealized investments or the current value of the investment. The Partnership will receive management fees during a specified period of time, which is generally ten years from the initial closing date, or, in some instances, from the final closing date, but such termination date may be earlier in certain limited circumstances or later if extended for successive one-year periods, typically up to a maximum of two years. Depending upon the contracted terms of investment advisory or investment management and related agreements, these fees are generally called semi-annually in advance and are recognized as earned over the subsequent six month period. For certain longer-dated carry funds, management fees are called quarterly over the life of the funds.

Within the Global Credit segment, for CLOs and other structured products, management fees generally range from 0.4% to 0.5% based on the total par amounts of assets or the aggregate principal amount of the notes in the CLO and are due quarterly based on the terms and recognized over the respective period. Management fees for the CLOs and other structured products are governed by indentures and collateral management agreements. The Partnership will receive management fees for the CLOs until redemption of the securities issued by the CLOs, which is generally five to ten years after issuance. Management fees for the business development companies are due quarterly in arrears at annual rates that range from 1.25% of invested capital to 1.5% of gross assets, excluding cash and cash equivalents.

Management fees for the Partnership's private equity and real estate carry fund vehicles in the Investment Solutions segment generally range from 0.25% to 1.0% of the vehicle's capital commitments during the commitment fee period of the relevant fund or the weighted-average investment period of the underlying funds. Following the expiration of the commitment fee period or weighted-average investment period of such funds, the management fees generally range from 0.25% to 1.0% on (i) the lower of cost or fair value of the capital invested, (ii) the net asset value for unrealized investments, or (iii) the contributions for unrealized investments; however, certain separately managed accounts earn management fees at all times on contributions for unrealized investments or on the initial commitment amount. Management fees for the Investment Solutions carry fund vehicles are generally due quarterly and recognized over the related quarter.

As of September 30, 2019 and December 31, 2018, management fee receivables were \$72.8 million and \$76.2 million, respectively, and are included in due from affiliates and other receivables, net, in the unaudited condensed consolidated balance sheets.

The Partnership also provides transaction advisory and portfolio advisory services to the portfolio companies, and where covered by separate contractual agreements, recognizes fees for these services when the performance obligation has been satisfied and collection is reasonably assured. Transaction fees also include underwriting fees from the Partnership's loan syndication and capital markets business, Carlyle Capital Solutions ("CCS"). Fund management fees include transaction and portfolio advisory fees of \$9.9 million and \$7.7 million for the three months ended September 30, 2019 and 2018, respectively, and \$33.0 million and \$21.3 million for the nine months ended September 30, 2019 and 2018, respectively, net of any offsets as defined in the respective partnership agreements.

**Notes to the Condensed Consolidated Financial Statements
(Unaudited)**

Fund management fees exclude the reimbursement of any partnership expenses paid by the Partnership on behalf of the Carlyle funds pursuant to the limited partnership agreements, including amounts related to the pursuit of actual, proposed, or unconsummated investments, professional fees, expenses associated with the acquisition, holding and disposition of investments, and other fund administrative expenses. For the professional fees that the Partnership arranges for the investment funds, the Partnership concluded that the nature of its promise is to arrange for the services to be provided and it does not control the services provided by third parties before they are transferred to the customer. Therefore, the Partnership concluded it is acting in the capacity of an agent. Accordingly, the reimbursement for these professional fees paid on behalf of the investment funds is presented on a net basis in general, administrative and other expenses in the unaudited condensed consolidated statements of operations.

The Partnership also incurs certain costs, primarily employee travel and entertainment costs, employee compensation and systems costs, for which it receives reimbursement from the investment funds in connection with its performance obligation to provide investment and management services. For reimbursable travel, compensation and systems costs, the Partnership concluded it controls the services provided by its employees and the resources used to develop applicable systems before they are transferred to the customer and therefore is a principal. Accordingly, the reimbursement for these costs incurred by the Partnership to manage the fund limited partnerships are presented on a gross basis in interest and other income in the unaudited condensed consolidated statements of operations and the expense in general, administrative and other expenses or cash-based compensation and benefits expenses in the unaudited condensed consolidated statements of operations.

Incentive Fees

In connection with management contracts from certain of its Global Credit funds, the Partnership is also entitled to receive performance-based incentive fees when the return on assets under management exceeds certain benchmark returns or other performance targets. In such arrangements, incentive fees are recognized when the performance benchmark has been achieved. Incentive fees are variable consideration because they are contingent upon the investment vehicle achieving stipulated investment return hurdles. Investment returns are highly susceptible to market factors outside of the Partnership's influence. Accordingly, incentive fees are constrained until the uncertainty is resolved. Estimates of future period incentive fees are generally not included in the transaction price because these estimates are constrained. The transaction price for incentive fees is generally the amount determined at the end of each accounting period to which they relate because that is when the uncertainty for that period is resolved, as these fees are not subject to clawback.

Investment Income (Loss), including Performance Allocations

Investment income (loss) represents the unrealized and realized gains and losses resulting from the Partnership's equity method investments, including any associated general partner performance allocations, and other principal investments, including CLOs.

General partner performance allocations consist of the allocation of profits from certain of the funds to which the Partnership is entitled (commonly known as carried interest).

For closed-end carry funds in the Corporate Private Equity, Real Assets and Global Credit segments, the Partnership is generally entitled to a 20% allocation (or 10% to 20% on certain longer-dated carry funds, certain credit funds, up to 25% on certain Corporate Private Equity funds in the event performance benchmarks are achieved, and external co-investment vehicles, or approximately 2% to 10% for most of the Investment Solutions segment carry fund vehicles) of the net realized income or gain as a carried interest after returning the invested capital, the allocation of preferred returns of generally 7% to 9% (or 4% to 7% for certain longer-dated carry funds) and return of certain fund costs (generally subject to catch-up provisions as set forth in the fund limited partnership agreement). Carried interest is recognized upon appreciation of the funds' investment values above certain return hurdles set forth in each respective partnership agreement. The Partnership recognizes revenues attributable to performance allocations based upon the amount that would be due pursuant to the fund partnership agreement at each period end as if the funds were terminated at that date. Accordingly, the amount recognized as investment income for performance allocations reflects the Partnership's share of the gains and losses of the associated funds' underlying investments measured at their then-current fair values relative to the fair values as of the end of the prior period. Because of the inherent uncertainty, these estimated values may differ significantly from the values that would have been used had a ready market for the investments existed, and it is reasonably possible that the difference could be material.

Carried interest is ultimately realized when: (i) an underlying investment is profitably disposed of, (ii) certain costs borne by the limited partner investors have been reimbursed, (iii) the fund's cumulative returns are in excess of the preferred return and (iv) the Partnership has decided to collect carry rather than return additional capital to limited partner investors. Realized carried interest may be required to be returned by the Partnership in future periods if the funds' investment values decline below

**Notes to the Condensed Consolidated Financial Statements
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certain levels. When the fair value of a fund's investments remains constant or falls below certain return hurdles, previously recognized performance allocations are reversed. In all cases, each fund is considered separately in this regard, and for a given fund, performance allocations can never be negative over the life of a fund. If upon a hypothetical liquidation of a fund's investments at their then-current fair values, previously recognized and distributed carried interest would be required to be returned, a liability is established for the potential giveback obligation.

Principal investment income (loss) is realized when the Partnership redeems all or a portion of its investment or when the Partnership receives or is due cash income, such as dividends or distributions. Principal investment income (loss) also includes the Partnership's allocation of earnings from its investment in Fortitude Re. As it relates to the Partnership's investments in NGP (see Note 4), principal investment income includes the related amortization of the basis difference between the Partnership's carrying value of its investment and the Partnership's share of underlying net assets of the investee, as well as the compensation expense associated with compensatory arrangements provided by the Partnership to employees of its equity method investee. Unrealized principal investment income (loss) results from the Partnership's proportionate share of the investee's unrealized earnings, including changes in the fair value of the underlying investment, as well as the reversal of unrealized gain (loss) at the time an investment is realized.

Interest Income

Interest income is recognized when earned. For debt securities representing non-investment grade beneficial interests in securitizations, the effective yield is determined based on the estimated cash flows of the security. Changes in the effective yield of these securities due to changes in estimated cash flows are recognized on a prospective basis as adjustments to interest income in future periods. Interest income earned by the Partnership is included in interest and other income in the accompanying unaudited condensed consolidated statements of operations. Interest income of the Consolidated Funds was \$49.8 million and \$57.9 million for the three months ended September 30, 2019 and 2018, respectively, \$144.5 million and \$155.9 million for the nine months ended September 30, 2019 and 2018, respectively, and is included in interest and other income of Consolidated Funds in the accompanying unaudited condensed consolidated statements of operations.

Compensation and Benefits

Cash-based Compensation and Benefits – Cash-based compensation and benefits includes salaries, bonuses (discretionary awards and guaranteed amounts), performance payment arrangements and benefits paid and payable to Carlyle employees. Bonuses are accrued over the service period to which they relate.

Equity-Based Compensation – Compensation expense relating to the issuance of equity-based awards to Carlyle employees is measured at fair value on the grant date. In June 2018, the Partnership adopted ASU 2018-7, *Improvements to Nonemployee Share-Based Payment Accounting*, which aligned the accounting for non-employee equity-based awards with the accounting for employee equity-based awards, retroactive to January 1, 2018. The compensation expense for awards that vest over a future service period is recognized over the relevant service period on a straight-line basis. The compensation expense for awards that do not require future service is recognized immediately. Cash settled equity-based awards are classified as liabilities and are re-measured at the end of each reporting period. The compensation expense for awards that contain performance conditions is recognized when it is probable that the performance conditions will be achieved; in certain instances, such compensation expense may be recognized prior to the grant date of the award. The compensation expense for awards that contain market conditions is based on a grant-date fair value that factors in the probability that the market conditions will be achieved and is recognized over the requisite service period on a straight-line basis.

Equity-based awards issued to non-employees are generally recognized as general, administrative and other expenses, except to the extent they are recognized as part of the Partnership's equity method earnings because they are issued to employees of equity method investees.

The Partnership recognizes equity-based award forfeitures in the period they occur as a reversal of previously recognized compensation expense. The reduction in compensation expense is determined based on the specific awards forfeited during that period. Furthermore, the Partnership recognizes all excess tax benefits and deficiencies as income tax benefit or expense in the unaudited condensed consolidated statement of operations.

Performance Allocations and Incentive Fee Related Compensation – A portion of the performance allocations and incentive fees earned is due to employees and advisors of the Partnership. These amounts are accounted for as compensation expense in conjunction with the recognition of the related performance allocations and incentive fee revenue and, until paid, are recognized as a component of the accrued compensation and benefits liability. Accordingly, upon a reversal of performance allocations or incentive fee revenue, the related compensation expense, if any, is also reversed. As of September 30, 2019 and December 31, 2018, the Partnership had recorded a liability of \$2.0 billion and \$1.8 billion, respectively, related to the portion

**Notes to the Condensed Consolidated Financial Statements
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of accrued performance allocations and incentive fees due to employees and advisors, respectively, which was included in accrued compensation and benefits in the accompanying unaudited condensed consolidated balance sheets.

Income Taxes

Certain of the wholly-owned subsidiaries of the Partnership and the Carlyle Holdings partnerships are subject to federal, state, local and foreign corporate income taxes at the entity level and the related tax provision attributable to the Partnership's share of this income is reflected in the unaudited condensed consolidated financial statements. Based on applicable federal, foreign, state and local tax laws, the Partnership records a provision for income taxes for certain entities. Tax positions taken by the Partnership are subject to periodic audit by U.S. federal, state, local and foreign taxing authorities.

On July 31, 2019, the Partnership announced its decision to convert the Carlyle Group L.P. from a Delaware limited partnership to a Delaware corporation named The Carlyle Group Inc.

The Partnership accounts for income taxes using the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement reporting and the tax basis of assets and liabilities using enacted tax rates in effect for the period in which the difference is expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in the period of the change in the provision for income taxes. Further, deferred tax assets are recognized for the expected realization of available net operating loss and tax credit carry forwards. A valuation allowance is recorded on the Partnership's gross deferred tax assets when it is "more likely than not" that such asset will not be realized. When evaluating the realizability of the Partnership's deferred tax assets, all evidence, both positive and negative, is evaluated. Items considered in this analysis include the ability to carry back losses, the reversal of temporary differences, tax planning strategies, and expectations of future earnings.

Under U.S. GAAP for income taxes, the amount of tax benefit to be recognized is the amount of benefit that is "more likely than not" to be sustained upon examination. The Partnership analyzes its tax filing positions in all of the U.S. federal, state, local and foreign tax jurisdictions where it is required to file income tax returns, as well as for all open tax years in these jurisdictions. If, based on this analysis, the Partnership determines that uncertainties in tax positions exist, a liability is established, which is included in accounts payable, accrued expenses and other liabilities in the unaudited condensed consolidated financial statements. The Partnership recognizes accrued interest and penalties related to unrecognized tax positions in the provision for income taxes. If recognized, the entire amount of unrecognized tax positions would be recorded as a reduction in the provision for income taxes.

Tax Receivable Agreement

Exchanges of Carlyle Holdings partnership units for the Partnership's common units that are executed by the limited partners of the Carlyle Holdings partnerships result in transfers of and increases in the tax basis of the tangible and intangible assets of Carlyle Holdings, primarily attributable to a portion of the goodwill inherent in the business. These transfers and increases in tax basis will increase (for tax purposes) depreciation and amortization and therefore reduce the amount of tax that certain of the Partnership's subsidiaries, including Carlyle Holdings I GP Inc., which are referred to as the "corporate taxpayers," would otherwise be required to pay in the future. This increase in tax basis may also decrease gain (or increase loss) on future dispositions of certain capital assets to the extent tax basis is allocated to those capital assets. The Partnership has entered into a tax receivable agreement with the limited partners of the Carlyle Holdings partnerships whereby the corporate taxpayers have agreed to pay to the limited partners of the Carlyle Holdings partnerships involved in any exchange transaction 85% of the amount of cash tax savings, if any, in U.S. federal, state and local income tax or foreign or franchise tax that the corporate taxpayers realize as a result of these increases in tax basis and, in limited cases, transfers or prior increases in tax basis. The corporate taxpayers expect to benefit from the remaining 15% of cash tax savings, if any, in income tax they realize. Payments under the tax receivable agreement will be based on the tax reporting positions that the Partnership will determine. The corporate taxpayers will not be reimbursed for any payments previously made under the tax receivable agreement if a tax basis increase is successfully challenged by the Internal Revenue Service.

The Partnership records an increase in deferred tax assets for the estimated income tax effects of the increases in tax basis based on enacted federal and state tax rates at the date of the exchange. To the extent that the Partnership estimates that the corporate taxpayers will not realize the full benefit represented by the deferred tax asset, based on an analysis that will consider, among other things, its expectation of future earnings, the Partnership will reduce the deferred tax asset with a valuation allowance and will assess the probability that the related liability owed under the tax receivable agreement will be paid. The Partnership records 85% of the estimated realizable tax benefit (which is the recorded deferred tax asset less any recorded

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valuation allowance) as an increase to the liability due under the tax receivable agreement, which is included in due to affiliates in the accompanying condensed consolidated financial statements. The remaining 15% of the estimated realizable tax benefit is initially recorded as an increase to the Partnership's partners' capital.

All of the effects to the deferred tax asset of changes in any of the Partnership's estimates after the tax year of the exchange will be reflected in the provision for income taxes. Similarly, the effect of subsequent changes in the enacted tax rates will be reflected in the provision for income taxes.

On July 31, 2019, the Partnership announced the termination of future obligations under the tax receivable agreement.

Non-controlling Interests

Non-controlling interests in consolidated entities represent the component of equity in consolidated entities held by third-party investors. These interests are adjusted for general partner allocations which occur during the reporting period. Any change in ownership of a subsidiary while the controlling financial interest is retained is accounted for as an equity transaction between the controlling and non-controlling interests. Transaction costs incurred in connection with such changes in ownership of a subsidiary are recorded as a direct charge to partners' capital.

Non-controlling interests in Carlyle Holdings relate to the ownership interests of the other 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 Carlyle Holdings into its consolidated financial statements, and the other ownership interests in Carlyle Holdings are reflected as non-controlling interests in the Partnership's unaudited condensed consolidated financial statements. Any change to the Partnership's ownership interest in Carlyle Holdings while it retains the controlling financial interest in Carlyle Holdings is accounted for as a transaction within partners' capital as a reallocation of ownership interests in Carlyle Holdings.

Earnings Per Common Unit

The Partnership computes earnings per common unit in accordance with ASC 260, *Earnings Per Share*. Basic earnings per common unit is calculated by dividing net income (loss) attributable to the common units of the Partnership by the weighted-average number of common units outstanding for the period. Diluted earnings per common unit reflects the assumed conversion of all dilutive securities. Net income (loss) attributable to the common units excludes net income (loss) and dividends attributable to any participating securities under the two-class method of ASC 260.

Investments

Investments include (i) the Partnership's ownership interests (typically general partner interests) in the Funds, (ii) strategic investments made by the Partnership (both of which are accounted for as equity method investments), (iii) the investments held by the Consolidated Funds (which are presented at fair value in the Partnership's unaudited condensed consolidated financial statements), and (iv) certain credit-oriented investments, including investments in the CLOs (which are accounted for as trading securities).

The valuation procedures utilized for investments of the Funds vary depending on the nature of the investment. The fair value of investments in publicly-traded securities is based on the closing price of the security with adjustments to reflect appropriate discounts if the securities are subject to restrictions.

The fair value of non-equity securities or other investments, which may include instruments that are not listed on an exchange, considers, among other factors, external pricing sources, such as dealer quotes or independent pricing services, recent trading activity or other information that, in the opinion of the Partnership, may not have been reflected in pricing obtained from external sources.

When valuing private securities or assets without readily determinable market prices, the Partnership gives consideration to operating results, financial condition, economic and/or market events, recent sales prices and other pertinent information. These valuation procedures may vary by investment, but include such techniques as comparable public market valuation, comparable acquisition valuation and discounted cash flow analysis. Because of the inherent uncertainty, these estimated values may differ significantly from the values that would have been used had a ready market for the investments existed, and it is reasonably possible that the difference could be material. Furthermore, there is no assurance that, upon liquidation, the Partnership will realize the values presented herein.

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Upon the sale of a security or other investment, the realized net gain or loss is computed on a weighted average cost basis, with the exception of the investments held by the CLOs, which compute the realized net gain or loss on a first in, first out basis. Securities transactions are recorded on a trade date basis.

Principal Equity Method Investments

The Partnership accounts for all investments in which it has or is otherwise presumed to have significant influence, including investments in the unconsolidated Funds and strategic investments, using the equity method of accounting. The carrying value of equity method investments is determined based on amounts invested by the Partnership, adjusted for the equity in earnings or losses of the investee (including performance allocations) allocated based on the respective partnership agreement, less distributions received. The Partnership evaluates its equity method investments for impairment whenever events or changes in circumstances indicate that the carrying amounts of such investments may not be recoverable.

Cash and Cash Equivalents

Cash and cash equivalents include cash held at banks and cash held for distributions, including investments with original maturities of less than three months when purchased.

Cash and Cash Equivalents Held at Consolidated Funds

Cash and cash equivalents held at Consolidated Funds consists of cash and cash equivalents held by the Consolidated Funds, which, although not legally restricted, is not available to fund the general liquidity needs of the Partnership.

Restricted Cash

Restricted cash primarily represents cash held by the Partnership's foreign subsidiaries due to certain government regulatory capital requirements as well as certain amounts held on behalf of Carlyle funds.

Corporate Treasury Investments

Corporate treasury investments represent investments in U.S. Treasury and government agency obligations, commercial paper, certificates of deposit, other investment grade securities and other investments with original maturities of greater than three months when purchased. These investments are accounted for as trading securities in which changes in the fair value of each investment are recorded through investment income (loss). Any interest earned on debt investments is recorded through interest and other income.

Derivative Instruments

The Partnership uses derivative instruments primarily to reduce its exposure to changes in foreign currency exchange rates. Derivative instruments are recognized at fair value in the unaudited condensed consolidated balance sheets with changes in fair value recognized in the unaudited condensed consolidated statements of operations for all derivatives not designated as hedging instruments.

Securities Sold Under Agreements to Repurchase

As it relates to certain European CLOs sponsored by the Partnership, securities sold under agreements to repurchase ("repurchase agreements") are accounted for as collateralized financing transactions. The Partnership provides securities to counterparties to collateralize amounts borrowed under repurchase agreements on terms that permit the counterparties to repledge or resell the securities to others. As of September 30, 2019, \$40.6 million of securities were transferred to counterparties under repurchase agreements and are included within investments in the condensed consolidated balance sheets. Cash received under repurchase agreements is recognized as a liability within debt obligations in the condensed consolidated balance sheets. Interest expense is recognized on an effective yield basis and is included within interest expense in the condensed consolidated statements of operations. See Note 5 for additional information.

Fixed Assets

Fixed assets consist of furniture, fixtures and equipment, leasehold improvements, and computer hardware and software and are stated at cost, less accumulated depreciation and amortization. Depreciation is recognized on a straight-line method over the assets' estimated useful lives, which for leasehold improvements are the lesser of the lease terms or the life of the asset,

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and three to seven years for other fixed assets. Fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Leases

On January 1, 2019, the Partnership adopted ASU 2016-2, *Leases (Topic 842)* under the modified retrospective method. ASU 2016-2, and related amendments, requires lessees to recognize virtually all of their leases on the balance sheet by recording right-of-use assets and lease liabilities. The lease liability is measured at the present value of lease payments and the right-of-use asset is based on the lease liability value, subject to adjustments for deferred rent, lease incentives, unamortized initial direct costs, or impairment. As of December 31, 2018, there was \$65.2 million of deferred rent and lease incentives that was reclassified from accounts payable, accrued expenses and other liabilities into right-of-use assets upon the adoption of ASU 2016-2. Leases can be classified as either operating leases or finance leases. Operating leases will result in straight-line lease expense, while finance leases will result in front-loaded expense. The adoption of this guidance did not have a material impact on operating results. The Partnership elected the transition option provided by the FASB, which allows entities to not apply ASC 842 in the comparative periods presented in the financial statements in the year of adoption. The Partnership also elected to use the practical expedients available under the transition provisions under which the Partnership did not need to reassess whether an arrangement is or contains a lease, lease classification, and the accounting for initial direct costs.

The Partnership recognizes a lease liability and right-of-use asset in the condensed consolidated balance sheet for contracts that it determines are leases or contain a lease. The Partnership's leases primarily consist of operating leases for office space in various countries around the world. The Partnership also has operating leases for office equipment and vehicles, which are not significant. The Partnership does not separate non-lease components from lease components for its office space and equipment operating leases and instead accounts for each separate lease component and its associated non-lease component as a single lease component. Right-of-use assets represent the Partnership's right to use an underlying asset for the lease term and lease liabilities represent the Partnership's obligation to make lease payments arising from the leases. The Partnership's right-of-use assets and lease liabilities are recognized at lease commencement based on the present value of lease payments over the lease term. Lease right-of-use assets include initial direct costs incurred by the Partnership and are presented net of deferred rent and lease incentives. Absent an implicit interest rate in the lease, the Partnership uses its incremental borrowing rate, adjusted for the effects of collateralization, based on the information available at commencement in determining the present value of lease payments. The Partnership's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Partnership will exercise those options. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Partnership does not recognize a lease liability or right-of-use asset on the balance sheet for short-term leases. Instead, the Partnership recognizes short-term lease payments as an expense on a straight-line basis over the lease term. A short-term lease is defined as a lease that, at the commencement date, has a lease term of 12 months or less and does not include an option to purchase the underlying asset that the lessee is reasonably certain to exercise. When determining whether a lease qualifies as a short-term lease, the Partnership evaluates the lease term and the purchase option in the same manner as all other leases.

Intangible Assets and Goodwill

The Partnership's intangible assets consist of acquired contractual rights to earn future fee income, including management and advisory fees, customer relationships, and acquired trademarks. Finite-lived intangible assets are amortized over their estimated useful lives, which range from four to ten years, and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Intangible asset amortization expense was \$3.9 million and \$2.6 million during the three months ended September 30, 2019 and 2018, respectively, and \$11.6 million and \$7.9 million during the nine months ended September 30, 2019 and 2018, respectively, and is included in general, administrative, and other expenses in the unaudited condensed consolidated statements of operations.

Goodwill represents the excess of cost over the identifiable net assets of businesses acquired and is recorded in the functional currency of the acquired entity. Goodwill is recognized as an asset and is reviewed for impairment annually as of October 1st and between annual tests when events and circumstances indicate that impairment may have occurred.

Deferred Revenue

Deferred revenue represents management fees and other revenue received prior to the balance sheet date, which has not yet been earned. The increase in the deferred revenue balance for the nine months ended September 30, 2019 was primarily

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driven by cash payments received in advance of the Partnership satisfying its performance obligations, partially offset by revenues that were included in the deferred revenue balance at the beginning of the period.

Accumulated Other Comprehensive Income (Loss)

The Partnership's accumulated other comprehensive income (loss) is comprised of foreign currency translation adjustments and gains and losses on defined benefit plans sponsored by AlpInvest. The components of accumulated other comprehensive income (loss) as of September 30, 2019 and December 31, 2018 were as follows:

	As of	
	September 30, 2019	December 31, 2018
(Dollars in millions)		
Currency translation adjustments	\$ (92.2)	\$ (79.7)
Unrealized losses on defined benefit plans	(3.5)	(4.6)
Fortitude Re available-for-sale securities	6.6	1.0
Total	<u>\$ (89.1)</u>	<u>\$ (83.3)</u>

Foreign Currency Translation

Non-U.S. dollar denominated assets and liabilities are translated at period-end rates of exchange, and the unaudited condensed consolidated statements of operations are translated at rates of exchange in effect throughout the period. Foreign currency gains (losses) resulting from transactions outside of the functional currency of an entity of \$0.7 million and \$3.2 million for the three months ended September 30, 2019 and 2018, respectively, and \$(5.0) million and \$1.6 million for the nine months ended September 30, 2019 and 2018, respectively, are included in general, administrative and other expenses in the unaudited condensed consolidated statements of operations.

Recent Accounting Pronouncements

In August 2018, the SEC adopted amendments to certain disclosure requirements in Securities Act Release No. 33-10532, *Disclosure Update and Simplification*. The amendments became effective on November 5, 2018. Among the amendments is the requirement to present the changes in shareholders' equity in the interim financial statements (either in a separate statement or footnote) in quarterly reports on Form 10-Q. The Partnership included a separate statement of changes in partners' capital in these condensed consolidated financial statements.

Recently Issued Accounting Standards Adopted as of January 1, 2019

In February 2018, the FASB issued ASU 2018-2, *Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*. ASU 2018-2 allows a reclassification from accumulated other comprehensive income to partners' capital for stranded effects resulting from the Tax Cuts and Jobs Act. The guidance was effective for the Partnership on January 1, 2019 and the Partnership adopted this guidance on that date. The impact of this guidance was not material to the Partnership.

In August 2017, the FASB issued ASU 2017-12, *Derivatives and Hedging (Topic 815) - Targeted Improvements to Accounting for Hedging Activities*. ASU 2017-12, among other things, permits hedge accounting for risk components in hedging relationships to now involve nonfinancial risk components and requires an entity to present the earnings effect of the hedging instrument in the same income statement line item in which the earnings effect of the hedge item is reported. The guidance was effective for the Partnership on January 1, 2019 and requires cash flow hedges and net investment hedges existing at the date of adoption to apply a cumulative effect adjustment to eliminate the measurement of ineffectiveness to accumulated other comprehensive income with a corresponding adjustment to the opening balance of partners' capital as of the beginning of the fiscal year that an entity adopts the guidance. The amended presentation and disclosure guidance is required only prospectively. The Partnership adopted this guidance on January 1, 2019 and the impact was not material.

Recently Issued Accounting Standards Effective on January 1, 2020

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820) - Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*. ASU 2018-13 eliminates, adds and modifies certain disclosure requirements for fair value measurements. This guidance is effective for the Partnership on January 1, 2020 and early adoption is permitted. The Partnership is currently assessing the potential impact of this guidance to the fair value disclosures.

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In January 2017, the FASB issued ASU 2017-4, *Intangibles - Goodwill and Other (Topic 350) - Simplifying the Test for Goodwill Impairment*. ASU 2017-04 simplifies an entity's annual goodwill test for impairment by eliminating the requirement to calculate the implied fair value of goodwill, and instead an entity should compare the fair value of a reporting unit with its carrying amount. The impairment charge will then be the amount by which the carrying amount exceeds the reporting unit's fair value. An entity would still have the option to perform a qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. The guidance is effective for the Partnership on January 1, 2020 and requires the guidance to be applied using a prospective transition method. Early adoption is permitted. The Partnership does not expect the impact of this guidance to be material.

In June 2016, the FASB issued ASU 2016-13, *Accounting for Financial Instruments - Credit Losses (Topic 326)*. ASU 2016-13 requires an organization to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Currently, GAAP requires an "incurred loss" methodology that delays recognition until it is probable a loss has been incurred. Under the new standard, the allowance for credit losses must be deducted from the amortized cost of the financial asset to present the net amount expected to be collected. The income statement will reflect the measurement of credit losses for newly recognized financial assets as well as the expected increases or decreases of expected credit losses that have taken place during the period. This provision of the guidance requires a modified retrospective transition method and will result in a cumulative-effect adjustment in retained earnings upon adoption. This guidance is effective for the Partnership on January 1, 2020 and early adoption is permitted. The Partnership has identified all of the material financial assets that are within the scope of this guidance and does not expect the impact of this guidance to be material.

3. Fair Value Measurement

The fair value measurement accounting guidance establishes a hierarchical 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 types of financial instruments in this category include unrestricted securities, such as equities and derivatives, listed in active markets. The Partnership does not adjust the quoted price for these instruments, even in situations where the Partnership holds 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 types of financial instruments in this category include 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.

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. The types of financial instruments 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 fair value is based on unobservable inputs.

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. The Partnership's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the financial instrument.

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.

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The following table summarizes the Partnership's assets and liabilities measured at fair value on a recurring basis by the above fair value hierarchy levels as of September 30, 2019:

(Dollars in millions)	Level I	Level II	Level III	Total
Assets				
Investments of Consolidated Funds:				
Equity securities	\$ —	\$ —	\$ 1.7	\$ 1.7
Bonds	—	—	563.4	563.4
Loans	—	—	3,892.2	3,892.2
	—	—	4,457.3	4,457.3
Investments in CLOs and other	—	—	486.7	486.7
Total	\$ —	\$ —	\$ 4,944.0	\$ 4,944.0
Liabilities				
Loans payable of Consolidated Funds ⁽¹⁾	\$ —	\$ —	\$ 4,231.4	\$ 4,231.4
Foreign currency forward contracts	—	3.3	—	3.3
Total	\$ —	\$ 3.3	\$ 4,231.4	\$ 4,234.7

(1) Senior and subordinated notes issued by CLO vehicles are valued based on the more observable fair value of the CLO financial assets, less (i) the fair value of any beneficial interests held by the Partnership and (ii) the carrying value of any beneficial interests that represent compensation for services.

The following table summarizes the Partnership's assets and liabilities measured at fair value on a recurring basis by the above fair value hierarchy levels as of December 31, 2018:

(Dollars in millions)	Level I	Level II	Level III	Total
Assets				
Investments of Consolidated Funds:				
Bonds	\$ —	\$ —	\$ 690.1	\$ 690.1
Loans	—	—	4,596.5	4,596.5
	—	—	5,286.6	5,286.6
Investments in CLOs and other	—	—	446.4	446.4
Corporate treasury investments				
Bonds	—	29.2	—	29.2
Commercial paper and other	—	22.5	—	22.5
Total	\$ —	\$ 51.7	\$ 5,733.0	\$ 5,784.7
Liabilities				
Loans payable of Consolidated Funds ⁽¹⁾	\$ —	\$ —	\$ 4,840.1	\$ 4,840.1
Foreign currency forward contracts	—	1.4	—	1.4
Total	\$ —	\$ 1.4	\$ 4,840.1	\$ 4,841.5

(1) Senior and subordinated notes issued by CLO vehicles are valued based on the more observable fair value of the CLO financial assets, less (i) the fair value of any beneficial interests held by the Partnership and (ii) the carrying value of any beneficial interests that represent compensation for services.

There were no transfers from Level II to Level I during the nine months ended September 30, 2019 and 2018.

Investment professionals with responsibility for the underlying investments are responsible for preparing the investment valuations pursuant to the policies, methodologies and templates prepared by the Partnership's valuation group, which is a team made up of dedicated valuation professionals reporting to the Partnership's chief accounting officer. The valuation group is responsible for maintaining the Partnership's valuation policy and related guidance, templates and systems that are designed to be consistent with the guidance found in ASC 820, *Fair Value Measurement*. These valuations, inputs and preliminary conclusions are reviewed by the fund accounting teams. The valuations are then reviewed and approved by the respective fund valuation

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subcommittees, which include the respective fund head(s), segment head, chief financial officer and chief accounting officer, as well as members of the valuation group. The valuation group compiles the aggregate results and significant matters and presents them for review and approval by the global valuation committee, which includes the Partnership's co-executive chairmen of the board, chairman emeritus, co-chief executive officers, chief risk officer, chief financial officer, chief accounting officer, co-chief investment officers and the business segment heads, and observed by the chief compliance officer, the director of internal audit, the Partnership's audit committee and others. Additionally, each quarter a sample of valuations is reviewed by external valuation firms.

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 involve 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 and real estate properties, and certain debt positions. The valuation technique for each of these investments is described below:

Private Equity and Real Estate Investments – The fair values of private equity investments are determined by reference to projected net earnings, earnings before interest, taxes, depreciation and amortization (“EBITDA”), the discounted cash flow method, public market or private transactions, valuations for comparable companies or sales of comparable assets, and other measures which, in many cases, are unaudited at the time received. The methods used to estimate the fair value of real estate investments include the discounted cash flow method and/or capitalization rate (“cap rate”) analysis. Valuations may be derived by reference to observable valuation measures for comparable companies or transactions (e.g., applying a key performance metric of the investment such as EBITDA or net operating income to a relevant valuation multiple or cap rate observed in the range of comparable companies or transactions), adjusted by management for differences between the investment and the referenced comparables, and in some instances by reference to option pricing models or other similar models. Adjustments to observable valuation measures are frequently made upon the initial investment to calibrate the initial investment valuation to industry observable inputs. Such adjustments are made to align the investment to observable industry inputs for differences in size, profitability, projected growth rates, geography and capital structure if applicable. The adjustments are reviewed with each subsequent valuation to assess how the investment has evolved relative to the observable inputs. Additionally, the investment may be subject to certain specific risks and/or development milestones which are also taken into account in the valuation assessment. Option pricing models and similar tools do not currently drive a significant portion of private equity or real estate valuations and are used primarily to value warrants, derivatives, certain restrictions and other atypical investment instruments.

Credit-Oriented Investments – The fair values of credit-oriented investments (including corporate treasury investments) are generally determined on the basis of prices 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. Specifically, for investments in distressed debt and corporate loans and bonds, the fair values are generally determined by valuations of comparable investments. In some instances, the Partnership may utilize other valuation techniques, including the discounted cash flow method.

CLO Investments and CLO Loans Payable – The Partnership measures the financial liabilities of its consolidated CLOs based on the fair value of the financial assets of its consolidated CLOs, as the Partnership believes the fair value of the financial assets are more observable. The fair values of the CLO loan and bond assets are primarily based on quotations from reputable dealers or relevant pricing services. In situations where valuation quotations are unavailable, the assets are valued based on similar securities, market index changes, and other factors. The Partnership performs certain procedures to ensure the reliability of the quotations from pricing services. Generally, the loan and bond assets of the CLOs are not publicly traded and are classified as Level III. The fair values of the CLO structured asset positions are determined based on both discounted cash flow analyses and third party quotes. Those analyses consider the position size, liquidity, current financial condition of the CLOs, the third party financing environment, reinvestment rates, recovery lags, discount rates and default forecasts and are compared to broker quotations from market makers and third party dealers.

The Partnership measures the CLO loans payable held by third party beneficial interest holders on the basis of the fair value of the financial assets of the CLO and the beneficial interests held by the Partnership. The Partnership continues to measure the CLO loans payable that it holds at fair value based on both discounted cash flow analyses and third-party quotes, as described above.

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Fund Investments – The Partnership’s investments in external funds are valued based on its proportionate share of the net assets provided by the third party general partners of the underlying fund partnerships based on the most recent available information which typically has a lag of up to 90 days. The terms of the investments generally preclude the ability to redeem the investment. Distributions from these investments will be received as the underlying assets in the funds are liquidated, the timing of which cannot be readily determined.

The changes in financial instruments measured at fair value for which the Partnership has used Level III inputs to determine fair value are as follows (Dollars in millions):

Financial Assets					
Three Months Ended September 30, 2019					
	Investments of Consolidated Funds			Investments in CLOs and other	Total
	Equity securities	Bonds	Loans		
Balance, beginning of period	\$ 2.6	\$ 632.0	\$ 4,125.0	\$ 477.3	\$ 5,236.9
Purchases	—	106.6	465.2	55.0	626.8
Sales and distributions	—	(167.1)	(393.0)	(37.6)	(597.7)
Settlements	—	—	(149.6)	—	(149.6)
Realized and unrealized gains (losses), net					
Included in earnings	(0.9)	16.8	(14.4)	(2.7)	(1.2)
Included in other comprehensive income	—	(24.9)	(141.0)	(5.3)	(171.2)
Balance, end of period	\$ 1.7	\$ 563.4	\$ 3,892.2	\$ 486.7	\$ 4,944.0
Changes in unrealized gains (losses) included in earnings related to financial assets still held at the reporting date	\$ (0.6)	\$ 11.9	\$ (25.8)	\$ (3.5)	\$ (18.0)

Financial Assets					
Nine Months Ended September 30, 2019					
	Investments of Consolidated Funds			Investments in CLOs and other	Total
	Equity securities	Bonds	Loans		
Balance, beginning of period	\$ —	\$ 690.1	\$ 4,596.5	\$ 446.4	\$ 5,733.0
Deconsolidation/consolidation of funds ⁽¹⁾	—	—	(294.8)	(2.7)	(297.5)
Purchases	1.8	250.9	1,146.3	89.1	1,488.1
Sales and distributions	—	(377.2)	(945.1)	(46.2)	(1,368.5)
Settlements	—	—	(420.2)	—	(420.2)
Realized and unrealized gains (losses), net					
Included in earnings	(0.1)	30.1	(19.9)	7.0	17.1
Included in other comprehensive income	—	(30.5)	(170.6)	(6.9)	(208.0)
Balance, end of period	\$ 1.7	\$ 563.4	\$ 3,892.2	\$ 486.7	\$ 4,944.0
Changes in unrealized gains (losses) included in earnings related to financial assets still held at the reporting date	\$ (2.9)	\$ 16.3	\$ (49.5)	\$ 6.2	\$ (29.9)

⁽¹⁾ As a result of the consolidation of one CLO during the nine months ended September 30, 2019, the investment that the Partnership held in that CLO is now eliminated in consolidation and no longer included in investments in CLOs and other. Additionally, two CLOs were deconsolidated during the nine months ended September 30, 2019 and as a result the investments that the Partnership held in those CLOs are no longer eliminated in consolidation and are now included in investments in CLOs and other.

Notes to the Condensed Consolidated Financial Statements
(Unaudited)

Financial Assets						
Three Months Ended September 30, 2018						
	Investments of Consolidated Funds				Investments in CLOs and other	Total
	Equity securities	Bonds	Loans	Other		
Balance, beginning of period	\$ 11.1	\$ 640.1	\$ 4,597.1	\$ —	\$ 446.7	\$ 5,695.0
Purchases	—	149.8	627.6	—	31.7	809.1
Sales and distributions	(7.0)	(170.3)	(474.1)	—	(27.6)	(679.0)
Settlements	—	—	(247.2)	—	—	(247.2)
Realized and unrealized gains (losses), net						
Included in earnings	2.4	4.6	(16.2)	—	2.9	(6.3)
Included in other comprehensive income	—	(3.3)	(19.2)	—	(1.9)	(24.4)
Balance, end of period	<u>\$ 6.5</u>	<u>\$ 620.9</u>	<u>\$ 4,468.0</u>	<u>\$ —</u>	<u>\$ 451.8</u>	<u>\$ 5,547.2</u>
Changes in unrealized gains (losses) included in earnings related to financial assets still held at the reporting date	<u>\$ 0.9</u>	<u>\$ 2.6</u>	<u>\$ (18.6)</u>	<u>\$ —</u>	<u>\$ 2.9</u>	<u>\$ (12.2)</u>

Financial Assets						
Nine Months Ended September 30, 2018						
	Investments of Consolidated Funds				Investments in CLOs and other	Total
	Equity securities	Bonds	Loans	Other		
Balance, beginning of period	\$ 7.9	\$ 413.4	\$ 4,112.7	\$ 0.3	\$ 405.4	\$ 4,939.7
Purchases	—	536.8	2,377.6	—	76.7	2,991.1
Sales and distributions	(7.0)	(297.7)	(1,171.7)	(0.4)	(34.1)	(1,510.9)
Settlements	—	—	(683.0)	—	—	(683.0)
Realized and unrealized gains (losses), net						
Included in earnings	5.8	(13.2)	(40.4)	0.1	8.7	(39.0)
Included in other comprehensive income	(0.2)	(18.4)	(127.2)	—	(4.9)	(150.7)
Balance, end of period	<u>\$ 6.5</u>	<u>\$ 620.9</u>	<u>\$ 4,468.0</u>	<u>\$ —</u>	<u>\$ 451.8</u>	<u>\$ 5,547.2</u>
Changes in unrealized gains (losses) included in earnings related to financial assets still held at the reporting date	<u>\$ 4.3</u>	<u>\$ (11.8)</u>	<u>\$ (27.2)</u>	<u>\$ —</u>	<u>\$ 8.7</u>	<u>\$ (26.0)</u>

Notes to the Condensed Consolidated Financial Statements
(Unaudited)

	Financial Liabilities	
	Loans Payable of Consolidated Funds	
	Three Months Ended September 30,	
	2019	2018
Balance, beginning of period	\$ 4,506.3	\$ 4,835.1
Borrowings	493.9	671.2
Paydowns	(615.3)	(703.4)
Realized and unrealized (gains) losses, net		
Included in earnings	2.5	(7.7)
Included in other comprehensive income	(156.0)	(20.6)
Balance, end of period	\$ 4,231.4	\$ 4,774.6
Changes in unrealized (gains) losses included in earnings related to financial liabilities still held at the reporting date	\$ (1.1)	\$ (6.8)

	Financial Liabilities	
	Loans Payable of Consolidated Funds	
	Nine Months Ended September 30,	
	2019	2018
Balance, beginning of period	\$ 4,840.1	\$ 4,303.8
Deconsolidation/consolidation of funds	(285.9)	—
Borrowings	754.4	2,686.7
Paydowns	(916.1)	(2,024.4)
Realized and unrealized (gains) losses, net		
Included in earnings	37.6	(64.1)
Included in other comprehensive income	(198.7)	(127.4)
Balance, end of period	\$ 4,231.4	\$ 4,774.6
Changes in unrealized (gains) losses included in earnings related to financial liabilities still held at the reporting date	\$ (30.2)	\$ (67.4)

Realized and unrealized gains and losses included in earnings for Level III investments for investments in CLOs and other investments are included in investment income (loss), and such gains and losses for investments of Consolidated Funds and loans payable of Consolidated Funds are included in net investment gains (losses) of Consolidated Funds in the unaudited condensed consolidated statements of operations.

Gains and losses included in other comprehensive income for all Level III financial asset and liabilities are included in accumulated other comprehensive loss, non-controlling interests in consolidated entities and non-controlling interests in Carlyle Holdings in the unaudited condensed consolidated balance sheets.

Notes to the Condensed Consolidated Financial Statements
(Unaudited)

The following table summarizes quantitative information about the Partnership's Level III inputs as of September 30, 2019:

<i>(Dollars in millions)</i>	Fair Value at September 30, 2019	Valuation Technique(s)	Unobservable Input(s)	Range (Weighted Average)
Assets				
Investments of Consolidated Funds:				
Equity securities	\$ 1.7	Consensus Pricing	Indicative Quotes (\$ per share)	0.02 - 37.35 (0.04)
Bonds	563.4	Consensus Pricing	Indicative Quotes (% of Par)	0 - 109 (98)
Loans	3,892.2	Consensus Pricing	Indicative Quotes (% of Par)	45 - 101 (98)
	<u>4,457.3</u>			
Investments in CLOs and other:				
Senior secured notes	397.0	Discounted Cash Flow with Consensus Pricing	Discount Margins (Basis Points)	50 - 1,400 (212)
			Default Rates	1% - 3% (2%)
			Recovery Rates	45% - 75% (58%)
			Indicative Quotes (% of Par)	85 - 102 (99)
Subordinated notes and preferred shares	58.4	Discounted Cash Flow with Consensus Pricing	Discount Rates	10% - 14% (11%)
			Default Rates	1% - 3% (2%)
			Recovery Rates	45% - 75% (57%)
			Indicative Quotes (% of Par)	39 - 96 (65)
Aviation subordinated notes	4.2	Discounted Cash Flow	Discount Rates	16% - 16% (16%)
Loans	27.1	Consensus Pricing	Indicative Quotes (% of Par)	98 - 100 (98)
Total	<u>\$ 4,944.0</u>			
Liabilities				
Loans payable of Consolidated Funds:				
Senior secured notes	\$ 4,049.4	Other (1)	N/A	N/A
Subordinated notes and preferred shares	182.0	Discounted Cash Flow with Consensus Pricing	Discount Rates	10% - 14% (12%)
			Default Rates	1% - 3% (2%)
			Recovery Rates	45% - 75% (61%)
			Indicative Quotes (% of Par)	58 - 84 (69)
Total	<u>\$ 4,231.4</u>			

(1) Senior and subordinated notes issued by CLO vehicles are classified based on the more observable fair value of the CLO financial assets, less (i) the fair value of any beneficial interests held by the Partnership and (ii) the carrying value of any beneficial interests that represent compensation for services.

Notes to the Condensed Consolidated Financial Statements
(Unaudited)

The following table summarizes quantitative information about the Partnership's Level III inputs as of December 31, 2018:

<i>(Dollars in millions)</i>	Fair Value at December 31, 2018	Valuation Technique(s)	Unobservable Input(s)	Range (Weighted Average)
Assets				
Investments of Consolidated Funds:				
Bonds	\$ 690.1	Consensus Pricing	Indicative Quotes (% of Par)	50 - 104 (94)
Loans	4,596.5	Consensus Pricing	Indicative Quotes (% of Par)	73 - 102 (98)
	<u>5,286.6</u>			
Investments in CLOs and other				
Senior secured notes	392.8	Discounted Cash Flow with Consensus Pricing	Discount Margins (Basis Points)	70 - 1,100 (182)
			Default Rates	1% - 3% (2%)
			Recovery Rates	45% - 73% (57%)
			Indicative Quotes (% of Par)	86 - 101 (99)
Subordinated notes and preferred shares	53.6	Discounted Cash Flow with Consensus Pricing	Discount Rate	10% - 12% (11%)
			Default Rates	1% - 3% (2%)
			Recovery Rates	45% - 73% (56%)
			Indicative Quotes (% of Par)	45 - 106 (75)
Total	<u><u>\$ 5,733.0</u></u>			
Liabilities				
Loans payable of Consolidated Funds:				
Senior secured notes	\$ 4,607.2	Other (1)	N/A	N/A
Subordinated notes and preferred shares	232.9	Discounted Cash Flow with Consensus Pricing	Discount Rates	10% - 12% (11%)
			Default Rates	1% - 3% (2%)
			Recovery Rates	45% - 73% (60%)
			Indicative Quotes (% of Par)	68 - 94 (81)
Total	<u><u>\$ 4,840.1</u></u>			

(1) Senior and subordinated notes issued by CLO vehicles are classified based on the more observable fair value of the CLO financial assets, less (i) the fair value of any beneficial interests held by the Partnership and (ii) the carrying value of any beneficial interests that represent compensation for services.

The significant unobservable inputs used in the fair value measurement of investments of the Partnership's consolidated funds are indicative quotes. Significant decreases in indicative quotes in isolation would result in a significantly lower fair value measurement.

The significant unobservable inputs used in the fair value measurement of the Partnership's investments in CLOs and other investments include discount margins, discount rates, default rates, recovery rates and indicative quotes. Significant decreases in recovery rates or indicative quotes in isolation would result in a significantly lower fair value measurement. Significant increases in discount margins, discount rates or default rates in isolation would result in a significantly lower fair value measurement.

The significant unobservable inputs used in the fair value measurement of the Partnership's loans payable of Consolidated Funds are discount rates, default rates, recovery rates and indicative quotes. Significant increases in discount rates or default rates in isolation would result in a significantly lower fair value measurement. Significant decreases in recovery rates or indicative quotes in isolation would result in a significantly lower fair value measurement.

Notes to the Condensed Consolidated Financial Statements
(Unaudited)

4. Investments

Investments consist of the following:

	As of	
	September 30, 2019	December 31, 2018
(Dollars in millions)		
Accrued performance allocations	\$ 3,867.2	\$ 3,480.0
Principal equity method investments, excluding performance allocations	2,532.4	1,765.8
Principal investments in CLOs and other	496.2	451.7
Total investments	<u>\$ 6,895.8</u>	<u>\$ 5,697.5</u>

Accrued Performance Allocations

The components of accrued performance allocations are as follows:

	As of	
	September 30, 2019	December 31, 2018
(Dollars in millions)		
Corporate Private Equity	\$ 2,051.4	\$ 1,990.2
Real Assets	849.8	654.2
Global Credit	127.4	99.3
Investment Solutions	838.6	736.3
Total	<u>\$ 3,867.2</u>	<u>\$ 3,480.0</u>

Approximately 24% of accrued performance allocations at September 30, 2019 and December 31, 2018 is related to Carlyle Partners VI, L.P., one of the Partnership's Corporate Private Equity funds.

Accrued performance allocations are shown gross of the Partnership's accrued performance allocations and incentive fee-related compensation (see Note 6), and accrued giveback obligations, which are separately presented in the unaudited condensed consolidated balance sheets. The components of the accrued giveback obligations are as follows:

	As of	
	September 30, 2019	December 31, 2018
(Dollars in millions)		
Corporate Private Equity	\$ (5.0)	\$ (5.0)
Real Assets	(58.2)	(58.2)
Total	<u>\$ (63.2)</u>	<u>\$ (63.2)</u>

Notes to the Condensed Consolidated Financial Statements
(Unaudited)

Principal Equity Method Investments, Excluding Performance Allocations

The Partnership’s principal equity method investments (excluding performance allocations) include its fund investments in Corporate Private Equity, Real Assets, Global Credit, and Investment Solutions, typically as general partner interests, and its strategic investments in Fortitude Re (included within Global Credit) and NGP (included within Real Assets), which are not consolidated. Principal investments are related to the following segments:

	As of	
	September 30, 2019	December 31, 2018
	(Dollars in millions)	
Corporate Private Equity	\$ 401.1	\$ 374.7
Real Assets	640.5	770.0
Global Credit	1,381.2	545.0
Investment Solutions	109.6	76.1
Total	<u>\$ 2,532.4</u>	<u>\$ 1,765.8</u>

Strategic Investment in Fortitude Re (f/k/a DSA Re)

On November 13, 2018, the Partnership acquired a 19.9% interest in Fortitude Group Holdings, LLC (“Fortitude Holdings”), a wholly owned subsidiary of American International Group, Inc. (“AIG”) (“the Transaction”). Fortitude Holdings owns 100% of the outstanding common shares of Fortitude Reinsurance Company Ltd., a Bermuda domiciled reinsurer (“Fortitude Re”, f/k/a “DSA Re”) established to reinsure a portfolio of AIG’s legacy life, annuity and property and casualty liabilities. Fortitude Re had approximately \$35 billion in reserves as of December 31, 2018.

Pursuant to the Membership Interest Purchase Agreement, the Partnership entered into a strategic asset management relationship with Fortitude Re pursuant to which Fortitude Re, together with certain AIG-affiliated ceding companies it has reinsured, committed to allocate assets in asset management strategies and vehicles of the Partnership and its affiliates. If Fortitude Re, together with AIG and its affiliates, fails to allocate an agreed upon amount of assets to the Partnership’s asset management strategies and vehicles within 30 to 36 months of the closing of the transaction, the Partnership may be entitled to certain payments from AIG based on the commitment shortfall and assumed customary fee rates.

The Partnership paid \$381 million in cash at closing (the “Initial Purchase Price”) and expects to pay up to \$95 million in additional deferred consideration following December 31, 2023. If Fortitude Re is unable to distribute a planned non-pro rata dividend to AIG by May 2020, then the Initial Purchase Price may be adjusted upward by up to \$100 million to account for the increased value of Fortitude Re’s equity. AIG also agreed to a post-closing purchase price adjustment pursuant to which AIG will pay affiliates of the Partnership in respect of certain adverse reserve development in Fortitude Re’s property and casualty insurance business, based on an agreed methodology, that occur on or prior to December 31, 2023, up to the value of the Partnership’s investment. The Partnership incurred approximately \$17.9 million in transaction costs, which are included in the carrying value of the investment.

In connection with the Transaction, the Partnership also entered into an operating agreement that governs its rights and obligations as an equity holder of Fortitude Re and entitles the Partnership to customary minority protections contingent upon the Partnership maintaining agreed upon ownership percentages of Fortitude Re.

The Partnership’s investment is accounted for under the equity method of accounting and the investment is included in the Global Credit segment. Separately, income from the assets managed by the Partnership is included in the segment of the relevant investment fund. The Partnership’s net investment earnings (loss) from its investment are included in principal investment income in the unaudited condensed consolidated statements of operations.

As of September 30, 2019 and December 31, 2018, the Partnership’s investment in Fortitude Re is \$1,285.1 million and \$460.2 million, respectively. The Partnership’s earnings from its investment for the three and nine months ended September 30, 2019 were \$281.6 million and \$808.9 million, respectively, which represents 19.9% of Fortitude Re’s estimated net income for the respective periods. These amounts are inclusive of \$213.5 million and \$673.7 million, respectively, of unrealized gains related to the change in fair value of embedded derivatives related to certain reinsurance contracts included in Fortitude Re’s U.S. GAAP financial statements. Modified coinsurance is subject to the general accounting principles for hedging, specifically the guidance originally issued as Derivatives Implementation Group Issue No. B36: *Embedded Derivatives: Modified Coinsurance Agreements and Debt Instruments That Incorporate Credit Risk Exposures That Are Unrelated or Only Partially Related to the Creditworthiness of the Obligor under Those Instruments* (“DIG B36”).

Notes to the Condensed Consolidated Financial Statements
(Unaudited)

Estimated summarized financial information of Fortitude Re is presented below:

	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2019
(Dollars in millions)		
Revenues	\$ 617.0	\$ 1,778.0
Expenses	473.0	1,361.0
Operating income	144.0	417.0
Net realized and unrealized gains	1,658.0	4,750.0
Income tax expense	379.0	1,084.0
Net income	\$ 1,423.0	\$ 4,083.0

Strategic Investment in NGP

The Partnership has equity interests in NGP Management Company, L.L.C. (“NGP Management”), the general partners of certain carry funds advised by NGP, and principal investments in certain NGP funds. The Partnership accounts for its investments in NGP under the equity method of accounting, and includes these investments in the Real Assets segment. These interests entitle the Partnership to an allocation of income equal to 55.0% of the management fee-related revenues of NGP Management which serves as the investment advisor to certain NGP funds as well as 47.5% of the performance allocations received by certain current and future NGP fund general partners.

The Partnership’s investments in NGP as of September 30, 2019 and December 31, 2018 are as follows:

	As of	
	September 30, 2019	December 31, 2018
(Dollars in millions)		
Investment in NGP Management	\$ 384.9	\$ 394.6
Investments in NGP general partners - accrued performance allocations	39.6	151.0
Principal investments in NGP funds	68.6	77.6
Total investments in NGP	\$ 493.1	\$ 623.2

Investment in NGP Management. The Partnership’s equity interests in NGP Management entitle the Partnership to an allocation of income equal to 55.0% of the management fee-related revenues of NGP Management, which serves as the investment advisor to the NGP Energy Funds. Management fees are generally calculated as 1.0% to 2.0% of the limited partners’ commitments during the fund’s investment period, and 0.6% to 2.0% based on the lower of cost or fair market value of invested capital following the expiration or termination of the investment period. Management fee-related revenues from NGP Management are primarily driven by NGP XII, NGP XI and NGP X during the three and nine months ended September 30, 2019 and 2018.

The Partnership records investment income (loss) for its equity income allocation from NGP management fee-related revenues and also records its share of any allocated expenses from NGP Management, expenses associated with the compensatory elements of the strategic investment, and the amortization of the basis differences related to the definite-lived identifiable intangible assets of NGP Management. The net investment income (loss) recognized in the Partnership’s unaudited condensed consolidated statements of operations for the three and nine months ended September 30, 2019 and 2018 were as follows:

Notes to the Condensed Consolidated Financial Statements
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(Dollars in millions)			
Management fee-related revenues from NGP Management	\$ 23.6	\$ 22.7	\$ 75.2	\$ 66.3
Expenses related to the investment in NGP Management	(2.7)	(3.0)	(7.9)	(9.0)
Amortization of basis differences from the investment in NGP Management	(1.5)	(1.7)	(4.3)	(5.3)
Net investment income from NGP Management	\$ 19.4	\$ 18.0	\$ 63.0	\$ 52.0

The difference between the Partnership's remaining carrying value of its investment and its share of the underlying net assets of the investee was \$9.9 million and \$14.2 million as of September 30, 2019 and December 31, 2018, respectively; these differences are amortized over a period of 10 years from the initial investment date.

Investment in the General Partners of NGP Carry Funds. The Partnership's investment in the general partners of the NGP Carry Funds entitle it to 47.5% of the performance allocations received by certain current and future NGP fund general partners. The Partnership records its equity income allocation from NGP performance allocations in principal investment income from equity method investments rather than performance allocations. The Partnership recognized net investment earnings (losses) related to these performance allocations in its unaudited condensed consolidated statements of operations of \$(81.6) million and \$10.2 million for the three months ended September 30, 2019 and 2018, respectively, and \$(111.5) million and \$62.1 million for the nine months ended September 30, 2019 and 2018, respectively.

Principal Investments in NGP Funds. The Partnership also holds principal investments in the NGP Carry Funds. The Partnership recognized net investment earnings (losses) related to principal investment income in its unaudited condensed consolidated statements of operations of \$(3.8) million and \$1.4 million for the three months ended September 30, 2019 and 2018, respectively, and \$(7.4) million and \$8.4 million for the nine months ended September 30, 2019 and 2018, respectively.

Principal Investments in CLOs and Other Investments

Principal investments in CLOs and other investments as of September 30, 2019 and December 31, 2018 primarily consisted of \$496.2 million and \$451.7 million, respectively, of investments in CLO senior and subordinated notes and derivative instruments.

Investment Income (Loss)

The components of investment income (loss) are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(Dollars in millions)			
Performance allocations				
Realized	\$ 117.6	\$ 266.6	\$ 189.0	\$ 584.6
Unrealized	(5.2)	(52.4)	520.1	362.8
	112.4	214.2	709.1	947.4
Principal investment income from equity method investments (excluding performance allocations)				
Realized	30.9	30.0	157.4	93.2
Unrealized	185.8	15.1	699.8	83.4
	216.7	45.1	857.2	176.6
Principal investment income (loss) from investments in CLOs and other investments				
Realized	(0.5)	0.7	0.6	1.3
Unrealized	(4.0)	(1.4)	(1.8)	(1.2)
	(4.5)	(0.7)	(1.2)	0.1
Total	\$ 324.6	\$ 258.6	\$ 1,565.1	\$ 1,124.1

Notes to the Condensed Consolidated Financial Statements
(Unaudited)

The performance allocations included in revenues are derived from the following segments:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(Dollars in millions)			
Corporate Private Equity	\$ (53.8)	\$ 52.2	\$ 161.5	\$ 520.8
Real Assets	54.6	58.2	313.6	193.3
Global Credit	4.1	(0.5)	28.2	14.4
Investment Solutions	107.5	104.3	205.8	218.9
Total	\$ 112.4	\$ 214.2	\$ 709.1	\$ 947.4

Approximately 33%, or \$37.0 million, of performance allocations for the three months ended September 30, 2019 are related to the following funds along with total revenue recognized (total revenue includes performance allocations, fund management fees, and principal investment income):

- AlpInvest Co- & Secondary Investments 2006-2008 (Investment Solutions segment) - \$58.1 million,
- Carlyle Partners VI, L.P. (Corporate Private Equity segment) - \$55.5 million,
- Carlyle Asia Partners V, L.P. (Corporate Private Equity segment) - \$39.3 million,
- Carlyle Realty Partners VII, L.P. (Real Assets segment) - \$31.9 million,
- Carlyle Europe Technology Partners III, L.P. (Corporate Private Equity segment) - \$26.5 million,
- Carlyle Realty Partners V, L.P. (Real Assets segment) - \$20.3 million,
- Carlyle Partners V, L.P. (Corporate Private Equity segment) - \$14.3 million,
- Carlyle Strategic Partners IV, L.P. (Global Credit segment) - \$(4.7) million,
- Carlyle Europe Partners IV, L.P. (Corporate Private Equity segment) - \$(33.0) million, and
- Carlyle Asia Partners IV, L.P. (Corporate Private Equity segment) - \$(91.9) million.

Additionally, \$(73.6) million in total revenue was recognized in our investment in NGP XI for the three months ended September 30, 2019.

Approximately 49%, or \$350.6 million, of performance allocations for the nine months ended September 30, 2019 are related to the following fund along with total revenue recognized (total revenue includes performance allocations, fund management fees, and principal investment income):

- Carlyle Realty Partners V, L.P. (Real Assets segment) - \$187.3 million,
- Carlyle Partners VI, L.P. (Corporate Private Equity segment) - \$149.7 million, and
- AlpInvest Co- & Secondary Investments 2006-2008 (Investment Solutions segment) - \$80.2 million.

Additionally, \$(79.3) million in total revenue was recognized in our investment in NGP XI for the nine months ended September 30, 2019.

Approximately 35%, or \$74.9 million, of performance allocations for the three months ended September 30, 2018 are related to the following funds along with total revenue recognized (total revenue includes performance allocations, fund management fees, and principal investment income):

- Carlyle Asia Partners IV, L.P. (Corporate Private Equity segment) - \$(84.8) million,
- Carlyle Partners VI, L.P. (Corporate Private Equity segment) - \$68.9 million,
- Carlyle Partners V, L.P. (Corporate Private Equity segment) - \$46.6 million,
- AlpInvest Co- & Secondary Investments 2006-2008 (Investment Solutions segment) - \$46.4 million, and

Notes to the Condensed Consolidated Financial Statements
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- Carlyle Realty Partners VII, L.P. (Real Assets segment) - \$42.2 million.

Additionally, \$22.4 million in total revenue was recognized in our investment in NGP XI for the three months ended September 30, 2018.

Approximately 43%, or \$408.9 million, of performance allocations for the nine months ended September 30, 2018 are related to the following funds along with total revenue recognized (total revenue includes performance allocations, fund management fees, and principal investment income):

- Carlyle Partners VI, L.P. (Corporate Private Equity segment) - \$307.1 million,
- Carlyle Europe Partners IV, L.P. (Corporate Private Equity segment) - \$164.5 million,
- Carlyle Realty Partners VII, L.P. (Real Assets segment) - \$143.7 million,
- Carlyle Partners V, L.P. (Corporate Private Equity segment) - \$123.4 million, and
- Carlyle Asia Partners IV, L.P. (Corporate Private Equity segment) - \$(103.7) million.

Additionally, \$96.6 million in total revenue was recognized in our investment in NGP XI for the nine months ended September 30, 2018.

Carlyle's income (loss) from its principal investments consists of:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(Dollars in millions)			
Corporate Private Equity	\$ 1.5	\$ 4.7	\$ 13.2	\$ 28.7
Real Assets	(64.3)	34.5	29.6	139.7
Global Credit	277.5	1.7	803.4	(2.0)
Investment Solutions	2.0	4.2	11.0	10.2
Total	\$ 216.7	\$ 45.1	\$ 857.2	\$ 176.6

Investments of Consolidated Funds

The Partnership consolidates the financial positions and results of operations of certain CLOs in which it is the primary beneficiary. During the nine months ended September 30, 2019, the Partnership formed five new CLOs for which the Partnership is not the primary beneficiary. Furthermore, during the nine months ended September 30, 2019, the Partnership consolidated one CLO and deconsolidated two CLOs as a result of a change in the Partnership's direct interest in the CLOs.

There were no individual investments with a fair value greater than five percent of the Partnership's total assets for any period presented.

Interest and Other Income of Consolidated Funds

The components of interest and other income of Consolidated Funds are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(Dollars in millions)			
Interest income from investments	\$ 49.8	\$ 57.9	\$ 144.5	\$ 155.9
Other income	1.5	2.6	5.0	5.5
Total	\$ 51.3	\$ 60.5	\$ 149.5	\$ 161.4

Notes to the Condensed Consolidated Financial Statements
(Unaudited)

Net Investment Gains (Losses) of Consolidated Funds

Net investment gains (losses) of Consolidated Funds include net realized gains (losses) from sales of investments and unrealized gains (losses) resulting from changes in fair value of the Consolidated Funds' investments. The components of net investment gains (losses) of Consolidated Funds are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(Dollars in millions)			
Gains (losses) from investments of Consolidated Funds	\$ 0.6	\$ (10.6)	\$ 18.8	\$ (52.1)
Gains (losses) from liabilities of CLOs	(2.5)	7.7	(25.7)	64.1
Total	\$ (1.9)	\$ (2.9)	\$ (6.9)	\$ 12.0

The following table presents realized and unrealized gains (losses) earned from investments of the Consolidated Funds:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(Dollars in millions)			
Realized gains (losses)	\$ 1.9	\$ (2.5)	\$ (9.5)	\$ (6.8)
Net change in unrealized gains (losses)	(1.3)	(8.1)	28.3	(45.3)
Total	\$ 0.6	\$ (10.6)	\$ 18.8	\$ (52.1)

5. Borrowings

The Partnership borrows and enters into credit agreements for its general operating and investment purposes. The Partnership's debt obligations consist of the following:

	September 30, 2019		December 31, 2018	
	Borrowing Outstanding	Carrying Value	Borrowing Outstanding	Carrying Value
	(Dollars in millions)			
Senior Credit Facility Due 2/11/2024	\$ —	\$ —	\$ 25.0	\$ 24.9
Global Credit Revolving Credit Facility	25.3	25.3	—	—
CLO Borrowings (See below)	321.1	320.3	309.9	309.9
3.875% Senior Notes Due 2/01/2023	250.0	249.2	250.0	249.0
5.625% Senior Notes Due 3/30/2043	600.0	600.7	600.0	600.7
5.650% Senior Notes Due 9/15/2048	350.0	345.8	350.0	345.7
3.500% Senior Notes Due 9/19/2029	425.0	420.6	—	—
Promissory Notes Due 7/15/2019	—	—	20.2	20.2
Total debt obligations	\$ 1,971.4	\$ 1,961.9	\$ 1,555.1	\$ 1,550.4

Senior Credit Facility

On February 11, 2019, the Partnership entered into an amendment and restatement of its senior credit facility. In connection with this amendment and restatement, the capacity under the revolving credit facility was increased to \$775.0 million from \$750.0 million, the term was extended to February 11, 2024, and the \$25.0 million term loan was repaid. Principal amounts outstanding under the amended and restated 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 0.50% per annum, or (b) at LIBOR plus an applicable margin not to exceed 1.50% per annum (at September 30, 2019, the interest rate was 3.27%). There was no amount outstanding under the revolving credit facility at September 30, 2019. Interest expense under the senior credit facility was not significant for the three and nine months ended September 30, 2019 and 2018. The fair value of the outstanding balances of the term loan and revolving credit facility at September 30, 2019 and December 31, 2018 approximated par value based on current market rates for similar debt instruments and are classified as Level III within the fair value hierarchy.

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Global Credit Revolving Credit Facility

On December 17, 2018, certain subsidiaries of the Partnership established a \$250.0 million revolving line of credit, primarily intended to support certain lending activities within the Global Credit segment. The credit facility includes a \$125.0 million line of credit with a one-year term, and a \$125.0 million line of credit with a three-year term. Principal amounts outstanding under the facility accrue interest, at the option of the borrowers, either (a) at an alternate base rate plus an applicable margin not to exceed 1.00%, or (b) at the Eurocurrency rate plus an applicable margin, not to exceed 2.00%.

During the three and nine months ended September 30, 2019, the Partnership borrowed \$25.3 million and \$42.3 million, respectively, and repaid \$0 million and \$17.0 million, respectively, under the credit facility. As of September 30, 2019, there was \$25.3 million outstanding under this facility, which was repaid in October. Interest expense was not significant for the three and nine months ended September 30, 2019.

CLO Borrowings

For certain of the Partnership's CLOs, the Partnership finances a portion of its investment in the CLOs through the proceeds received from term loans and other financing arrangements with financial institutions. The Partnership's outstanding CLO borrowings consist of the following (Dollars in millions):

Formation Date	Borrowing Outstanding September 30, 2019	Borrowing Outstanding December 31, 2018	Maturity Date (1)	Interest Rate as of September 30, 2019	
February 28, 2017	\$ 73.2	\$ 77.0	November 17, 2031	2.33%	(2)
April 19, 2017	22.8	22.9	April 22, 2031	4.21%	(3) (15)
June 28, 2017	22.9	23.0	July 22, 2031	4.20%	(4) (15)
July 20, 2017	—	24.4	April 21, 2027	N/A	(5) (15)
August 2, 2017	22.8	22.8	July 23, 2029	4.09%	(6) (15)
August 2, 2017	19.0	19.9	August 3, 2022	1.75%	(7)
August 14, 2017	22.6	22.5	August 15, 2030	4.02%	(8) (15)
November 30, 2017	22.7	22.7	January 16, 2030	4.03%	(9)(15)(17)
December 6, 2017	19.1	19.1	October 16, 2030	3.95%	(10)(15)(17)
December 7, 2017	20.9	21.1	January 19, 2029	3.66%	(11)(15)(17)
January 30, 2018	19.2	19.2	January 22, 2030	3.90%	(12)(15)(17)
March 1, 2018	15.3	15.3	January 15, 2031	3.86%	(13)(15)(17)
March 15, 2019	20.2	—	March 15, 2032	2.62%	(14)
August 20, 2019	20.4	—	August 15, 2032	2.52%	(16)
	<u>\$ 321.1</u>	<u>\$ 309.9</u>			

(1) Maturity date is earlier of date indicated or the date that the CLO is dissolved.

(2) Outstanding borrowing of €67.1 million; incurs interest at EURIBOR plus applicable margins as defined in the agreement.

(3) Incurs interest at LIBOR plus 1.932%.

(4) Incurs interest at LIBOR plus 1.923%.

(5) Incurred interest at LIBOR plus 1.536%. This term loan was paid off in July 2019.

(6) Incurs interest at LIBOR plus 1.808%.

(7) Original borrowing of €17.4 million; incurs interest at EURIBOR plus 1.75% and has full recourse to the Partnership.

(8) Incurs interest at LIBOR plus 1.848%.

(9) Incurs interest at LIBOR plus 1.7312%.

(10) Incurs interest at LIBOR plus 1.647%.

(11) Incurs interest at LIBOR plus 1.365%.

(12) Incurs interest at LIBOR plus 1.624%.

(13) Incurs interest at LIBOR plus 1.552%.

(14) Incurs interest at the average effective interest rate of each class of purchased securities plus 0.50% spread percentage and 0.08% class A-1 periodic adjustment rate up to €54,120.

(15) Term loan issued under master credit agreement.

(16) Incurs interest at the average effective interest rate of each class of purchased securities plus 0.50% spread percentage.

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(17) CLO Indentures for the respective CLO borrowings entered on November 30, 2017 and after provide for an alternative rate framework determined at the Partnership's discretion upon a trigger event of LIBOR.

The CLO term loans are secured by the Partnership's investments in the respective CLO, have a general unsecured interest in the Carlyle entity that manages the CLO, and generally do not have recourse to any other Carlyle entity. Interest expense on these term loans was not significant for the three and nine months ended September 30, 2019 and 2018. The fair value of the outstanding balance of the CLO term loans at September 30, 2019 approximated par value based on current market rates for similar debt instruments. These CLO term loans are classified as Level III within the fair value hierarchy.

European CLO Financing - February 28, 2017

On February 28, 2017, a subsidiary of the Partnership entered into a financing agreement with several financial institutions under which these financial institutions have provided a €67.1 million term loan (\$73.2 million at September 30, 2019) to the Partnership. This term loan is secured by the Partnership's investments in the retained notes in certain European CLOs that were formed in 2014 and 2015. This term loan will mature on the earlier of November 17, 2031 or the date that the certain European CLO retained notes have been redeemed. The Partnership may prepay the term loan in whole or in part at any time after the third anniversary of the date of issuance without penalty. Prepayment of the term loan within the first three years will incur a penalty based on the prepayment amount. Interest on this term loan accrues at EURIBOR plus applicable margins (2.33% at September 30, 2019).

Master Credit Agreement - Term Loans

In January 2017, the Partnership entered into a master credit agreement with a financial institution under which the financial institution expects to provide term loans to the Partnership for the purchase of eligible interests in CLOs. This agreement will terminate in January 2020. Any term loan to be issued under this master credit agreement will be secured by the Partnership's investment in the respective CLO as well as any senior management fee and subordinated management fee payable by each CLO. Any term loan bears interest at LIBOR plus a weighted average spread over LIBOR on the CLO notes and an applicable margin. Interest is due quarterly. CLO Indentures for the respective CLO borrowings entered on November 30, 2017 and after provide for an alternative rate framework determined at the Partnership's discretion upon a trigger event of LIBOR.

CLO Repurchase Agreements

On February 5, 2019, the Partnership entered into a €100.0 million master credit facility agreement (the "CLO Financing Facility") to finance a portion of the risk retention investments in certain European CLOs managed by the Partnership. Subject to the terms and conditions of the CLO Financing Facility, the Partnership and the counterparty may enter into repurchase agreements on such terms agreed upon by the parties. Each transaction entered into under the CLO Financing Facility will bear interest at a rate based on the weighted average effective interest rate of each class of securities that have been sold plus a spread to be agreed upon by the parties. As of September 30, 2019, €64.8 million of the CLO Financing Facility remained available.

Each transaction entered into under the CLO Financing Facility provides for payment netting and, in the case of a default or similar event with respect to the counterparty to the CLO Financing Facility, provides for netting across transactions. Generally, upon a counterparty default, the Partnership can terminate all transactions under the CLO Financing Facility and offset amounts it owes in respect of any one transaction against collateral, if any, or other amounts it has received in respect of any other transactions under the CLO Financing Facility; provided, however, that in the case of certain defaults, the Partnership may only be able to terminate and offset solely with respect to the transaction affected by the default. During the term of a transaction entered into under the CLO Financing Facility, the Partnership will deliver cash or additional securities acceptable to the counterparty if the securities sold are in default. Upon termination of a transaction, the Partnership will repurchase the previously sold securities from the counterparty at a previously determined repurchase price. The CLO Financing Facility may be terminated at any time upon certain defaults or circumstances agreed upon by the parties.

The repurchase agreements may result in credit exposure in the event the counterparty to the transaction is unable to fulfill its contractual obligations. The Partnership minimizes the credit risk associated with these activities by monitoring counterparty credit exposure and collateral values. Other than margin requirements, the Partnership is not subject to additional terms or contingencies which would expose the Partnership to additional obligations based upon the performance of the securities pledged as collateral.

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Senior Notes

Certain indirect subsidiaries of the the Partnership have issued long term borrowings in the form of senior notes, on which interest is payable semi-annually in arrears. The following table provides information regarding these senior notes (Dollars in millions):

	Aggregate Principal Amount	Fair Value (1) As of		Interest Expense			
		As of		Three Months Ended September 30,		Nine Months Ended September 30,	
		September 30, 2019	December 31, 2018	2019	2018	2019	2018
3.875% Senior Notes Due 2/1/2023 (2) (6)	\$ 250.0	\$ 260.2	\$ 255.5	\$ 2.5	\$ 4.8	\$ 7.3	\$ 14.7
5.625% Senior Notes Due 3/30/2043 (3)	600.0	701.0	604.1	8.3	8.4	25.1	25.3
5.650% Senior Notes Due 9/15/2048 (4)	350.0	416.0	354.4	4.9	0.9	14.8	0.9
3.500% Senior Notes Due 9/19/2029 (5)	425.0	421.6	—	0.5	—	0.5	—
				<u>\$ 16.2</u>	<u>\$ 14.1</u>	<u>\$ 47.7</u>	<u>\$ 40.9</u>

(1) Including accrued interest. Fair value is based on indicative quotes and the notes are classified as Level II within the fair value hierarchy.

(2) Issued in January 2013 at 99.966% of par.

(3) Issued \$400.0 million in aggregate principal at 99.583% of par in March 2013. An additional \$200.0 million in aggregate principal was issued at 104.315% of par in March 2014, and is treated as a single class with the outstanding \$400.0 million in senior notes previously issued.

(4) Issued in September 2018 at 99.914% of par.

(5) Issued in September 2019 at 99.841% of par.

(6) In September 2018, the Partnership completed a tender offer to re-purchase \$250.0 million in aggregate principal amount of the 3.875% senior notes. As a result of this repurchase, the Partnership recognized \$6.9 million of costs in interest expense and \$0.9 million of costs in general, administrative and other expenses upon early extinguishment of the debt.

The issuers may redeem the senior notes, in whole at any time or in part from time to time, at a price equal to the greater of (i) 100% of the principal amount of the notes being redeemed and (ii) the sum of the present values of the remaining scheduled payments of principal and interest on any notes being redeemed discounted to the redemption date on a semiannual basis at the Treasury Rate plus 40 basis points (30 basis points in the case of the 3.875% and 3.500% senior notes), plus in each case accrued and unpaid interest on the principal amounts being redeemed.

Promissory Notes

Promissory Note Due January 1, 2022

On January 1, 2016, the Partnership issued a \$120.0 million promissory note to Barclays Natural Resource Investments, a division of Barclays Bank PLC (“BNRI”) as part of the Partnership’s strategic investment in NGP. Interest on the promissory note accrued at the three month LIBOR plus 2.50%. In September 2018, the Partnership prepaid the \$108.8 million outstanding promissory note, plus \$1.2 million of accrued and unpaid interest. Interest expense on the promissory note was not significant for the nine months ended September 30, 2018.

Promissory Notes Due July 15, 2019

In June 2017, as part of the settlement with investors in two commodities investment vehicles managed by an affiliate of the Partnership (disclosed in Note 7), the Partnership issued a series of promissory notes, aggregating to \$53.9 million, to the investors of these commodities investment vehicles. Interest on these promissory notes accrued at the three month LIBOR plus 2%. These promissory notes matured on July 15, 2019 and were fully repaid as of that date. Interest expense on these promissory notes was not significant for the three and nine months ended September 30, 2019 and 2018. The fair value of the outstanding balance of these promissory notes at December 31, 2018 approximated par value based on current market rates for similar debt instruments and is classified as Level III within the fair value hierarchy.

Debt Covenants

The Partnership is subject to various financial covenants under its loan agreements including, among other items, maintenance of a minimum amount of management fee-earning assets. The Partnership is also subject to various non-financial

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covenants under its loan agreements and the indentures governing its senior notes. The Partnership was in compliance with all financial and non-financial covenants under its various loan agreements as of September 30, 2019.

Loans Payable of Consolidated Funds

Loans payable of Consolidated Funds primarily represent amounts due to holders of debt securities issued by 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 and are included in loans payable of Consolidated Funds in the unaudited condensed consolidated balance sheets.

As of September 30, 2019 and December 31, 2018, the following borrowings were outstanding, which includes preferred shares classified as liabilities (Dollars in millions):

	As of September 30, 2019			
	Borrowing Outstanding	Fair Value	Weighted Average Interest Rate	Weighted Average Remaining Maturity in Years
Senior secured notes	\$ 4,129.4	\$ 4,049.4	1.92%	11.03
Subordinated notes, preferred shares and other	142.3	182.0	N/A (1)	11.16
Total	\$ 4,271.7	\$ 4,231.4		

	As of December 31, 2018			
	Borrowing Outstanding	Fair Value	Weighted Average Interest Rate	Weighted Average Remaining Maturity in Years
Senior secured notes	\$ 4,723.4	\$ 4,607.2	1.94%	10.70
Subordinated notes, preferred shares and other	178.5	232.9	N/A (1)	9.95
Total	\$ 4,901.9	\$ 4,840.1		

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

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 consisted of cash and cash equivalents, corporate loans, corporate bonds and other securities. As of September 30, 2019 and December 31, 2018, the fair value of the CLO assets was \$4.6 billion and \$5.5 billion, respectively.

6. Accrued Compensation and Benefits

Accrued compensation and benefits consist of the following:

	As of	
	September 30, 2019	December 31, 2018
	(Dollars in millions)	
Accrued performance allocations and incentive fee-related compensation	\$ 2,040.7	\$ 1,843.6
Accrued bonuses	339.8	246.8
Employment-based contingent cash consideration	23.2	0.8
Other	128.3	131.1
Total	\$ 2,532.0	\$ 2,222.3

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The following table presents realized and unrealized performance allocations and incentive fee related compensation:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(Dollars in millions)			
Realized	\$ 63.6	\$ 134.5	\$ 132.0	\$ 294.6
Unrealized	29.0	11.5	259.6	231.4
Total	\$ 92.6	\$ 146.0	\$ 391.6	\$ 526.0

7. Commitments and Contingencies

Capital Commitments

The Partnership and its unconsolidated affiliates have unfunded commitments to entities within the following segments as of September 30, 2019 (Dollars in millions):

	Unfunded Commitments
Corporate Private Equity	\$ 2,427.0
Real Assets	975.9
Global Credit	432.0
Investment Solutions	107.5
Total	\$ 3,942.4

Of the \$3.9 billion of unfunded commitments, approximately \$3.4 billion is subscribed individually by senior Carlyle professionals, advisors and other professionals, with the balance funded directly by the Partnership. In addition to these unfunded commitments, the Partnership may from time to time exercise its right to purchase additional interests in its investment funds that become available in the ordinary course of their operations.

Guaranteed Loans

On September 3, 2019, the Partnership entered into an agreement with a financial institution pursuant to which the Partnership is the guarantor on loans made to eligible employees investing in Carlyle sponsored funds (the "Program"). The Program has an initial period of one year, renewed annually, and accrues interest at either the WSJ Prime Rate minus 1.00% floating or the 12MAT Index plus 2.00% floating, in either case with a floor rate of 3.50% (versus actual rates of 4.00% and 4.33%, respectively, as of September 30, 2019). The aggregate Program limit of all loans is \$100.0 million, and is collateralized by each borrower's interest in the Carlyle sponsored funds. As of September 30, 2019, approximately \$9.0 million was outstanding under the Program and payable by the employees. The Partnership has not funded any amounts under the guarantee to date, and believes the likelihood of any material funding under this guarantee to be remote. The fair value of the guarantee is not significant to the unaudited condensed consolidated financial statements.

The Partnership is party to an agreement with a financial institution pursuant to which the Partnership is the guarantor on a credit facility for eligible employees investing in Carlyle sponsored funds. This credit facility, which was replaced by the Program, renewed on an annual basis, allowed for annual incremental borrowings up to an aggregate of \$11.3 million, and accrued interest at the lower of the prime rate, as defined, or three-month LIBOR plus 3%, reset quarterly. Subsequent to September 3, 2019, no incremental borrowings are allowed under the facility, and the remaining balance was substantially transferred to the Program. As of September 30, 2019 and December 31, 2018, approximately \$2.4 million and \$10.3 million, respectively, was outstanding under the credit facility and payable by the employees. The amount funded by the Partnership under this guarantee was not material.

Certain consolidated subsidiaries of the Partnership are the guarantor of revolving credit facilities for certain funds in the Investment Solutions segment. The guarantee is limited to the lesser of the total amount drawn under the credit facilities or the net asset value of the guarantor subsidiaries, which is approximately \$16.5 million as of September 30, 2019. The outstanding balances are secured by uncalled capital commitments from the underlying funds and the Partnership believes the likelihood of any material funding under this guarantee to be remote.

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Contingent Obligations (Giveback)

A liability for potential repayment of previously received performance allocations of \$63.2 million at September 30, 2019 is shown as accrued giveback obligations in the unaudited condensed consolidated balance sheets, representing the giveback obligation that would need to be paid if the funds were liquidated at their current fair values at September 30, 2019. However, the ultimate giveback obligation, if any, generally is not paid until the end of a fund's life or earlier if the giveback becomes fixed and early payment is agreed upon by the fund's partners (see Note 2). The Partnership has recorded \$1.4 million of unbilled receivables from former and current employees and senior Carlyle professionals as of September 30, 2019 and December 31, 2018, related to giveback obligations, which are included in due from affiliates and other receivables, net in the accompanying unaudited condensed consolidated balance sheets. The receivables are collateralized by investments made by individual senior Carlyle professionals and employees in Carlyle-sponsored funds. In addition, \$176.4 million and \$176.1 million have been withheld from distributions of carried interest to senior Carlyle professionals and employees for potential giveback obligations as of September 30, 2019 and December 31, 2018, respectively. Such amounts are held on behalf of the respective current and former Carlyle employees to satisfy any givebacks they may owe and are held by entities not included in the accompanying condensed consolidated balance sheets. Current and former senior Carlyle professionals and employees are personally responsible for their giveback obligations. As of September 30, 2019, approximately \$36.0 million of the Partnership's accrued giveback obligation is the responsibility of various current and former senior Carlyle professionals and other limited partners of the Carlyle Holdings partnerships, and the net accrued giveback obligation attributable to Carlyle Holdings is \$27.2 million.

If, at September 30, 2019, all of the investments held by the Partnership's Funds were deemed worthless, a possibility that management views as remote, the amount of realized and distributed carried interest subject to potential giveback would be \$0.4 billion, on an after-tax basis where applicable.

Leases

The Partnership's leases primarily consist of operating leases for office space in various countries around the world, including its headquarters in Washington, D.C. These leases have remaining lease terms of 1 year to 15 years, some of which include options to extend for up to 5 years and some of which include an option to terminate the leases within 1 year. The Partnership also has operating leases for office equipment and vehicles, which are not significant.

In June 2018, the Partnership entered into an amended non-cancelable lease agreement expiring on March 31, 2030 for its Washington, D.C. office. In connection with the amended lease, the Partnership exercised an option to terminate its office lease in Arlington, Virginia at the end of 2019. The Partnership will be relocating one of its New York City offices in late 2020 to new office space in Midtown New York. The new lease was signed in July 2018 and expires in 2036. In connection with this new lease, the Partnership incurred a charge of \$63.5 million (including transaction costs) during the third quarter of 2018 related to the assignment of an existing office lease in New York City. The charge is expected to be paid over approximately 15 years beginning in 2021. This charge (excluding \$3.5 million of transaction costs paid) was accounted for as a lease incentive, and is included in accounts payable, accrued expenses and other liabilities in the accompanying unaudited condensed consolidated balance sheets, since the lease has not yet commenced.

The following table summarizes the Partnership's lease cost, cash flows and other supplemental information related to its operating leases (Dollars in millions):

	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2019
Operating lease cost	\$ 12.3	\$ 36.6
Sublease income	(0.7)	(1.7)
Total operating lease cost	\$ 11.6	\$ 34.9
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 14.6	\$ 44.7
Weighted-average remaining lease term		9.6 Years
Weighted-average discount rate		5.3%

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Maturities of lease liabilities related to operating leases were as follows (Dollars in millions):

Year ending December 31,		
2019 (excluding the nine months ended September 30, 2019)	\$	16.3
2020		55.4
2021		45.8
2022		55.1
2023		50.7
Thereafter		484.0
Total lease payments	\$	707.3
Less payments for leases that have not yet commenced		(328.1)
Less imputed interest		(86.4)
Total lease liabilities	\$	292.8

Legal Matters

In the ordinary course of business, the Partnership is a party to litigation, investigations, inquiries, employment-related matters, disputes and other potential claims. Certain of these matters are described below. The Partnership is not currently able to estimate the reasonably possible amount of loss or range of loss, in excess of amounts accrued, for the matters that have not been resolved. The Partnership does not believe it is probable that the outcome of any existing litigation, investigations, disputes or other potential claims will materially affect the Partnership or these financial statements in excess of amounts accrued. The Partnership believes that the matters described below are without merit.

Along with many other companies and individuals in the financial sector, the Partnership and Carlyle Mezzanine Partners, L.P. (“CMP”) are named as defendants in *Foy v. Austin Capital*, a case filed in June 2009 in state court in New Mexico, which purports to be a *qui tam* suit on behalf of the State of New Mexico under the state Fraud Against Taxpayers Act (“FATA”). 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 for lost income, rescission of the investment transactions described in the complaint and disgorgement of all fees received. In September 2017, the Court dismissed the lawsuit and the plaintiffs then filed an appeal seeking to reverse that decision. That appeal is pending. The Attorney General may also separately pursue its own recovery from defendants in the action.

Carlyle Capital Corporation Limited (“CCC”) was a fund sponsored by the Partnership 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. The Guernsey liquidators who took control of CCC in March 2008 filed a suit on July 7, 2010 against the Partnership, certain of its affiliates and the former directors of CCC in the Royal Court of Guernsey seeking more than \$1.0 billion in damages in a case styled *Carlyle Capital Corporation Limited v. Conway et al.* On September 4, 2017, the Royal Court of Guernsey ruled that the Partnership and Directors of CCC acted reasonably and appropriately in the management and governance of CCC and that none of the Partnership, its affiliates or former directors of CCC had any liability. In December 2017, the plaintiff filed a notice of appeal of the trial court decision. A hearing before the Guernsey appellate court took place from October 8 through October 18, 2018. On April 12, 2019 the Guernsey Court of Appeal dismissed the appeal and affirmed the trial court’s decision. On July 31, 2019, the plaintiffs filed a notice of appeal with the Judicial Committee of the Privy Council. To date, the Partnership has received approximately £23.3 million (\$28.6 million as of September 30, 2019) from the plaintiff as a deposit towards their obligation to reimburse the Partnership for legal fees and expenses incurred to defend against the claims. The Partnership has not recognized income in respect of the reimbursement as of September 30, 2019, as such amount is subject to adjustment pending a final determination of the correct reimbursement amount.

A Luxembourg subsidiary of CEREP I, a real estate fund, has been involved since 2010 in a tax dispute with the French authorities relating to whether gain from the sale of an investment was taxable in France. In April 2015, the French tax court issued an opinion in this matter adverse to CEREP I, holding the Luxembourg subsidiary of CEREP I liable for approximately €105 million (including interest accrued since the beginning of the tax dispute). CEREP I paid approximately €30 million of the tax obligations and the Partnership paid the remaining approximately €75 million in its capacity as a guarantor. The Partnership appealed the decision of the French tax court. In December 2017, the French appellate court reversed the earlier tax court opinion and awarded the Partnership a refund of the full €105 million of tax and penalties (inclusive of amounts paid

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by CEREP I) and awarded interest on the refund of €12.5 million, before tax. The French government appealed the decision. In July 2019, the parties agreed to settle this matter by reducing the tax claim to €37.1 million of French tax and interest. The remaining €80.5 million will be retained by the Partnership and CEREP I. Accordingly, the Partnership recognized \$71.5 million in principal investment income in the three months ended June 30, 2019.

The Partnership currently is and expects to continue to be, from time to time, subject to examinations, formal and informal inquiries and investigations by various U.S. and non-U.S. governmental and regulatory agencies, including but not limited to, the SEC, Department of Justice, state attorneys general, FINRA, National Futures Association and the U.K. Financial Conduct Authority. The Partnership routinely cooperates with such examinations, inquiries and investigations, and they may result in the commencement of civil, criminal, or administrative or other proceedings against the Partnership or its personnel.

During 2017, the Partnership entered into settlement and purchase agreements with investors in a hedge fund and two structured finance vehicles managed by Vermillion related to investments of approximately \$400 million in petroleum commodities that the Partnership believes were misappropriated by third parties outside the U.S. In total, the Partnership paid \$265 million (\$165 million of which was paid in 2017 with the remaining \$100 million paid in 2016) to fully resolve all claims related to these matters, and issued promissory notes in aggregate amount of \$54 million to repurchase the investors' interests in the two structured finance vehicles. In connection with these settlements, the Partnership acquired certain rights to recoveries from certain marine cargo insurance policies and is continuing to undertake efforts to obtain reimbursement for the misappropriation of petroleum. During the fourth quarter of 2018, the Partnership reached an agreement with the primary underwriters in the marine cargo insurance policies for \$55 million, of which the Partnership recognized approximately \$32 million in insurance proceeds during the year ended December 31, 2018, with the remaining proceeds to be distributed to former investors. Although additional recovery efforts continue, there is no assurance that the Partnership will be successful in any of these efforts and the Partnership will not recognize any amounts in respect of such recoveries until such amounts are probable of payment.

It is not possible to predict the ultimate outcome of all pending investigations and legal proceedings and employment-related matters, and some of the matters discussed above involve claims for potentially large and/or indeterminate amounts of damages. Based on information known by management, management does not believe that as of the date of this filing the final resolutions of the matters above will have a material effect upon the Partnership's unaudited condensed consolidated financial statements. However, given the potentially large and/or indeterminate amounts of damages sought in certain of these matters and the inherent unpredictability of investigations and litigations, it is possible that an adverse outcome in certain matters could, from time to time, have a material effect on the Partnership's financial results in any particular period.

The Partnership accrues an estimated loss contingency liability when it is probable that such a liability has been incurred and the amount of the loss can be reasonably estimated. As of September 30, 2019, the Partnership had recorded liabilities aggregating to approximately \$35 million for litigation-related contingencies, regulatory examinations and inquiries, and other matters. The Partnership evaluates its outstanding legal and regulatory proceedings and other matters each quarter to assess its loss contingency accruals, and makes adjustments in such accruals, upward or downward, as appropriate, based on management's best judgment after consultation with counsel. There is no assurance that the Partnership's accruals for loss contingencies will not need to be adjusted in the future or that, in light of the uncertainties involved in such matters, the ultimate resolution of these matters will not significantly exceed the accruals that the Partnership has recorded.

Indemnifications

In the normal course of business, the Partnership and its subsidiaries enter into contracts that contain a variety of representations and warranties and provide general indemnifications. The Partnership's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Partnership that have not yet occurred. However, based on experience, the Partnership believes the risk of material loss to be remote.

Risks and Uncertainties

Carlyle's funds seek investment opportunities that offer the possibility of attaining substantial capital appreciation. Certain events particular to each industry in which the underlying investees conduct their operations, as well as general economic conditions, may have a significant negative impact on the Partnership's investments and profitability. Such events are beyond the Partnership's control, and the likelihood that they may occur and the effect on the Partnership cannot be predicted.

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Furthermore, certain of the funds' investments are made in private companies and there are generally no public markets for the underlying securities at the current time. The funds' ability to liquidate their publicly-traded investments are often subject to limitations, including discounts that may be required to be taken on quoted prices due to the number of shares being sold. The funds' ability to liquidate their investments and realize value is subject to significant limitations and uncertainties, including among others currency fluctuations and natural disasters.

The Partnership and the funds make investments outside of the United States. Investments outside the United States may be subject to less developed bankruptcy, corporate, partnership and other laws (which may have the effect of disregarding or otherwise circumventing the limited liability structures potentially causing the actions or liabilities of one fund or a portfolio company to adversely impact the Partnership or an unrelated fund or portfolio company). Non-U.S. investments are subject to the same risks associated with the Partnership's U.S. investments as well as additional risks, such as fluctuations in foreign currency exchange rates, unexpected changes in regulatory requirements, heightened risk of political and economic instability, difficulties in managing non-U.S. investments, potentially adverse tax consequences and the burden of complying with a wide variety of foreign laws.

Furthermore, Carlyle is exposed to economic risk concentrations related to certain large investments as well as concentrations of investments in certain industries and geographies.

Additionally, the Partnership encounters credit risk. Credit risk is the risk of default by a counterparty in the Partnership's investments in debt securities, loans, leases and derivatives that result from a borrower's, lessee's or derivative counterparty's inability or unwillingness to make required or expected payments.

The Partnership considers cash, cash equivalents, securities, receivables, equity method investments, accounts payable, accrued expenses, other liabilities, loans, senior notes, assets and liabilities of Consolidated Funds and contingent and other consideration for acquisitions to be its financial instruments. Except for the senior notes, the carrying amounts reported in the unaudited condensed consolidated balance sheets for these financial instruments equal or closely approximate their fair values. The fair value of the senior notes is disclosed in Note 5.

8. Related Party Transactions

Due from Affiliates and Other Receivables, Net

The Partnership had the following due from affiliates and other receivables at September 30, 2019 and December 31, 2018:

	As of	
	September 30, 2019	December 31, 2018
	(Dollars in millions)	
Accrued incentive fees	\$ 7.9	\$ 7.1
Unbilled receivable for giveback obligations from current and former employees	1.4	1.4
Notes receivable and accrued interest from affiliates	19.8	14.4
Management fee, reimbursable expenses and other receivables from unconsolidated funds and affiliates, net	217.3	418.2
Total	\$ 246.4	\$ 441.1

Notes receivable represent loans that the Partnership has provided to certain unconsolidated funds to meet short-term obligations to purchase investments. Reimbursable expenses and other receivables from certain of the unconsolidated funds and portfolio companies relate to management fees receivable from limited partners, advisory fees receivable and expenses paid on behalf of these entities. These costs represent costs related to the pursuit of actual or proposed investments, professional fees and expenses associated with the acquisition, holding and disposition of the investments. The affiliates are obligated at the discretion of the Partnership to reimburse the expenses. Based on management's determination, the Partnership accrues and charges interest on amounts due from affiliate accounts at interest rates ranging up to 6.96% as of September 30, 2019. The accrued and charged interest to the affiliates was not significant for any period presented.

These receivables are assessed regularly for collectability and amounts determined to be uncollectible are charged directly to general, administrative and other expenses in the condensed consolidated statements of operations. A corresponding allowance for doubtful accounts is recorded and such amounts were not significant for any period presented.

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Due to Affiliates

The Partnership had the following due to affiliates balances at September 30, 2019 and December 31, 2018:

	As of	
	September 30, 2019	December 31, 2018
	(Dollars in millions)	
Due to non-consolidated affiliates	\$ 40.6	\$ 27.6
Amounts owed under the tax receivable agreement	107.1	101.9
Other	34.5	44.5
Total	\$ 182.2	\$ 174.0

The Partnership has recorded obligations for amounts due to certain of its affiliates. The Partnership periodically offsets expenses it has paid on behalf of its affiliates against these obligations. The amount owed under the tax receivable agreement is related primarily to the acquisition by the Partnership of Carlyle Holdings partnership units in June 2015 and March 2014, respectively, the exchange in May 2012 by CalPERS of its Carlyle Holdings partnership units for Partnership common units, as well as certain unit exchanges by senior Carlyle professionals which began in the second quarter of 2017 (see Note 12).

Other Related Party Transactions

In the normal course of business, the Partnership has made use of aircraft owned by entities controlled by senior Carlyle professionals. The senior Carlyle professionals paid for their purchases of aircraft and bear all operating, personnel and maintenance costs associated with their operation for personal use. Payment by the Partnership for the business use of these aircraft by senior Carlyle professionals and other employees, which is made at market rates, totaled \$2.1 million and \$1.6 million for the three months ended September 30, 2019 and 2018, respectively, and \$5.6 million and \$5.1 million for the nine months ended September 30, 2019 and 2018, respectively. These fees are included in general, administrative, and other expenses in the unaudited condensed consolidated statements of operations.

Senior Carlyle professionals and employees are permitted to participate in co-investment entities that invest in Carlyle funds or alongside Carlyle funds. In many cases, participation is limited by law to individuals who qualify under applicable legal requirements. These co-investment entities generally do not require senior Carlyle professionals and employees to pay management fees or performance allocations, however, Carlyle professionals and employees are required to pay their portion of partnership expenses.

Carried interest income from the funds can be distributed to senior Carlyle professionals and employees on a current basis, but is subject to repayment by the subsidiary of the Partnership that acts as general partner of the fund in the event that certain specified return thresholds are not ultimately achieved. The senior Carlyle professionals and certain other investment professionals have personally guaranteed, subject to certain limitations, the obligation of these subsidiaries in respect of this general partner obligation. Such guarantees are several and not joint and are limited to a particular individual's distributions received.

The Partnership does business with some of its portfolio companies; all such arrangements are on a negotiated basis.

Substantially all revenue is earned from affiliates of Carlyle.

9. Income Taxes

The Partnership is generally organized as a series of pass through entities pursuant to the United States Internal Revenue Code. As such, the Partnership is not responsible for the tax liability due on certain income earned during the year. Such income is taxed at the unitholder and non-controlling interest holder level, and any income tax is the responsibility of the unitholders and is paid at that level. For income taxes on income earned for which the Partnership is responsible for the tax liability, the Partnership's income tax expense was \$9.4 million and \$17.4 million for the three months ended September 30, 2019 and 2018, respectively, and \$48.9 million and \$36.8 million for the nine months ended September 30, 2019 and 2018, respectively.

In the normal course of business, the Partnership is subject to examination by federal and certain state, local and foreign tax regulators. With a few exceptions, as of September 30, 2019, the Partnership's U.S. federal income tax returns for the years 2016 through 2018 are open under the normal three-year statute of limitations and therefore subject to examination. State and

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local tax returns are generally subject to audit from 2014 to 2018. Foreign tax returns are generally subject to audit from 2011 to 2018. Certain of the Partnership's affiliates are currently under audit by federal, state and foreign tax authorities.

The Partnership does not believe that the outcome of these audits will require it to record material reserves for uncertain tax positions or that the outcome will have a material impact on the consolidated financial statements. The Partnership does not believe that it has any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within the next twelve months.

10. Non-controlling Interests in Consolidated Entities

The components of the Partnership's non-controlling interests in consolidated entities are as follows:

	As of	
	September 30, 2019	December 31, 2018
	(Dollars in millions)	
Non-Carlyle interests in Consolidated Funds	\$ 1.2	\$ 1.2
Non-Carlyle interests in majority-owned subsidiaries	316.9	337.1
Non-controlling interest in carried interest, giveback obligations and cash held for carried interest distributions	(8.0)	(14.1)
Non-controlling interests in consolidated entities	<u>\$ 310.1</u>	<u>\$ 324.2</u>

The components of the Partnership's non-controlling interests in income of consolidated entities are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(Dollars in millions)			
Non-Carlyle interests in Consolidated Funds	\$ —	\$ (0.2)	\$ 11.2	\$ (5.3)
Non-Carlyle interests in majority-owned subsidiaries	9.7	14.3	27.2	41.1
Non-controlling interest in carried interest, giveback obligations and cash held for carried interest distributions	0.8	0.4	7.4	6.4
Non-controlling interests in income of consolidated entities	<u>\$ 10.5</u>	<u>\$ 14.5</u>	<u>\$ 45.8</u>	<u>\$ 42.2</u>

11. Earnings Per Common Unit

Basic and diluted net income per common unit are calculated as follows:

	Three Months Ended September 30, 2019		Nine Months Ended September 30, 2019	
	Basic	Diluted	Basic	Diluted
Net income attributable to common units	\$ 68,400,000	\$ 68,400,000	\$ 353,600,000	\$ 353,600,000
Weighted-average common units outstanding	114,930,365	124,875,070	111,547,969	120,558,967
Net income per common unit	<u>\$ 0.60</u>	<u>\$ 0.55</u>	<u>\$ 3.17</u>	<u>\$ 2.93</u>

	Three Months Ended September 30, 2018		Nine Months Ended September 30, 2018	
	Basic	Diluted	Basic	Diluted
Net income attributable to The Carlyle Group L.P.	\$ 11,600,000	\$ 11,600,000	\$ 108,900,000	\$ 108,900,000
Incremental net income (loss) from assumed exchange of Carlyle Holdings partnership units	—	22,500,000	—	—
Net income attributable to common units	\$ 11,600,000	\$ 34,100,000	\$ 108,900,000	\$ 108,900,000
Weighted-average common units outstanding	105,560,193	346,930,017	102,936,949	112,851,327
Net income per common unit	<u>\$ 0.11</u>	<u>\$ 0.10</u>	<u>\$ 1.06</u>	<u>\$ 0.96</u>

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The weighted-average common units outstanding, basic and diluted, are calculated as follows:

	Three Months Ended September 30, 2019		Nine Months Ended September 30, 2019	
	Basic	Diluted	Basic	Diluted
The Carlyle Group L.P. weighted-average common units outstanding	114,930,365	114,930,365	111,547,969	111,547,969
Unvested deferred restricted common units	—	9,126,544	—	8,105,944
Issuable Carlyle Group L.P. common units	—	818,161	—	905,054
Weighted-average common units outstanding	114,930,365	124,875,070	111,547,969	120,558,967

	Three Months Ended September 30, 2018		Nine Months Ended September 30, 2018	
	Basic	Diluted	Basic	Diluted
The Carlyle Group L.P. weighted-average common units outstanding	105,560,193	105,560,193	102,936,949	102,936,949
Unvested deferred restricted common units	—	8,297,202	—	9,395,087
Issuable Carlyle Group L.P. common units	—	756,818	—	519,291
Weighted-average vested Carlyle Holdings Partnership units	—	232,303,828	—	—
Unvested Carlyle Holdings Partnership units	—	11,976	—	—
Weighted-average common units outstanding	105,560,193	346,930,017	102,936,949	112,851,327

The Partnership applies the treasury stock method to determine the dilutive weighted-average common units represented by the unvested deferred restricted common units. Also included in the determination of dilutive weighted-average common units are issuable and contingently issuable Carlyle Holdings partnership units and common units associated with the Partnership's acquisitions, strategic investments in NGP and performance-vesting deferred restricted common units.

The Partnership applies the "if-converted" method to the vested Carlyle Holdings partnership units to determine the dilutive weighted-average common units outstanding. The Partnership applies the treasury stock method to the unvested Carlyle Holdings partnership units and the "if-converted" method on the resulting number of additional Carlyle Holdings partnership units to determine the dilutive weighted-average common units represented by the unvested Carlyle Holdings partnership units.

In computing the dilutive effect that the exchange of Carlyle Holdings partnership units would have on earnings per common unit, the Partnership considered that net income available to holders of common units would increase due to the elimination of non-controlling interests in Carlyle Holdings (including any tax impact). Based on these calculations, 229,954,310 of vested Carlyle Holdings partnership units and 7,568 of unvested Carlyle Holdings partnership units for the three months ended September 30, 2019, 230,504,999 of vested Carlyle Holdings partnership units and 3,560 of unvested Carlyle Holdings partnership units for the nine months ended September 30, 2019, and 229,942,607 of vested Carlyle Holdings partnership units and 2,852,616 of unvested Carlyle Holdings partnership units for the nine months ended September 30, 2018 were antidilutive, and therefore have been excluded.

Further, based on these calculations, 232,303,828 of vested Carlyle Holdings partnership units and 11,976 of unvested Carlyle Holdings partnership units for the three months ended September 30, 2018 were dilutive. As a result, net income of non-controlling interests in Carlyle Holdings associated with the assumed exchange of \$22.5 million for the three months ended September 30, 2018 has been included in net income attributable to The Carlyle Group L.P. for purposes of the dilutive earnings per common unit calculation.

12. Equity

Preferred Unit Issuance and Redemption

On September 13, 2017, the Partnership issued 16,000,000 of 5.875% Series A Preferred Units (the "Preferred Units") for gross proceeds of \$400.0 million, or \$387.5 million, net of issuance costs and expenses.

Distributions on the Preferred Units were payable quarterly on March 15, June 15, September 15, and December 15 of each year, beginning on December 15, 2017, when, as and if declared by the Board of Directors of the general partner of the Partnership, at a rate per annum of 5.875%. Distributions on the Preferred Units were discretionary and non-cumulative.

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On September 5, 2019, the Partnership issued a redemption notice pursuant to the tax redemption provisions of the Preferred Units and redeemed them in full on October 7, 2019 at a price of \$25.339757 per unit, which is equal to \$25.25 per Preferred Unit plus declared and unpaid distributions to, but excluding, the redemption date. As the redemption is not revocable, the Partnership has recorded a liability of approximately \$405.4 million, which is reflected in redeemed Series A preferred units on the unaudited condensed consolidated balance sheet as of September 30, 2019.

Unit Repurchase Program

In December 2018, the Board of Directors of the general partner of the Partnership authorized the repurchase of up to \$200.0 million of common units and/or Carlyle Holdings units, inclusive of amounts remaining as originally authorized in February 2016. Under this new unit repurchase program, which became effective January 1, 2019, units may be repurchased from time to time in open market transactions, in privately negotiated transactions or otherwise. The Partnership expects that the majority of repurchases under this program will be done via open market and brokered transactions. The timing and actual number of common units and/or Carlyle Holdings units repurchased will depend on a variety of factors, including legal requirements, price and economic and market conditions. This unit repurchase program may be suspended or discontinued at any time and does not have a specified expiration date. During the three and nine months ended September 30, 2019, the Partnership paid an aggregate of \$22.5 million and \$34.5 million, respectively, to repurchase and retire approximately 1.0 million units and 1.6 million units, respectively, with all of the repurchases done via open market and brokered transactions.

Quarterly Unit Exchange Program

Current and former senior Carlyle professionals are able to exchange their Carlyle Holdings partnership units for common units on a quarterly basis, subject to the terms of the Exchange Agreement. During the three and nine months ended September 30, 2019, current and former senior Carlyle professionals exchanged 1,175,224 and 1,588,977, respectively, Carlyle Holdings partnership units for common units, resulting in a reallocation of capital of \$10.6 million and \$13.6 million, respectively, from non-controlling interests in Carlyle Holdings to partners' capital and accumulated other comprehensive loss.

Distributions

The table below presents information regarding the quarterly distributions on the common units, which were made at the sole discretion of the general partner of the Partnership. Because certain wholly owned subsidiaries of the Partnership must pay taxes and make payments under the tax receivable agreement, the amounts ultimately distributed to the common unitholders may be less, on a per unit basis, than the amounts distributed by the Carlyle Holdings partnerships to the other limited partners of the Carlyle Holdings partnerships in respect of their Carlyle Holdings partnership units.

Distribution Record Date	Distribution Payment Date	Distribution per Common Unit	Distribution to Common Unitholders
(Dollars in millions, except per unit data)			
May 11, 2018	May 17, 2018	\$ 0.27	\$ 27.8
August 13, 2018	August 17, 2018	0.22	23.3
November 13, 2018	November 20, 2018	0.42	45.5
February 19, 2019	February 26, 2019	0.43	47.5
Total 2018 Distribution Year		\$ 1.34	\$ 144.1
May 13, 2019	May 20, 2019	\$ 0.19	\$ 21.0
August 12, 2019	August 19, 2019	0.43	49.9
November 12, 2019	November 19, 2019	0.31	36.5
Total 2019 Distribution Year (through Q3 2019)		\$ 0.93	\$ 107.4

The general partner will take into account general economic and business conditions, as well as the Partnership's strategic plans and prospects, business and investment opportunities, financial condition and obligations, legal, tax and regulatory restrictions, other constraints on the payment of distributions by the Partnership to its common unitholders or by subsidiaries to the Partnership, and other such factors as the general partner may deem relevant.

Under the Delaware Limited Partnership Act, the Partnership may not make a distribution to a partner if after the distribution all of the Partnership's liabilities, other than liabilities to partners on account of their partnership interest and

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liabilities for which the recourse of creditors is limited to specific property of the partnership, would exceed the fair value of the Partnership's assets. If the Partnership were to make such an impermissible distribution, any limited partner who received a distribution and knew at the time of the distribution that the distribution was in violation of the Delaware Limited Partnership Act would be liable to the Partnership for the amount of the distribution for three years. In addition, the terms of the Partnership's senior credit facility provide certain limits on its ability to make distributions.

13. Equity-Based Compensation

In May 2012, Carlyle Group Management L.L.C., the general partner of the Partnership, adopted the Equity Incentive Plan. The Equity Incentive Plan is a source of equity-based awards permitting the Partnership to grant to Carlyle employees, directors of the Partnership's general partner and consultants non-qualified options, unit appreciation rights, common units, restricted common units, deferred restricted common units, phantom restricted common units and other awards based on the Partnership's common units and Carlyle Holdings partnership units. The total number of the Partnership's common units and Carlyle Holdings partnership units which were initially available for grant under the Equity Incentive Plan was 30,450,000. The Equity Incentive Plan contains a provision which automatically increases the number of the Partnership's common units and Carlyle Holdings partnership units available for grant based on a pre-determined formula; this increase occurs annually on January 1. As of January 1, 2019, pursuant to the formula, the total number of the Partnership's common units and Carlyle Holdings partnership units available for grant under the Equity Incentive Plan was 33,872,427.

A summary of the status of the Partnership's non-vested equity-based awards as of September 30, 2019 and a summary of changes for the nine months ended September 30, 2019, are presented below:

	Carlyle Holdings		The Carlyle Group L.P.	
	Partnership Units	Weighted-Average Grant Date Fair Value	Deferred Restricted Common Units	Weighted-Average Grant Date Fair Value
Unvested Units				
Balance, December 31, 2018	9,387	\$ 28.26	19,123,700	\$ 18.73
Granted	—	\$ —	6,069,680	\$ 15.56
Vested	—	\$ —	9,401,305	\$ 19.35
Forfeited	—	\$ —	711,133	\$ 17.60
Balance, September 30, 2019	9,387	\$ 28.26	15,080,942	\$ 17.12

The Partnership recorded compensation expense for deferred restricted common units of \$36.5 million and \$49.7 million for the three months ended September 30, 2019 and 2018, respectively, with \$3.2 million and \$4.7 million of corresponding deferred tax benefits, respectively. The Partnership recorded compensation expense for deferred restricted common units of \$107.6 million and \$143.8 million for the nine months ended September 30, 2019 and 2018, respectively, with \$9.9 million and \$12.9 million of corresponding deferred tax benefits, respectively. As of September 30, 2019, the total unrecognized equity-based compensation expense related to unvested deferred restricted common units is \$213.5 million, which is expected to be recognized over a weighted-average term of 2.3 years.

14. Segment Reporting

Carlyle conducts its operations through four reportable segments:

Corporate Private Equity – The Corporate Private Equity segment is comprised of the Partnership's operations that advise a diverse group of funds that invest in buyout, middle market and growth capital transactions that focus on either a particular geography or a particular industry.

Real Assets – The Real Assets segment is comprised of the Partnership's operations that advise U.S. and international funds focused on real estate, infrastructure, energy and renewable energy transactions.

Global Credit – The Global Credit segment advises a group of funds that pursue investment opportunities across various types of credit, including loans & structured credit, direct lending, opportunistic credit, energy credit, distressed credit and aviation finance.

Investment Solutions – The Investment Solutions segment advises global private equity fund of funds programs and related co-investment and secondary activities through AlInvest. This segment also includes Metropolitan, a global manager of real estate fund of funds and related co-investment and secondary activities.

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The Partnership's reportable business segments are differentiated by their various investment focuses and strategies. Overhead costs are generally allocated based on cash-based compensation and benefits expense for each segment. The Partnership's earnings from its investment in NGP are presented in the respective operating captions within the Real Assets segment.

Distributable Earnings. Distributable Earnings, or "DE," is a key performance benchmark used in the Partnership's industry and is evaluated regularly by management in making resource deployment and compensation decisions and in assessing performance of the Partnership's four reportable segments. Management also uses DE in budgeting, forecasting, and the overall management of the Partnership's segments. Management believes that reporting DE is helpful to understanding the Partnership's business and that investors should review the same supplemental financial measure that management uses to analyze the Partnership's segment performance. DE is intended to show the amount of net realized earnings without the effects of the consolidation of the Consolidated Funds. DE is derived from the Partnership's segment reported results and is used to assess performance and determine amounts potentially available for distribution from Carlyle Holdings to its unitholders.

Distributable Earnings differs from income (loss) before provision for income taxes computed in accordance with U.S. GAAP in that it includes certain tax expenses associated with performance revenues (comprised of performance allocations and incentive fees), and does not include unrealized performance allocations and related compensation expense, unrealized principal investment income, equity-based compensation expense, net income (loss) attributable to non-Carlyle interests in consolidated entities, or charges (credits) related to Carlyle corporate actions and non-recurring items. Charges (credits) related to Carlyle corporate actions and non-recurring items include: charges associated with acquisitions or strategic investments, changes in the tax receivable agreement liability, corporate conversion costs, amortization and any impairment charges associated with acquired intangible assets, transaction costs associated with acquisitions, charges associated with earnouts and contingent consideration including gains and losses associated with the estimated fair value of contingent considerations issued in conjunction with acquisitions or strategic investments, impairment charges associated with lease right-of-use assets, gains and losses from the retirement of debt, charges associated with contract terminations and employee severance. Management believes the inclusion or exclusion of these items provides investors with a meaningful indication of the Partnership's core operating performance.

Fee Related Earnings. Fee Related Earnings, or "FRE," is used to assess the ability of the business to cover direct base compensation and operating expenses from total fee revenues. FRE differs from income (loss) before provision for income taxes computed in accordance with U.S. GAAP in that it adjusts for the items included in the calculation of DE and also adjusts DE to exclude net realized performance revenues, realized principal investment income, net interest (interest income less interest expense), and certain general, administrative and other expenses when the timing of any future payment is uncertain.

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The following table presents the financial data for the Partnership's four reportable segments for the three and nine months ended September 30, 2019:

	Three Months Ended September 30, 2019				
	Corporate Private Equity	Real Assets	Global Credit	Investment Solutions	Total
	(Dollars in millions)				
Segment Revenues					
Fund level fee revenues					
Fund management fees	\$ 192.2	\$ 78.1	\$ 75.6	\$ 38.7	\$ 384.6
Portfolio advisory fees, net and other	4.3	(0.1)	1.1	—	5.3
Transaction fees, net	4.4	—	1.4	—	5.8
Total fund level fee revenues	200.9	78.0	78.1	38.7	395.7
Realized performance revenues	33.3	65.0	0.9	19.1	118.3
Realized principal investment income (loss)	1.8	3.9	2.2	(0.6)	7.3
Interest income	1.7	0.8	3.6	0.4	6.5
Total revenues	237.7	147.7	84.8	57.6	527.8
Segment Expenses					
Compensation and benefits					
Cash-based compensation and benefits	92.6	33.1	43.9	24.5	194.1
Realized performance revenues related compensation	14.9	29.2	—	16.5	60.6
Total compensation and benefits	107.5	62.3	43.9	41.0	254.7
General, administrative, and other indirect expenses	34.8	16.7	20.9	8.6	81.0
Depreciation and amortization expense	5.7	2.2	2.4	1.5	11.8
Interest expense	8.0	3.2	6.5	1.9	19.6
Total expenses	156.0	84.4	73.7	53.0	367.1
Distributable Earnings	\$ 81.7	\$ 63.3	\$ 11.1	\$ 4.6	\$ 160.7
(-) Realized Net Performance Revenues	18.4	35.8	0.9	2.6	57.7
(-) Realized Principal Investment Income	1.8	3.9	2.2	(0.6)	7.3
(+) Net Interest	6.3	2.4	2.9	1.5	13.1
(=) Fee Related Earnings	\$ 67.8	\$ 26.0	\$ 10.9	\$ 4.1	\$ 108.8

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Nine Months Ended September 30, 2019

	Corporate Private Equity	Real Assets	Global Credit	Investment Solutions	Total
(Dollars in millions)					
Segment Revenues					
Fund level fee revenues					
Fund management fees	\$ 572.5	\$ 261.3	\$ 229.6	\$ 117.3	\$ 1,180.7
Portfolio advisory fees, net and other	11.4	1.3	3.4	—	16.1
Transaction fees, net	12.1	2.4	5.4	—	19.9
Total fund level fee revenues	596.0	265.0	238.4	117.3	1,216.7
Realized performance revenues	67.9	94.5	1.0	46.0	209.4
Realized principal investment income	0.5	75.6	8.2	1.0	85.3
Interest income	4.1	2.0	10.8	1.1	18.0
Total revenues	668.5	437.1	258.4	165.4	1,529.4
Segment Expenses					
Compensation and benefits					
Cash-based compensation and benefits	290.4	102.9	140.0	70.2	603.5
Realized performance revenues related compensation	30.7	52.4	—	40.8	123.9
Total compensation and benefits	321.1	155.3	140.0	111.0	727.4
General, administrative, and other indirect expenses	102.2	50.5	57.9	26.1	236.7
Depreciation and amortization expense	15.1	5.9	6.5	4.2	31.7
Interest expense	23.8	9.4	19.9	5.6	58.7
Total expenses	462.2	221.1	224.3	146.9	1,054.5
Distributable Earnings	\$ 206.3	\$ 216.0	\$ 34.1	\$ 18.5	\$ 474.9
(-) Realized Net Performance Revenues	37.2	42.1	1.0	5.2	85.5
(-) Realized Principal Investment Income	0.5	75.6	8.2	1.0	85.3
(+) Net Interest	19.7	7.4	9.1	4.5	40.7
(-) Fee Related Earnings	188.3	105.7	34.0	16.8	344.8
Segment assets as of September 30, 2019	\$ 3,326.9	\$ 1,974.6	\$ 2,857.0	\$ 1,289.7	\$ 9,448.2

Notes to the Condensed Consolidated Financial Statements
(Unaudited)

The following table presents the financial data for the Partnership's four reportable segments for the three and nine months ended September 30, 2018:

	Three Months Ended September 30, 2018				
	Corporate Private Equity	Real Assets	Global Credit	Investment Solutions	Total
	(Dollars in millions)				
Segment Revenues					
Fund level fee revenues					
Fund management fees	\$ 175.8	\$ 76.3	\$ 60.4	\$ 42.7	\$ 355.2
Portfolio advisory fees, net and other	7.6	0.9	1.2	0.1	9.8
Transaction fees, net	—	—	—	—	—
Total fund level fee revenues	183.4	77.2	61.6	42.8	365.0
Realized performance revenues	143.6	73.7	0.1	42.8	260.2
Realized principal investment income	4.2	0.6	2.2	—	7.0
Interest income	3.0	1.5	4.2	0.4	9.1
Total revenues	334.2	153.0	68.1	86.0	641.3
Segment Expenses					
Compensation and benefits					
Cash-based compensation and benefits	93.9	33.7	36.6	22.2	186.4
Realized performance revenues related compensation	66.1	31.8	—	38.4	136.3
Total compensation and benefits	160.0	65.5	36.6	60.6	322.7
General, administrative, and other indirect expenses	41.1	15.5	14.2	10.1	80.9
Depreciation and amortization expense	4.3	1.7	1.5	1.2	8.7
Interest expense	7.5	4.1	5.8	1.6	19.0
Total expenses	212.9	86.8	58.1	73.5	431.3
Distributable Earnings	\$ 121.3	\$ 66.2	\$ 10.0	\$ 12.5	\$ 210.0
(-) Realized Net Performance Revenues	77.5	41.9	0.1	4.4	123.9
(-) Realized Principal Investment Income	4.2	0.6	2.2	—	7.0
(+) Net Interest	4.5	2.6	1.6	1.2	9.9
(=) Fee Related Earnings	\$ 44.1	\$ 26.3	\$ 9.3	\$ 9.3	\$ 89.0

Notes to the Condensed Consolidated Financial Statements
(Unaudited)

	Nine Months Ended September 30, 2018				
	Corporate Private Equity	Real Assets	Global Credit	Investment Solutions	Total
	(Dollars in millions)				
Segment Revenues					
Fund level fee revenues					
Fund management fees	\$ 437.9	\$ 229.4	\$ 178.9	\$ 124.6	\$ 970.8
Portfolio advisory fees, net and other	17.3	3.5	3.9	0.4	25.1
Transaction fees, net	3.9	2.8	0.1	—	6.8
Total fund level fee revenues	459.1	235.7	182.9	125.0	1,002.7
Realized performance revenues	383.6	115.1	5.9	66.1	570.7
Realized principal investment income	24.4	11.9	7.1	—	43.4
Interest income	7.5	3.6	11.4	1.2	23.7
Total revenues	874.6	366.3	207.3	192.3	1,640.5
Segment Expenses					
Compensation and benefits					
Cash-based compensation and benefits	281.6	97.7	101.1	67.4	547.8
Realized performance revenues related compensation	180.8	50.8	2.7	59.8	294.1
Total compensation and benefits	462.4	148.5	103.8	127.2	841.9
General, administrative, and other indirect expenses	130.5	49.5	47.3	27.3	254.6
Depreciation and amortization expense	12.5	4.9	4.5	3.4	25.3
Interest expense	21.6	12.1	16.9	4.7	55.3
Total expenses	627.0	215.0	172.5	162.6	1,177.1
Distributable Earnings	\$ 247.6	\$ 151.3	\$ 34.8	\$ 29.7	\$ 463.4
(-) Realized Net Performance Revenues	202.8	64.3	3.2	6.3	276.6
(-) Realized Principal Investment Income	24.4	11.9	7.1	—	43.4
(+) Net Interest	14.1	8.5	5.5	3.5	31.6
(=) Fee Related Earnings	\$ 34.5	\$ 83.6	\$ 30.0	\$ 26.9	\$ 175.0

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(Unaudited)

The following table reconciles the Total Segments to the Partnership's Income Before Provision for Taxes for the three months ended September 30, 2019 and 2018.

Three Months Ended September 30, 2019						
Total Reportable Segments	Consolidated Funds	Reconciling Items				Carlyle Consolidated
(Dollars in millions)						
Revenues	\$ 527.8	\$ 51.3	\$ 189.5	(a)		\$ 768.6
Expenses	\$ 367.1	\$ 44.1	\$ 94.1	(b)		\$ 505.3
Other income	\$ —	\$ (1.9)	\$ —	(c)		\$ (1.9)
Distributable earnings	\$ 160.7	\$ 5.3	\$ 95.4	(d)		\$ 261.4

Three Months Ended September 30, 2018						
Total Reportable Segments	Consolidated Funds	Reconciling Items				Carlyle Consolidated
(Dollars in millions)						
Revenues	\$ 641.3	\$ 60.5	\$ (22.7)	(a)		\$ 679.1
Expenses	\$ 431.3	\$ 51.0	\$ 133.3	(b)		\$ 615.6
Other income	\$ —	\$ (2.9)	\$ —	(c)		\$ (2.9)
Distributable earnings	\$ 210.0	\$ 6.6	\$ (156.0)	(d)		\$ 60.6

The following table reconciles the Total Segments to the Partnership's Income Before Provision for Taxes for the nine months ended September 30, 2019 and 2018, and Total Assets as of September 30, 2019.

Nine Months Ended September 30, 2019						
Total Reportable Segments	Consolidated Funds	Reconciling Items				Carlyle Consolidated
(Dollars in millions)						
Revenues	\$ 1,529.4	\$ 149.5	\$ 1,237.8	(a)		\$ 2,916.7
Expenses	\$ 1,054.5	\$ 124.6	\$ 457.0	(b)		\$ 1,636.1
Other income	\$ —	\$ (6.9)	\$ —	(c)		\$ (6.9)
Distributable earnings	\$ 474.9	\$ 18.0	\$ 780.8	(d)		\$ 1,273.7
Total assets	\$ 9,448.2	\$ 4,651.2	\$ (171.4)	(e)		\$ 13,928.0

Nine Months Ended September 30, 2018						
Total Reportable Segments	Consolidated Funds	Reconciling Items				Carlyle Consolidated
(Dollars in millions)						
Revenues	\$ 1,640.5	\$ 161.4	\$ 473.6	(a)		\$ 2,275.5
Expenses	\$ 1,177.1	\$ 157.3	\$ 514.2	(b)		\$ 1,848.6
Other income	\$ —	\$ 12.0	\$ —	(c)		\$ 12.0
Distributable earnings	\$ 463.4	\$ 16.1	\$ (40.6)	(d)		\$ 438.9

- (a) The Revenues adjustment principally represents unrealized performance revenues, unrealized principal investment income (including Fortitude Re), revenues earned from the Consolidated Funds which were eliminated in consolidation to arrive at the Partnership's total revenues, adjustments for amounts attributable to non-controlling interests in consolidated entities, adjustments related to expenses associated with the investments in NGP Management and its affiliates that are included in operating captions or are excluded from the segment results, adjustments to reflect the

Notes to the Condensed Consolidated Financial Statements
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reimbursement of certain costs incurred on behalf of Carlyle funds on a net basis, and the inclusion of tax expenses associated with certain performance revenues, as detailed below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(Dollars in millions)			
Unrealized performance revenues	\$ (87.4)	\$ (35.3)	\$ 381.7	\$ 441.1
Unrealized principal investment income	198.7	6.9	672.2	25.4
Adjusted unrealized principal investment income from investment in Fortitude Re	68.1	—	135.2	—
Adjustments related to expenses associated with investments in NGP Management and its affiliates	(4.1)	(4.7)	(12.2)	(14.3)
Tax expense associated with performance revenues	0.2	0.1	0.2	(4.9)
Non-Carlyle economic interests in acquired businesses and other adjustments to present certain costs on a net basis	29.3	27.6	92.4	83.3
Elimination of expenses of Consolidated Funds	(15.3)	(17.3)	(31.7)	(57.0)
	<u>\$ 189.5</u>	<u>\$ (22.7)</u>	<u>\$ 1,237.8</u>	<u>\$ 473.6</u>

The following table reconciles the total segments fund level fee revenue to the most directly comparable U.S. GAAP measure, the Partnership's consolidated fund management fees, for the three and nine months ended September 30, 2019 and 2018.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(Dollars in millions)			
Total Reportable Segments - Fund level fee revenues	\$ 395.7	\$ 365.0	\$ 1,216.7	\$ 1,002.7
Adjustments ⁽¹⁾	(36.2)	(36.2)	(112.9)	(108.1)
Carlyle Consolidated - Fund management fees	<u>\$ 359.5</u>	<u>\$ 328.8</u>	<u>\$ 1,103.8</u>	<u>\$ 894.6</u>

(1) Adjustments represent the reclassification of NGP management fees from principal investment income, the reclassification of certain incentive fees from business development companies and other credit products, management fees earned from consolidated CLOs which were eliminated in consolidation to arrive at the Partnership's fund management fees, and the reclassification of certain amounts included in portfolio advisory fees, net and other in the segment results that are included in interest and other income in the U.S. GAAP results.

(b) The Expenses adjustment represents the elimination of intercompany expenses of the Consolidated Funds payable to the Partnership, the inclusion of equity-based compensation, certain tax expenses associated with realized performance revenues related compensation, and unrealized performance revenues related compensation, adjustments related to expenses associated with the investment in NGP Management that are included in operating captions, adjustments to reflect the reimbursement of certain costs incurred on behalf of Carlyle funds on a net basis, changes in the tax receivable agreement liability, and charges and credits associated with Carlyle corporate actions and non-recurring items, as detailed below:

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(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(Dollars in millions)			
Unrealized performance revenues related compensation	\$ 38.8	\$ 19.3	\$ 269.7	\$ 238.8
Equity-based compensation	38.9	52.0	116.6	208.2
Acquisition related charges and amortization of intangibles and impairment	11.2	2.4	38.6	16.2
Other non-operating expense	0.3	0.3	1.0	0.9
Tax expense associated with performance revenues related compensation	(10.8)	(12.5)	(13.3)	(15.8)
Non-Carlyle economic interests in acquired businesses and other adjustments to present certain costs on a net basis	14.9	8.1	45.8	21.4
Lease assignment and termination costs	—	63.5	—	66.9
Debt extinguishment costs	—	7.8	0.1	7.8
Corporate conversion costs, severance and other adjustments	10.8	2.9	23.4	5.4
Elimination of expenses of Consolidated Funds	(10.0)	(10.5)	(24.9)	(35.6)
	<u>\$ 94.1</u>	<u>\$ 133.3</u>	<u>\$ 457.0</u>	<u>\$ 514.2</u>

(c) The Other Income (Loss) adjustment results from the Consolidated Funds which were eliminated in consolidation to arrive at the Partnership's total Other Income (Loss).

(d) The following table is a reconciliation of Income Before Provision for Income Taxes to Distributable Earnings and to Fee Related Earnings:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(Dollars in millions)			
Income before provision for income taxes	\$ 261.4	\$ 60.6	\$ 1,273.7	\$ 438.9
Adjustments:				
Net unrealized performance revenues	126.2	54.6	(112.0)	(202.3)
Unrealized principal investment income	(198.7)	(6.9)	(672.2)	(25.4)
Adjusted unrealized principal investment income from investment in Fortitude Re	(68.1)	—	(135.2)	—
Equity-based compensation (1)	38.9	52.0	116.6	208.2
Acquisition related charges, including amortization of intangibles and impairment	11.2	2.4	38.6	16.2
Other non-operating expense	0.3	0.3	1.0	0.9
Tax expense associated with performance revenues	(10.8)	(12.7)	(13.3)	(11.0)
Net (income) loss attributable to non-controlling interests in consolidated entities	(10.5)	(14.5)	(45.8)	(42.2)
Lease assignment and termination costs	—	63.5	—	66.9
Debt extinguishment costs	—	7.8	0.1	7.8
Corporate conversion costs, severance and other adjustments	10.8	2.9	23.4	5.4
Distributable Earnings	<u>\$ 160.7</u>	<u>\$ 210.0</u>	<u>\$ 474.9</u>	<u>\$ 463.4</u>
Realized performance revenues, net of related compensation (2)	57.7	123.9	85.5	276.6
Realized principal investment income (2)	7.3	7.0	85.3	43.4
Net interest	13.1	9.9	40.7	31.6
Fee Related Earnings	<u>\$ 108.8</u>	<u>\$ 89.0</u>	<u>\$ 344.8</u>	<u>\$ 175.0</u>

(1) Equity-based compensation for the three months ended September 30, 2019 includes \$3.4 million which is included in principal investment income and general, administrative and other expenses in our U.S. GAAP statement of operations, as well as \$0.1 million related to units issued in conjunction with a previous acquisition. Equity-based compensation for the nine months ended September 30, 2019 includes \$11.0 million which is included in principal investment income and general,

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(Unaudited)

administrative and other expenses in our U.S. GAAP statement of operations, as well as \$0.2 million related to units issued in conjunction with a previous acquisition.

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

	Three Months Ended September 30, 2019		
	Carlyle Consolidated	Adjustments (3)	Total Reportable Segments
	(Dollars in millions)		
Performance revenues	\$ 112.4	\$ 5.9	\$ 118.3
Performance revenues related compensation expense	92.6	(32.0)	60.6
Net performance revenues	\$ 19.8	\$ 37.9	\$ 57.7
Principal investment income (loss)	\$ 212.2	\$ (204.9)	\$ 7.3

	Nine Months Ended September 30, 2019		
	Carlyle Consolidated	Adjustments (3)	Total Reportable Segments
	(Dollars in millions)		
Performance revenues	\$ 709.1	\$ (499.7)	\$ 209.4
Performance revenues related compensation expense	391.6	(267.7)	123.9
Net performance revenues	\$ 317.5	\$ (232.0)	\$ 85.5
Principal investment income (loss)	\$ 856.0	\$ (770.7)	\$ 85.3

	Three Months Ended September 30, 2018		
	Carlyle Consolidated	Adjustments (3)	Total Reportable Segments
	(Dollars in millions)		
Performance revenues	\$ 214.2	\$ 46.0	\$ 260.2
Performance revenues related compensation expense	146.0	(9.7)	136.3
Net performance revenues	\$ 68.2	\$ 55.7	\$ 123.9
Principal investment income (loss)	\$ 44.4	\$ (37.4)	\$ 7.0

	Nine Months Ended September 30, 2018		
	Carlyle Consolidated	Adjustments (3)	Total Reportable Segments
	(Dollars in millions)		
Performance revenues	\$ 947.4	\$ (376.7)	\$ 570.7
Performance revenues related compensation expense	526.0	(231.9)	294.1
Net performance revenues	\$ 421.4	\$ (144.8)	\$ 276.6
Principal investment income (loss)	\$ 176.7	\$ (133.3)	\$ 43.4

(3) Adjustments to performance revenues and principal investment income (loss) relate to (i) unrealized performance allocations net of related compensation expense and unrealized principal investment income, which are excluded from the segment

**Notes to the Condensed Consolidated Financial Statements
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results, (ii) amounts earned from the Consolidated Funds, which were eliminated in the U.S. GAAP consolidation but were included in the segment results, (iii) amounts attributable to non-controlling interests in consolidated entities, which were excluded from the segment results, (iv) the reclassification of NGP performance revenues, which are included in investment income in U.S. GAAP financial statements, (v) the reclassification of certain incentive fees from business development companies, which are included in fund management fees in the segment results, and (vi) the reclassification of certain tax expenses associated with performance revenues. Adjustments to principal investment income (loss) also include the reclassification of earnings for the investments in NGP Management and its affiliates to the appropriate operating captions for the segment results, and the exclusion of charges associated with the investment in NGP Management and its affiliates that are excluded from the segment results.

- (e) The Total Assets adjustment represents the addition of the assets of the Consolidated Funds that were eliminated in consolidation to arrive at the Partnership's total assets.

15. Subsequent Events

Distributions

In October 2019, the Board of Directors of the general partner of the Partnership declared a quarterly distribution of \$0.31 per common unit to common unitholders of record at the close of business on November 12, 2019, payable on November 19, 2019.

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16. Supplemental Financial Information

The following supplemental financial information illustrates the consolidating effects of the Consolidated Funds on the Partnership's financial position as of September 30, 2019 and December 31, 2018 and results of operations for the three and nine months ended September 30, 2019 and 2018. The supplemental statement of cash flows is presented without effects of the Consolidated Funds.

	As of September 30, 2019			
	Consolidated Operating Entities	Consolidated Funds	Eliminations	Consolidated
	(Dollars in millions)			
Assets				
Cash and cash equivalents	\$ 1,489.8	\$ —	\$ —	\$ 1,489.8
Cash and cash equivalents held at Consolidated Funds	—	124.1	—	124.1
Restricted cash	16.0	—	—	16.0
Investments, including performance allocations of \$3,867.2 million	7,062.1	—	(166.3)	6,895.8
Investments of Consolidated Funds	—	4,457.3	—	4,457.3
Due from affiliates and other receivables, net	251.5	—	(5.1)	246.4
Due from affiliates and other receivables of Consolidated Funds, net	—	69.8	—	69.8
Fixed assets, net	110.8	—	—	110.8
Lease right-of-use assets, net	212.8	—	—	212.8
Deposits and other	53.8	—	—	53.8
Intangible assets, net	65.7	—	—	65.7
Deferred tax assets	185.7	—	—	185.7
Total assets	\$ 9,448.2	\$ 4,651.2	\$ (171.4)	\$ 13,928.0
Liabilities and partners' capital				
Debt obligations	\$ 1,961.9	\$ —	\$ —	\$ 1,961.9
Loans payable of Consolidated Funds	—	4,231.4	—	4,231.4
Accounts payable, accrued expenses and other liabilities	334.4	—	—	334.4
Accrued compensation and benefits	2,532.0	—	—	2,532.0
Due to affiliates	182.2	—	—	182.2
Deferred revenue	311.8	—	—	311.8
Deferred tax liabilities	68.4	—	—	68.4
Other liabilities of Consolidated Funds	—	249.0	—	249.0
Lease liabilities	292.8	—	—	292.8
Accrued giveback obligations	63.2	—	—	63.2
Redeemed Series A preferred units	405.4	—	—	405.4
Total liabilities	6,152.1	4,480.4	—	10,632.5
Partners' capital	976.5	59.1	(59.1)	976.5
Accumulated other comprehensive loss	(88.5)	(1.8)	1.2	(89.1)
Non-controlling interests in consolidated entities	308.9	1.2	—	310.1
Non-controlling interests in Carlyle Holdings	2,099.2	112.3	(113.5)	2,098.0
Total partners' capital	3,296.1	170.8	(171.4)	3,295.5
Total liabilities and partners' capital	\$ 9,448.2	\$ 4,651.2	\$ (171.4)	\$ 13,928.0

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As of December 31, 2018

	Consolidated Operating Entities	Consolidated Funds	Eliminations	Consolidated
(Dollars in millions)				
Assets				
Cash and cash equivalents	\$ 629.6	\$ —	\$ —	\$ 629.6
Cash and cash equivalents held at Consolidated Funds	—	247.5	—	247.5
Restricted cash	8.7	—	—	8.7
Corporate treasury investments	51.7	—	—	51.7
Investments, including performance allocations of \$3,480.0 million	5,917.8	—	(220.3)	5,697.5
Investments of Consolidated Funds	—	5,286.6	—	5,286.6
Due from affiliates and other receivables, net	446.8	—	(5.7)	441.1
Due from affiliates and other receivables of Consolidated Funds, net	—	135.4	—	135.4
Fixed assets, net	95.1	—	—	95.1
Deposits and other	49.3	—	—	49.3
Intangible assets, net	77.3	—	—	77.3
Deferred tax assets	194.4	—	—	194.4
Total assets	<u>\$ 7,470.7</u>	<u>\$ 5,669.5</u>	<u>\$ (226.0)</u>	<u>\$ 12,914.2</u>
Liabilities and partners' capital				
Loans payable	\$ 1,550.4	\$ —	\$ —	\$ 1,550.4
Loans payable of Consolidated Funds	—	4,840.1	—	4,840.1
Accounts payable, accrued expenses and other liabilities	442.2	—	—	442.2
Accrued compensation and benefits	2,222.3	—	—	2,222.3
Due to affiliates	174.0	—	—	174.0
Deferred revenue	111.3	—	—	111.3
Deferred tax liabilities	64.3	—	—	64.3
Other liabilities of Consolidated Funds	—	610.1	—	610.1
Accrued giveback obligations	63.2	—	—	63.2
Total liabilities	<u>4,627.7</u>	<u>5,450.2</u>	<u>—</u>	<u>10,077.9</u>
Series A preferred units	387.5	—	—	387.5
Partners' capital	673.4	68.2	(68.2)	673.4
Accumulated other comprehensive income (loss)	(80.7)	1.1	(3.7)	(83.3)
Non-controlling interests in consolidated entities	323.0	1.2	—	324.2
Non-controlling interests in Carlyle Holdings	1,539.8	148.8	(154.1)	1,534.5
Total partners' capital	<u>2,843.0</u>	<u>219.3</u>	<u>(226.0)</u>	<u>2,836.3</u>
Total liabilities and partners' capital	<u>\$ 7,470.7</u>	<u>\$ 5,669.5</u>	<u>\$ (226.0)</u>	<u>\$ 12,914.2</u>

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	Three Months Ended September 30, 2019			
	Consolidated Operating Entities	Consolidated Funds	Eliminations	Consolidated
	(Dollars in millions)			
Revenues				
Fund management fees	\$ 364.8	\$ —	\$ (5.3)	\$ 359.5
Incentive fees	9.9	—	—	9.9
Investment income (loss)				
Performance allocations	112.4	—	—	112.4
Principal investment income	215.6	—	(3.4)	212.2
Total investment income	328.0	—	(3.4)	324.6
Interest and other income	29.9	—	(6.6)	23.3
Interest and other income of Consolidated Funds	—	51.3	—	51.3
Total revenues	732.6	51.3	(15.3)	768.6
Expenses				
Compensation and benefits				
Cash-based compensation and benefits	200.0	—	—	200.0
Equity-based compensation	36.6	—	—	36.6
Performance allocations and incentive fee related compensation	92.6	—	—	92.6
Total compensation and benefits	329.2	—	—	329.2
General, administrative and other expenses	121.7	—	—	121.7
Interest	20.0	—	—	20.0
Interest and other expenses of Consolidated Funds	—	44.1	(10.0)	34.1
Other non-operating expenses	0.3	—	—	0.3
Total expenses	471.2	44.1	(10.0)	505.3
Other income				
Net investment losses of Consolidated Funds	—	(1.9)	—	(1.9)
Income before provision for income taxes	261.4	5.3	(5.3)	261.4
Provision for income taxes	9.4	—	—	9.4
Net income	252.0	5.3	(5.3)	252.0
Net income attributable to non-controlling interests in consolidated entities	10.5	—	—	10.5
Net income attributable to Carlyle Holdings	241.5	5.3	(5.3)	241.5
Net income attributable to non-controlling interests in Carlyle Holdings	149.3	—	—	149.3
Net income attributable to The Carlyle Group L.P.	92.2	5.3	(5.3)	92.2
Net income attributable to Series A Preferred Unitholders	7.3	—	—	7.3
Series A Preferred Units redemption premium	16.5	—	—	16.5
Net income attributable to The Carlyle Group L.P. Common Unitholders	\$ 68.4	\$ 5.3	\$ (5.3)	\$ 68.4

Notes to the Condensed Consolidated Financial Statements
(Unaudited)

	Nine Months Ended September 30, 2019			
	Consolidated Operating Entities	Consolidated Funds	Eliminations	Consolidated
	(Dollars in millions)			
Revenues				
Fund management fees	\$ 1,119.9	\$ —	\$ (16.1)	\$ 1,103.8
Incentive fees	26.8	—	—	26.8
Investment income (loss)				
Performance allocations	709.1	—	—	709.1
Principal investment income	851.4	—	4.6	856.0
Total investment income	1,560.5	—	4.6	1,565.1
Interest and other income	91.7	—	(20.2)	71.5
Interest and other income of Consolidated Funds	—	149.5	—	149.5
Total revenues	2,798.9	149.5	(31.7)	2,916.7
Expenses				
Compensation and benefits				
Cash-based compensation and benefits	631.9	—	—	631.9
Equity-based compensation	107.8	—	—	107.8
Performance allocations and incentive fee related compensation	391.6	—	—	391.6
Total compensation and benefits	1,131.3	—	—	1,131.3
General, administrative and other expenses	344.9	—	—	344.9
Interest	59.2	—	—	59.2
Interest and other expenses of Consolidated Funds	—	124.6	(24.9)	99.7
Other non-operating expenses	1.0	—	—	1.0
Total expenses	1,536.4	124.6	(24.9)	1,636.1
Other income				
Net investment losses of Consolidated Funds	—	(6.9)	—	(6.9)
Income before provision for income taxes	1,262.5	18.0	(6.8)	1,273.7
Provision for income taxes	48.9	—	—	48.9
Net income	1,213.6	18.0	(6.8)	1,224.8
Net income attributable to non-controlling interests in consolidated entities	34.6	—	11.2	45.8
Net income attributable to Carlyle Holdings	1,179.0	18.0	(18.0)	1,179.0
Net income attributable to non-controlling interests in Carlyle Holdings	789.8	—	—	789.8
Net income attributable to The Carlyle Group L.P.	389.2	18.0	(18.0)	389.2
Net income attributable to Series A Preferred Unitholders	19.1	—	—	19.1
Series A Preferred Units redemption premium	16.5	—	—	16.5
Net income attributable to The Carlyle Group L.P. Common Unitholders	\$ 353.6	\$ 18.0	\$ (18.0)	\$ 353.6

Notes to the Condensed Consolidated Financial Statements
(Unaudited)

Three months ended September 30, 2018

	Consolidated Operating Entities	Consolidated Funds	Eliminations	Consolidated
(Dollars in millions)				
Revenues				
Fund management fees	\$ 335.2	\$ —	\$ (6.4)	\$ 328.8
Incentive fees	6.8	—	—	6.8
Investment income (loss)				
Performance allocations	214.2	—	—	214.2
Principal investment income	48.8	—	(4.4)	44.4
Total investment income	263.0	—	(4.4)	258.6
Interest and other income	30.9	—	(6.5)	24.4
Interest and other income of Consolidated Funds	—	60.5	—	60.5
Total revenues	635.9	60.5	(17.3)	679.1
Expenses				
Compensation and benefits				
Cash-based compensation and benefits	186.6	—	—	186.6
Equity-based compensation	49.7	—	—	49.7
Performance allocations and incentive fee related compensation	146.0	—	—	146.0
Total compensation and benefits	382.3	—	—	382.3
General, administrative and other expenses	166.2	—	—	166.2
Interest	26.3	—	—	26.3
Interest and other expenses of Consolidated Funds	—	51.0	(10.5)	40.5
Other non-operating expenses	0.3	—	—	0.3
Total expenses	575.1	51.0	(10.5)	615.6
Other income				
Net investment losses of Consolidated Funds	—	(2.9)	—	(2.9)
Income before provision for income taxes	60.8	6.6	(6.8)	60.6
Provision for income taxes	17.4	—	—	17.4
Net income	43.4	6.6	(6.8)	43.2
Net income attributable to non-controlling interests in consolidated entities	14.7	—	(0.2)	14.5
Net income attributable to Carlyle Holdings	28.7	6.6	(6.6)	28.7
Net income attributable to non-controlling interests in Carlyle Holdings	11.2	—	—	11.2
Net income attributable to The Carlyle Group L.P.	17.5	6.6	(6.6)	17.5
Net income attributable to Series A Preferred Unitholders	5.9	—	—	5.9
Net income attributable to The Carlyle Group L.P. Common Unitholders	\$ 11.6	\$ 6.6	\$ (6.6)	\$ 11.6

Notes to the Condensed Consolidated Financial Statements
(Unaudited)

Nine months ended September 30, 2018

	Consolidated Operating Entities	Consolidated Funds	Eliminations	Consolidated
(Dollars in millions)				
Revenues				
Fund management fees	\$ 912.9	\$ —	\$ (18.3)	\$ 894.6
Incentive fees	20.5	—	—	20.5
Investment income (loss)				
Performance allocations	947.4	—	—	947.4
Principal investment income	197.4	—	(20.7)	176.7
Total investment income	1,144.8	—	(20.7)	1,124.1
Interest and other income	92.9	—	(18.0)	74.9
Interest and other income of Consolidated Funds	—	161.4	—	161.4
Total revenues	2,171.1	161.4	(57.0)	2,275.5
Expenses				
Compensation and benefits				
Cash-based compensation and benefits	549.9	—	—	549.9
Equity-based compensation	199.5	—	—	199.5
Performance allocations and incentive fee related compensation	526.0	—	—	526.0
Total compensation and benefits	1,275.4	—	—	1,275.4
General, administrative and other expenses	388.0	—	—	388.0
Interest	62.6	—	—	62.6
Interest and other expenses of Consolidated Funds	—	157.3	(35.6)	121.7
Other non-operating expenses	0.9	—	—	0.9
Total expenses	1,726.9	157.3	(35.6)	1,848.6
Other income				
Net investment gains of Consolidated Funds	—	12.0	—	12.0
Income before provision for income taxes	444.2	16.1	(21.4)	438.9
Provision for income taxes	36.8	—	—	36.8
Net income	407.4	16.1	(21.4)	402.1
Net income attributable to non-controlling interests in consolidated entities	47.5	—	(5.3)	42.2
Net income attributable to Carlyle Holdings	359.9	16.1	(16.1)	359.9
Net income attributable to non-controlling interests in Carlyle Holdings	233.3	—	—	233.3
Net income attributable to The Carlyle Group L.P.	126.6	16.1	(16.1)	126.6
Net income attributable to Series A Preferred Unitholders	17.7	—	—	17.7
Net income attributable to The Carlyle Group L.P. Common Unitholders	\$ 108.9	\$ 16.1	\$ (16.1)	\$ 108.9

The Carlyle Group L.P.

Notes to the Condensed Consolidated Financial Statements
(Unaudited)

	Nine Months Ended September 30,	
	2019	2018
	(Dollars in millions)	
Cash flows from operating activities		
Net income	\$ 1,213.6	\$ 407.4
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	44.9	34.3
Equity-based compensation	107.8	199.5
Non-cash performance allocations and incentive fees	(242.1)	(225.9)
Non-cash principal investment income	(762.3)	(179.1)
Other non-cash amounts	8.0	3.7
Purchases of investments	(234.7)	(419.2)
Proceeds from the sale of investments	337.1	593.1
Payments of contingent consideration	—	(37.5)
Change in deferred taxes, net	21.6	1.4
Change in due from affiliates and other receivables	58.5	(2.8)
Change in deposits and other	(6.3)	(17.9)
Change in accounts payable, accrued expenses and other liabilities	(64.6)	115.3
Change in accrued compensation and benefits	99.3	132.8
Change in due to affiliates	0.3	(39.3)
Change in lease right-of-use asset and lease liability	(17.1)	—
Change in deferred revenue	203.9	185.7
Net cash provided by operating activities	767.9	751.5
Cash flows from investing activities		
Purchases of fixed assets, net	(17.5)	(20.1)
Net cash used in investing activities	(17.5)	(20.1)
Cash flows from financing activities		
Borrowings under credit facility	42.3	—
Repayments under credit facility	(17.0)	—
Issuance of 3.500% senior notes due 2029, net of financing costs	421.6	—
Issuance of 5.650% senior notes due 2048, net of financing costs	—	346.6
Repurchase of 3.875% senior notes due 2023	—	(254.8)
Repayment of term loan	(25.0)	—
Payments on debt obligations	(44.9)	(149.8)
Proceeds from debt obligations	40.9	40.8
Payments of contingent consideration	(0.2)	—
Distributions to common unitholders	(118.4)	(84.3)
Distributions to preferred unitholders	(17.7)	(17.7)
Distributions to non-controlling interest holders in Carlyle Holdings	(242.3)	(191.7)
Contributions from non-controlling interest holders	24.7	17.6
Distributions to non-controlling interest holders	(42.9)	(69.4)
Common units repurchased	(34.5)	(87.5)
Change in due to/from affiliates financing activities	147.1	(58.5)
Net cash used in (provided by) financing activities	133.7	(508.7)
Effect of foreign exchange rate changes	(16.6)	(11.9)
Increase in cash, cash equivalents and restricted cash	867.5	210.8
Cash, cash equivalents and restricted cash, beginning of period	638.3	1,028.8
Cash, cash equivalents and restricted cash, end of period	\$ 1,505.8	\$ 1,239.6
Reconciliation of cash, cash equivalents and restricted cash, end of period:		
Cash and cash equivalents	\$ 1,489.8	\$ 1,238.2
Restricted cash	16.0	1.4
Total cash, cash equivalents and restricted cash, end of period	\$ 1,505.8	\$ 1,239.6
Cash and cash equivalents held at Consolidated Funds	\$ 124.1	\$ 241.8

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”). Such analysis should be read in conjunction with the consolidated financial statements and the related notes included in this Quarterly Report on Form 10-Q and the Annual Report on Form 10-K for the year ended December 31, 2018.

Overview

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

- *Corporate Private Equity* — Our Corporate Private Equity segment advises our 25 buyout and 11 middle market and growth capital funds, which seek a wide variety of investments of different sizes and growth potentials. As of September 30, 2019, our Corporate Private Equity segment had \$84 billion in AUM and \$61 billion in Fee-earning AUM.
- *Real Assets* — Our Real Assets segment advises our ten U.S. and internationally focused real estate funds, our two infrastructure funds, our two power funds and our two international energy funds. The segment also includes three NGP Predecessor Funds and four NGP Carry Funds advised by NGP. As of September 30, 2019, our Real Assets segment had \$45 billion in AUM and \$33 billion in Fee-earning AUM.
- *Global Credit* — Our Global Credit segment advises a group of 63 funds that pursue investment strategies including loans and structured credit, direct lending, opportunistic credit, energy credit, distressed credit, and aircraft financing and servicing. As of September 30, 2019, our Global Credit segment had \$48 billion in AUM and \$37 billion in Fee-earning AUM.
- *Investment Solutions* — Our Investment Solutions segment advises global private equity and real estate fund of funds programs and related co-investment and secondary activities across 240 fund vehicles. As of September 30, 2019, our Investment Solutions segment had \$45 billion in AUM and \$28 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 from an investment fund either an incentive fee or a special residual allocation of income, which we refer to as a performance allocation, or 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, realized performance revenues (consisting of incentive fees and performance allocations), realized principal investment income, including realized 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, realized performance payment arrangements, and general and administrative expenses. While our segment expenses include depreciation and interest expense, our segment expenses exclude acquisition-related charges and amortization of intangibles and impairment. Refer to Note 14 to the unaudited condensed consolidated financial statements included 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.

Our Family of Funds

The following chart presents the name (acronym), total capital commitments (in the case of our carry funds, structured credit funds, and the NGP Predecessor Funds), assets under management (in the case of structured products), gross assets (in the case of our BDCs) and vintage year of the active funds in each of our segments, as of September 30, 2019. We present total capital commitments (as opposed to assets under management) for our closed-end investment 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 products which are open-ended and accordingly do not have permanent committed capital, we generally believe the most useful metric regarding relative size and scale is assets under management.

Corporate Private Equity				Global Credit				Real Assets ⁴			
Buyout Carry Funds				Loans & Structured Credit				Real Estate Carry Funds			
Carlyle Partners (U.S.)				Cash CLO's				Carlyle Realty Partners (U.S.)			
CP VII	\$18.5 bn	2018		U.S.	\$19.2 bn	2012-2019		CRP VIII	\$5.5 bn	2017	
CP VI	\$13.0 bn	2014		Europe	€6.8 bn	2013-2019		CRP VII	\$4.2 bn	2014	
CP V	\$13.7 bn	2007		Structured Credit Carry Funds				CRP VI	\$2.3 bn	2011	
CP IV	\$7.9 bn	2005		CSC	\$0.8 bn	2017		CRP V	\$3.0 bn	2006	
Global Financial Services Partners				CASCOF	\$0.4 bn	2015		CRP IV	\$1.0 bn	2005	
CGFSP III	\$1.0 bn	2018		Direct Lending				CRP III	\$0.6 bn	2001	
CGFSP II	\$1.0 bn	2013		Business Development Companies¹				Core Plus Real Estate (U.S.)			
CGFSP I	\$1.1 bn	2008		TCG BDC II, Inc.	\$1.7 bn	2017		CPP ²	\$2.4 bn	2016	
Carlyle Europe Partners				TCG BDC, Inc.	\$2.2 bn	2013		International Real Estate			
CEP V	€6.3 bn	2018		Opportunistic Credit Carry Fund				CER	€0.5 bn	2017	
CEP IV	€3.7 bn	2014		CCOF	\$2.4 bn	2017		CEREP III	€2.2 bn	2007	
CEP III	€5.3 bn	2007		Energy Credit Carry Funds				Natural Resources Funds			
CEP II	€1.8 bn	2003		CEMOF II	\$2.8 bn	2015		NGP Energy Carry Funds			
Carlyle Asia Partners				CEMOF I	\$1.4 bn	2011		NGP XII	\$4.3 bn	2017	
CAP V	\$6.6 bn	2018		Distressed Credit Carry Funds				NGP XI	\$5.3 bn	2014	
CBPF II	RMB 1.7 bn	2017		CSP IV	\$2.5 bn	2016		NGP X	\$3.6 bn	2012	
CAP IV	\$3.9 bn	2014		CSP III	\$0.7 bn	2011		NGP Agribusiness Carry Fund			
CAP III	\$2.6 bn	2008		CSP II	\$1.4 bn	2007		NGP GAP	\$0.4 bn	2014	
CAP II	\$1.8 bn	2006		Carlyle Aviation Partners				NGP Predecessor Funds			
Carlyle Japan Partners				SASOF IV	\$1.0 bn	2018		Various ³	\$5.7 bn	2007-2008	
CJP IV	¥177.5 bn	2019		SASOF III	\$0.8 bn	2015		International Energy Carry Funds			
CJP III	¥119.5 bn	2013		SASOF II	\$0.6 bn	2012		CIEP II	\$1.8 bn	2019	
CJP II	¥165.6 bn	2006		Securitization vehicles ²	\$2.3 bn	Various		CIEP I	\$2.5 bn	2013	
Carlyle Global Partners				9 other vehicles ²	\$2.6 bn	Various		Infrastructure Carry Funds			
CGP II	\$1.2 bn	2019		Investment Solutions				CGI	\$2.2 bn	2019	
CGP I	\$3.6 bn	2015		AlpInvest				CIP I	\$1.1 bn	2006	
Carlyle MENA Partners				Fund of Private Equity Funds				Power Carry Funds			
MENA I	\$0.5 bn	2008		85 vehicles	€43.4 bn	2000-2019		CPP II	\$1.5 bn	2014	
Carlyle South American Buyout Fund				Secondary Investments				CPOCP	\$0.5 bn	2013	
CSABF I	\$0.8 bn	2009		60 vehicles	€16.3 bn	2002-2019		Real Estate Fund of Funds			
Carlyle Sub-Saharan Africa Fund				Co-Investments				36 vehicles	\$5.0 bn	2002-2019	
CSSAF I	\$0.7 bn	2012		59 vehicles	€15.1 bn	2002-2019		Metropolitan Real Estate			
Carlyle Peru Fund				Middle Market & Growth Carry Funds				Real Estate Fund of Funds			
CPF I	\$0.3 bn	2012		Carlyle U.S. Venture/Growth Partners				Real Estate Fund of Funds			
Middle Market & Growth Carry Funds				CEOI	\$2.4 bn	2015		Real Estate Fund of Funds			
Carlyle U.S. Venture/Growth Partners				CEOI	\$1.1 bn	2011		Real Estate Fund of Funds			
CEOI	\$1.1 bn	2011		CUSGF III	\$0.6 bn	2006		Real Estate Fund of Funds			
CUSGF III	\$0.6 bn	2006		CVP II	\$0.6 bn	2001		Real Estate Fund of Funds			
CVP II	\$0.6 bn	2001		Carlyle Europe Technology Partners				Real Estate Fund of Funds			
Carlyle Europe Technology Partners				CETP IV	€1.4 bn	2019		Real Estate Fund of Funds			
CETP IV	€1.4 bn	2019		CETP III	€0.7 bn	2014		Real Estate Fund of Funds			
CETP III	€0.7 bn	2014		CETP II	€0.5 bn	2008		Real Estate Fund of Funds			
CETP II	€0.5 bn	2008		Carlyle Asia Venture/Growth Partners				Real Estate Fund of Funds			
Carlyle Asia Venture/Growth Partners				CAGP V	\$0.3 bn	2017		Real Estate Fund of Funds			
CAGP V	\$0.3 bn	2017		CAGP IV	\$1.0 bn	2008		Real Estate Fund of Funds			
CAGP IV	\$1.0 bn	2008		CAGP III	\$0.7 bn	2005		Real Estate Fund of Funds			
CAGP III	\$0.7 bn	2005		Carlyle Cardinal Ireland				Real Estate Fund of Funds			
Carlyle Cardinal Ireland				CCI	€0.3 bn	2014		Real Estate Fund of Funds			
CCI	€0.3 bn	2014		Real Estate Fund of Funds				Real Estate Fund of Funds			

Note: All amounts shown represent total capital commitments as of September 30, 2019 unless otherwise noted. Certain of our recent vintage funds are currently in fundraising and total capital commitments are subject to change. In addition, certain carry funds included herein may be disclosed which are not included in fund performance if they have not made an initial capital call or commenced investment activity. The NGP funds are advised by NGP Energy Capital Management, LLC, a separately registered investment adviser, and we do not serve as an investment adviser to those funds.

(1) Amounts represent gross assets plus any available capital as of September 30, 2019.

(2) Amounts represent Total AUM as of September 30, 2019.

(3) Includes NGP M&R, NGP ETP II, and NGP IX, on which we are not entitled to a share of carried interest.

(4) Real Assets also includes the Legacy Energy funds, which we jointly advise with Riverstone Holdings L.L.C. The impact of these funds is no longer significant to our results of operations.

Trends Affecting our Business

Expectations for global economic growth continued to moderate through the third quarter of the year. In the U.S., growth has decelerated relative to 2018 due to weakness in the industrial sector and business spending, but consumption remains strong amid low unemployment, robust real wage growth and generally strong household balance sheets. The softness in business spending appears to be attributable to some combination of weak corporate earnings, heightened “late-cycle” fears among business managers and the effects from the U.S.-China trade dispute, which has depressed global trade volumes and industrial orders. Rising compensation and input costs have led to a decline in operating margins, while a stubbornly strong dollar continues to weigh on the domestic value of foreign sales and earnings.

Geopolitical uncertainty and trade frictions continued to exert a significant impact on the world economy during the third quarter. Tensions in the Persian Gulf together with uncertainty stemming from politics in the U.S., Britain and elsewhere have combined to depress business sentiment, contributing to weaker investment demand. Global trade volumes are currently contracting at a 1% annual rate, a sharp contrast to the 4% growth experienced this time last year. In China, official data indicate real gross domestic product grew 6% in the third quarter of 2019 as compared to a year earlier, slightly lower than growth in the second quarter, which had already been the lowest rate recorded since the series began in 1992. This relative weakness was largely driven by exports, housing and manufacturing. Data over the past six-to-nine months also highlight that the costs of the trade dispute have negatively affected the overall global economy. In its October World Economic Outlook, the IMF estimates that global growth will amount to just 3% in 2019 and that the bulk of the slowdown from 4% growth at the start of 2018 can be attributed to global trade. Trends in manufacturing surveys, sentiment indices, and long-term yields, all closely track the fall in global trade volumes. Since the global trade system is based on integrated, cross-border value chains, negative effects in one part of the network quickly spread to the rest.

In response to economic weakness and the absence of inflationary pressures through the first three quarters of 2019, major central banks continue to adopt accommodative policy stances. More central banks are easing simultaneously than at any point since the Global Financial Crisis. In the U.S., the Federal Reserve announced another 25 basis point cut to the target federal funds rate on October 30. Furthermore, to address recent liquidity issues in the money markets, the Federal Reserve has initiated reserve management purchases and repurchase operations, the former of which is anticipated to continue into at least the second quarter of 2020. The Reserve Bank of India cut its policy interest rate by 25 basis points for the fifth time this year after GDP growth in the second quarter of 2019 continued to disappoint at a 5% annual rate. The European Central Bank cut the interest rate on its deposit facility by 10 basis points on September 12, and formally announced that its asset purchase program will restart on November 1. In light of the lower interest rate environment, in September we issued \$425.0 million aggregate principal amount of 3.500% senior notes and announced the redemption of our 5.875% preferred units, which was completed in October. A lower-for-longer interest rate environment and record levels of negative-yielding debt are raising concerns about traditional fixed-income funds’ abilities to weather future shocks; the IMF estimates that one-sixth of all fixed-income fund assets would experience a liquidity shortfall in the case of a significant redemption event. With longer-term investment horizons and secure funding, our Global Credit platform should be well positioned to withstand and even benefit from future bouts of volatility.

Global equity markets were roughly flat over the quarter, but remain at generally high levels, with positive sentiment around central bank easing offset by seesawing anxiety over developments in U.S.-China trade negotiations and worsening news on global growth numbers. The S&P 500 rose 1.2% in the third quarter, the MSCI ACWI-All Cap was down 0.7%, and the EuroStoxx 600 was up 2.2%, while the Shanghai Composite was down 2.5%. Valuations, however, continue to hit new highs, as prices have remained steady in the face of declining earnings. Third quarter earnings for companies in the S&P 500 are estimated to have fallen by nearly 5% year-over-year, marking the third consecutive quarter of declines. Overall, investors pulled \$60 billion out of U.S. stock funds during the third quarter, compared to a net inflow of \$20 billion from the same period a year ago. The outflows were entirely driven by continuing flight from actively managed funds. Assets in passively managed index funds surpassed those in actively managed ones for the first time ever in August of this year. Bond and U.S. money-market funds had net inflows of \$118 billion and \$225 billion, respectively, for the third quarter. For U.S. money-market funds, this was the largest net quarterly inflow in at least a decade. United States corporate bond yields across the credit spectrum, with the exception of CCC-rated and below, fell roughly 25 basis points over the quarter. By contrast, yields on the lowest-rated junk debt continued to diverge from the rest, rising 90 basis points over the quarter.

Our overall carry fund portfolio experienced slower appreciation of 2% in the third quarter, reflecting generally flat public markets and continued weakness in certain energy and energy-related investments. Our Corporate Private Equity funds appreciated by 1% in the quarter and our Real Estate funds appreciated by 3%. However, our Natural Resources funds depreciated by 3% in the quarter, primarily reflecting continued downward pressure on energy funds with significant development and non-producing investments. Our Global Credit carry funds depreciated by 2% in the third quarter, primarily driven by our Energy Mezzanine funds. While our Investment Solutions funds appreciated by 7%, these funds generally have no exposure to energy, and experienced positive impacts from foreign currency translation. Our public portfolio (which

represents approximately 6% of the remaining fair value across our Corporate Private Equity, Real Assets and Global Credit carry fund portfolio) depreciated 8% in the third quarter, reflecting the impact of certain energy investments in the portfolio.

We raised \$5.7 billion of new capital in the third quarter, and have surpassed our multi-year \$100 billion fundraising target. We believe we will continue to raise incremental new capital throughout the remainder of the year. While we expect additional funds to launch over the next several quarters, our overall fundraising pace has decelerated from the last few years given the mix of our investment products in the market. Though the pace of fundraising has slowed, we believe our level of management fees will remain relatively stable as approximately 98% of our fee-earning AUM is in long term fund structures and is not subject to quarterly redemption.

During the third quarter, our carry funds invested \$3.4 billion in new or follow-on transactions and have invested approximately \$25.7 billion over the last twelve months. However, across the market overall corporate exit activity has declined in 2019 as compared to 2018 as management teams appear more hesitant to undertake large acquisitions due to increasing geopolitical and economic uncertainty. Although mergers and acquisitions transactions were down just 2.5% globally in the nine months of 2019 relative to the same period in 2018, syndicated lending in the U.S. - a purer measure of risk appetite - fell 28% from the previous quarter, the lowest volume since the third quarter of 2016.

The investment environment remains challenging and competitive against this backdrop. High levels of dry powder in our industry combined with slowing global growth, continuing trade policy tensions and volatile markets could adversely affect both investment pace and realizations in our funds for the remainder of 2019. In the three and twelve month periods ended September 30, 2019, we realized proceeds from our carry funds of \$5.7 billion and \$19.7 billion, respectively, compared to \$6.4 billion and \$27.1 billion in the three month and twelve month periods ended September 30, 2018, respectively. Accordingly, our net realized performance revenues have trended lower than prior years. Our net accrued performance revenue balance decreased 7% from the second quarter to \$1.8 billion, reflecting both realizations and the reversal of net accrued performance revenues driven in part by levels of appreciation lower than the respective funds' hurdle rates.

During the quarter, there has been continued public discourse, debate and media coverage regarding the appropriate extent of regulation and oversight of the financial industry, including investment firms, as well as the tax treatment of certain investments. We anticipate that such active debate and media coverage will continue to increase in connection with the 2020 U.S. presidential election cycle as financial proposals are put forth by potential U.S. presidential candidates. We continue to monitor these developments to analyze their potential impact on our business.

Recent Transactions

On July 31, 2019, we announced our decision to convert (the "Conversion") The Carlyle Group L.P. (the "Partnership") from a Delaware limited partnership to a Delaware corporation named The Carlyle Group Inc. (the "Corporation"). See "— Conversion to a Corporation."

Distributions

In October 2019, the Board of Directors of our general partner declared a quarterly distribution of \$0.31 per unit to common unitholders of record at the close of business on November 12, 2019, payable on November 19, 2019.

Senior Note Issuance and Preferred Unit Redemption

In September 2019, we issued \$425 million of 3.500% senior notes due 2029 and issued a redemption notice pursuant to the tax redemption provisions of the Preferred Units to redeem them in full. The redemption was completed on October 7, 2019 at a redemption price of \$25.339757, which is equal to \$25.25 per Preferred Unit plus declared and unpaid distributions to, but excluding the redemption date. See Notes 5 and 12 of our unaudited condensed consolidated financial statements for more information on the senior notes and Preferred Units, respectively.

Conversion to a Corporation

On July 31, 2019, we announced our decision to convert The Carlyle Group L.P. from a Delaware limited partnership to a Delaware corporation named The Carlyle Group Inc. We expect the Conversion to become effective on January 1, 2020 (such date and time at which the Conversion becomes effective, the "Effective Time"). The Conversion was unanimously approved by the board of directors of our general partner, Carlyle Group Management L.L.C., following our receipt of special approval of the Conversion from the conflicts committee of the board of directors of our general partner, pursuant to our limited partnership agreement. Under section 14.3(c) of our limited partnership agreement, no vote of the unitholders is required or will be sought for the Conversion.

As more fully described below, the Conversion and related transactions will simplify our corporate and capital structure with a single class of common stock, providing one vote per share, that will be held by both our public stockholders and the

senior Carlyle professionals and other former limited partners of the Carlyle Holdings partnerships. We believe this will enhance transparency and align incentives for all stockholders going forward. Furthermore, we believe that the Conversion will improve our trading liquidity and make us more attractive to new investors. We expect that simplifying the tax reporting of our owners by eliminating Schedule K-1s will make our equity eligible for investment by a broader universe of institutional investors that today are restricted from owning it. Following the Conversion, we also anticipate that our common stock will be eligible for inclusion in benchmark stock indices utilized by more than \$7 trillion of industry assets. Further, simplifying our tax structure should increase the appeal of our equity to non-U.S. investors for whom certain kinds of pass through income can be problematic. As a result, we believe the Conversion will meaningfully expand our global investor base and drive greater value for our stockholders over time.

Conversion Steps

In order to implement the Conversion, Carlyle Group Management L.L.C., in its capacity as the Partnership's general partner, will file with the Secretary of State of the State of Delaware a Certificate of Conversion (the "Certificate of Conversion") and, in its capacity as sole incorporator of the Corporation, will file with the Secretary of State of the State of Delaware a Certificate of Incorporation (the "Certificate of Incorporation"). As a result, at the Effective Time, the Partnership will convert to the Corporation.

At the Effective Time, (a) each common unit of the Partnership ("Common Unit") outstanding immediately prior to the Effective Time will be converted into one issued and outstanding, fully paid and nonassessable share of common stock, \$0.01 par value per share, of the Corporation ("Common Stock"), (b) each special voting unit of the Partnership outstanding immediately prior to the Effective Time will be canceled for no consideration and the former holder(s) thereof will cease to have any rights with respect thereto and (c) each general partner unit of the Partnership outstanding immediately prior to the Effective Time will be canceled for no consideration and the former holder(s) thereof will cease to have any rights with respect thereto, in each case without any action required on the part of the Partnership, the Corporation, any former holder of any Partnership interest or other person.

In connection with the Conversion, at or prior to the Effective Time, holders of Carlyle Holdings partnership units will also exchange such units for an equivalent number of shares of common stock in the Corporation and certain other restructuring steps will occur (such restructuring steps, together with the Termination of the Tax Receivable Agreement and the Conversion, the "Transactions").

Holders of Carlyle Holdings partnership units will receive cash payments aggregating to \$1.50 per Carlyle Holdings partnership unit exchanged in the Transactions, payable in five annual installments of \$0.30 each beginning in 2020. The payment obligations will be general unsecured obligations of the Corporation or a subsidiary thereof and will not bear interest. We anticipate that the net impact on Carlyle of these payments will be partially offset by tax benefits.

As a result of the Transactions, holders of Common Units and the former Carlyle Holdings limited partners will become holders of Common Stock, which will continue to be listed on the Nasdaq Global Select Market under the symbol "CG" at the opening of trading immediately following the Effective Time.

Prior to the Effective Time, we will notify Nasdaq that the Certificate of Conversion will be filed with the Secretary of State of Delaware and request that, as of the open of business on the first trading day following the Effective Date, Nasdaq cease trading of the Common Units on Nasdaq and commence trading of the Common Stock on Nasdaq under the existing ticker symbols "CG". It is expected that a new CUSIP number will be issued for the Common Stock.

The Conversion is expected to qualify for the non-recognition of gain or loss to our common unitholders for U.S. federal income tax purposes. The application of the non-recognition rules to non-U.S. common unitholders in the context of the Conversion is dependent on local tax requirements. All common unitholders should consult their own advisors as to the consequences of the Conversion to them. Final Schedule K-1s will be issued in respect of our final taxable period as a limited partnership ending December 31, 2019. Following the Conversion, dividends will be reported to stockholders on Form 1099-DIV. We believe this change will simplify our stockholders' tax reporting obligations. For U.S. federal income tax purposes, any dividends we pay following the Conversion generally will be treated as qualified dividend income (generally taxable to U.S. individual stockholders at capital gain rates) paid by a domestic corporation to the extent paid out of our current or accumulated earnings and profits, as determined for U.S. federal income tax purposes, with any excess dividends treated as return of capital to the extent of the stockholder's basis.

Following the Conversion, all of the net income attributable to the Corporation will be subject to U.S. federal (and state and local) corporate income taxes. See "Part II. Item 1A. Risk Factors - Following the Conversion, we expect to pay more corporate income taxes than we would have as a limited partnership."

Post-Conversion Governance

As a result of the Conversion, the business and affairs of the Corporation will be overseen by a board of directors of the Corporation, rather than by the board of directors of our general partner. At the Effective Time, the directors of our general partner immediately prior to the Effective Time will become the directors of the Corporation and cease to be directors of our general partner. In addition, the audit committee, the compensation committee, the executive committee and the nominating and corporate governance committee of our general partner's board, and the membership thereof, immediately prior to the Effective Time, will be replicated at the Corporation at the Effective Time. Following the Conversion, when the provisions of our existing partnership agreement that contemplate a standing conflicts committee will no longer apply, disinterested members of our board of directors will continue to address conflicts, including by referral of such matters to the audit committee or such other committee of disinterested directors as the board deems appropriate. In addition, at the Effective Time, the executive officers of our general partner will become the executive officers of the Corporation.

Following the Conversion, the holders of Common Stock will be entitled to vote on all matters on which stockholders of a corporation are generally entitled to vote on under the Delaware General Corporation Law ("DGCL"), including the election of the board of directors of the Corporation. Holders of Common Stock will be entitled to one vote per share of Common Stock.

In connection with the Conversion, senior Carlyle professionals will generally be required to grant an irrevocable proxy to Carlyle Group Management L.L.C. that will entitle it to vote their shares of Common Stock until the earlier of (i) such time as Carlyle Group Management L.L.C. ceases to have voting power over shares of Common Stock representing at least 20% of the total voting power of all the then outstanding shares of capital stock entitled to vote in the election of directors and (ii) January 1, 2025. Consequently, Carlyle Group Management L.L.C. will initially control a majority of the voting power in the Corporation. As a result, the Corporation will initially be a "controlled company" within the meaning of the corporate governance standards of Nasdaq and, like the Partnership, will qualify for exceptions from certain corporate governance rules of Nasdaq.

In addition, in connection with the Transactions, the Corporation will enter into stockholder agreements with our Founders, William E. Conway, Jr., Daniel A. D'Aniello and David M. Rubenstein. Pursuant to these agreements, each of our Founders will have the right to nominate one director to the Corporation's board of directors for so long as such Founder and/or his Founder Group (as defined in the stockholder agreements) beneficially owns at least 5% of the issued and outstanding Common Stock. In addition, each Founder will have the right to nominate a second director to the Corporation's board of directors until the earlier of (x) such time as such Founder and/or his Founder Group ceases to beneficially own at least 20 million shares of Common Stock and (y) January 1, 2027. For so long as at least one Founder is entitled to designate two directors to the board, the Founders then serving on the board may (i) designate a Founder to serve as chair or co-chair and (ii) designate a Founder to serve on each of the compensation and nominating committees and any executive committee, subject to applicable law and listing standards.

The foregoing descriptions are qualified by reference to the forms of the Certificate of Incorporation, Bylaws, and stockholder agreements filed as Exhibits 3.3, 3.4 and 10.5, respectively, to the Quarterly Report on Form 10-Q for the quarter ended June 30, 2019, which was filed with the SEC on July 31, 2019.

Post-Conversion Dividend Policy

We anticipate that our dividend policy as a corporation will be to pay dividends to holders of our Common Stock in an initial amount of \$0.25 per share each quarter (\$1.00 per share annually) starting with the distribution for the fourth quarter, which is payable in February 2020, subject to the discretion of our board of directors and compliance with applicable law. We believe that the fixed dividend will enhance capital allocation flexibility and offers an attractive yield.

Termination of Tax Receivable Agreement

Holders of Carlyle Holdings partnership units will cease to have any rights to payments under, or in connection with the termination of, the tax receivable agreement except for payment obligations pre-existing at the time of the Transactions with respect to exchanges that have occurred prior to the Transactions and consideration received at the time of the Transactions. By terminating the tax receivable agreement apart from legacy payment obligations relating to historical exchanges that occurred prior to the Transactions, we believe we will further enhance the alignment between the senior Carlyle professionals and other former limited partners of the Carlyle Holdings partnerships and public stockholders.

Key Financial Measures

Our key financial measures are discussed in the following pages. Additional information regarding these key financial measures and our other significant accounting policies can be found in Note 2 to the unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q.

Revenues

Revenues primarily consist of fund management fees, incentive fees, investment income (including performance allocations), realized and unrealized gains of our investments in our funds and other principal investments, as well as interest and other income.

Fund Management Fees. Fund management fees include management fees and transaction and portfolio advisory fees. We earn management fees 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. Additionally, management fees include catch-up management fees, which are episodic in nature and represent management fees charged to fund investors in subsequent closings of a fund which apply to the time period between the fee initiation date and the subsequent closing date.

Management fees attributable to Carlyle Partners VII, L.P. (“CP VII”), our seventh U.S. buyout fund with \$17.5 billion of Fee-earning AUM as of September 30, 2019 were approximately 17% of total management fees recognized during both the three and nine months ended September 30, 2019, respectively. Management fees attributable to CP VII were approximately 19% and 12% of total management fees recognized during the three and nine months ended September 30, 2018, respectively. No other fund generated over 10% of total management fees in the periods presented.

Fund management fees exclude the reimbursement of any partnership expenses paid by the Partnership on behalf of the Carlyle funds pursuant to the limited partnership agreements, including amounts related to the pursuit of actual, proposed, or unconsummated investments, professional fees, expenses associated with the acquisition, holding and disposition of investments, and other fund administrative expenses.

Transaction and portfolio advisory fees include fees we receive for the transaction and portfolio advisory services we provide to our portfolio companies, as well as underwriting fees from our loan syndication and capital markets business, Carlyle Capital Solutions (“CCS”). When covered by separate contractual agreements, we recognize transaction and portfolio advisory fees for these services when the performance obligation has been satisfied 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.” Historically, such rebate offset percentages generally approximated 80% of the fund’s portion of the transaction and advisory fees earned. However, the percentage of transaction and portfolio advisory fees we share with our investors on our recent vintage funds has generally increased, and as such the rebate offset percentages generally range from 80% to 100% of the fund’s portion of the transaction and advisory fees earned. The recognition of portfolio advisory fees and transactions fees can be volatile as they are primarily generated by investment activity within our funds, and therefore are impacted by our investment pace. Underwriting fees include gains, losses and fees arising from securities offerings in which we participate in the underwriter syndicate.

Incentive Fees. Incentive fees consist of performance-based incentive arrangements pursuant to management contracts, primarily from certain of our Global Credit funds, when the return on assets under management exceeds certain benchmark returns or other performance targets. In such arrangements, incentive fees are recognized when the performance benchmark has been achieved.

Investment Income. Investment income consists of our performance allocations as well as the realized and unrealized gains and losses resulting from our equity method investments and other principal investments.

Performance allocations consist principally of the performance-based capital allocation from fund limited partners to us, commonly referred to as carried interest, from certain of our investment funds, which we refer to as the “carry funds.” Carried interest revenue 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 allocations reflects our share of the fair value gains and losses of the associated funds’ underlying investments measured at their then-current fair values relative to the fair values as of the end of the prior period. As a result, the performance allocations earned in an applicable reporting period are not indicative of any future period, as fair values are based on conditions prevalent as of the reporting date. Refer to “— Trends Affecting our Business” for further discussion.

In addition to the performance allocations from our Corporate Private Equity and Real Assets funds and closed-end carry funds in the Global Credit segment, we are also entitled to receive performance allocations from our Investment Solutions and NGP Carry Funds. The timing of performance allocations realizations for these funds is typically later than in our other carry funds based on the terms of such arrangements.

Our performance allocations 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 allocations in excess of 10% of the total for the three and nine months ended September 30, 2019 and 2018 were generated from the following funds:

		Three Months Ended September 30,				Nine Months Ended September 30,					
		2019	2018			2019	2018				
(Dollars in millions)											
			Alpinvest Co - & Secondary Investments								
CAP IV	\$	(99.9)	2006-2008	\$	46.4	CRP V	\$	183.6	CP VI	\$	210.7
CEP IV		(41.9)	CP VI		46.0	CP VI		86.8	CEP IV		115.8
						Alpinvest Co - & Secondary Investments					
CSP IV		(12.7)	CP V		39.7	2006-2008		80.2	CP V		105.2
Alpinvest Co - & Secondary Investments 2006-2008		58.1	CRP VII		32.0				CRP VII		111.1
CP VI		35.3	CAP IV		(89.2)				CAP IV		(133.9)
CRP VII		27.1									
CRP V		19.4									
CAP V		16.5									
CETP III		22.6									
CP V		12.5									

No other fund generated over 10% of performance allocations in the periods presented above.

Under our arrangements with the historical owners and management team of AlpInvest, we generally do not retain any carried interest in respect of the historical investments and commitments to our fund vehicles that existed as of July 1, 2011 (including any options to increase any such commitments exercised after such date). We are entitled to 15% of the carried interest in respect of commitments from the historical owners of AlpInvest for the period between 2011 and 2020, except in certain instances, and 40% of the carried interest in respect of all other commitments (including all future commitments from third parties). In certain instances, carried interest associated with the AlpInvest fund vehicles is subject to entity level income taxes in the Netherlands.

Realized carried interest may be clawed back or given back to the fund if the fund's investment values decline below certain return hurdles, which vary from fund to fund. When the fair value of a fund's investments remains constant or falls below certain return hurdles, previously recognized performance allocations are reversed. In all cases, each investment fund is considered separately in evaluating carried interest and potential giveback obligations. For any given period, performance allocations revenue on our statement of operations may include reversals of previously recognized performance allocations due to a decrease in the value of a particular fund that results in a decrease of cumulative performance allocations earned to date. Since fund return hurdles are cumulative, previously recognized performance allocations 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, 2019 and 2018, the reversals of performance allocations were \$179.5 million and \$103.8 million, respectively. For the nine months ended September 30, 2019 and 2018, the reversals of performance allocations were \$117.6 million and \$181.5 million, respectively. Additionally, unrealized performance allocations reverse when performance allocations are realized, and unrealized performance allocations can be negative if the amount of realized performance allocations exceed total performance allocations generated in the period.

As of September 30, 2019, accrued performance allocations and accrued giveback obligations were \$3.9 billion and \$63.2 million, respectively. Each balance assumes a hypothetical liquidation of the funds' investments at September 30, 2019 at their then current fair values. These assets and liabilities will continue to fluctuate in accordance with the fair values of the funds' investments until they are realized. As of September 30, 2019, \$36.0 million of the accrued giveback obligation is the responsibility of various current and former senior Carlyle professionals and other limited partners of the Carlyle Holdings partnerships, and the net accrued giveback obligation attributable to Carlyle Holdings is \$27.2 million. The Partnership uses "net accrued performance revenues" to refer to the aggregation of the accrued performance allocations and incentive fees net of (i) accrued giveback obligations, (ii) accrued performance allocations and incentive fee-related compensation, (iii) performance allocations and incentive fee-related tax obligations, and (iv) accrued performance allocations and incentive fees attributable to

non-controlling interests and excludes any net accrued performance allocations and incentive fees that have been realized but will be collected in subsequent periods. Net accrued performance revenues as of September 30, 2019 are \$1.8 billion.

In addition, realized performance allocations may be reversed in future periods to the extent that such amounts become subject to a giveback obligation. If, at September 30, 2019, all investments held by our carry funds were deemed worthless, the amount of realized and previously distributed performance allocations subject to potential giveback would be approximately \$0.4 billion on an after-tax basis where applicable. See the related discussion of “Contingent Obligations (Giveback)” within “— Liquidity and Capital Resources.”

The following table summarizes the total amount of aggregate giveback obligations that we have realized since Carlyle’s inception. Given various current and former senior Carlyle professionals and other limited partners of the Carlyle Holdings partnerships are responsible for paying the majority of the realized giveback obligation, the table below also summarizes the amount that was attributable to Carlyle Holdings:

	Inception through September 30, 2019	
	Total Giveback	Giveback Attributable to Carlyle Holdings
	(Dollars in millions)	
Various Legacy Energy Funds	\$ 154.7	\$ 55.0
All other Carlyle Funds	56.9	0.6
Aggregate Giveback since Inception	\$ 211.6	\$ 55.6

The amounts above include \$38.6 million attributable to Legacy Energy Fund IV that was realized during the nine months ended September 30, 2019, of which \$19.0 million was attributable to Carlyle Holdings.

The funding for employee obligations and givebacks related to carry realized pre-IPO is primarily through a collection of employee receivables related to giveback obligations and from non-controlling interests for their portion of the obligation. The realization of giveback obligations for the Partnership’s portion of such obligations reduces Distributable Earnings in the period realized and negatively impacts earnings available for distributions to unitholders in the period realized. Further, 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 as performance allocation 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.

Each investment fund is considered separately in evaluating carried interest and potential giveback obligations. As a result, performance allocations 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, in our discussion of our non-GAAP results, we use the term “realized net performance revenues” to refer to realized performance allocations and incentive fees from our funds, net of the portion allocated to our investment professionals, if any, and certain tax expenses associated with carried interest attributable to certain partners and employees, which are reflected as realized performance allocations and incentive fees related compensation expense. See “— Non-GAAP Financial Measures” for the amount of realized net performance revenues recognized each period. See “— Segment Analysis” for the realized net performance revenues by segment and related discussion for each period.

Investment income also represents the realized and unrealized gains and losses on our principal investments, including our investments in Carlyle funds that are not consolidated, as well as any interest and other income. Investment income 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, as it relates to our investments in NGP. Principal investment income also includes our share of earnings from our strategic investment in Fortitude Re. Realized principal 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 principal investment loss is also recorded when an investment is deemed to be worthless. Unrealized principal investment income (loss) results from changes in the fair value of the underlying investment, as well as the reversal of previously recognized unrealized gains (losses) at the time an investment is realized.

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.

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, 2019:

	As of September 30, 2019				
	Corporate Private Equity	Real Assets	Global Credit	Investment Solutions	Total
Consolidated Results	(Dollars in millions)				
Level I	\$ 2,234	\$ 2,938	\$ 214	\$ 1,463	\$ 6,849
Level II	332	162	1,471	125	2,090
Level III	49,218	24,227	37,851	29,026	140,322
Fair Value of Investments	51,784	27,327	39,536	30,614	149,261
Available Capital	32,305	17,611	8,469	14,187	72,572
Total AUM	\$ 84,089	\$ 44,938	\$ 48,005	\$ 44,801	\$ 221,833

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. The Consolidated Funds in future periods may change due to changes in fund terms, formation of new funds, 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 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. The portion of the net investment gains (losses) of Consolidated Funds attributable to the limited partner investors is allocated to non-controlling interests. Therefore a gain or loss is not expected to have a material 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 generally non-recourse to us. Therefore, a gain or loss from the Consolidated Funds generally 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.

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

In addition, we have 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 60 months, which under U.S. GAAP will result in compensation charges over current and future periods. Further, in order to recruit and retain existing and future senior Carlyle professionals and other employees, we have implemented additional equity-based compensation programs that resulted in increases to our equity-based compensation expenses in 2017 and 2018. However, we intend to grant fewer equity awards to employees than we have previously. For example, in February 2018 and 2019, we granted approximately 11.3 million and 5.3 million of deferred restricted common units, respectively, across a

significant number of our employees; these awards vest over a period of 12 to 60 months. Compensation charges associated with all equity-based compensation grants are excluded from Fee Related Earnings and Distributable Earnings.

We may hire additional individuals and overall compensation levels may correspondingly increase, which could result in an increase in compensation and benefits expense. As a result of 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.

General, Administrative and Other Expenses. General, administrative and other expenses include occupancy and equipment expenses and other expenses, which consist principally of professional fees, including those related to our global regulatory compliance program, external costs of fundraising, travel and related expenses, communications and information services, depreciation and amortization (including intangible asset amortization and impairment) and foreign currency transactions. We expect that general, administrative and other expenses will vary due to infrequently occurring or unusual items, such as impairment of intangible assets and expenses or insurance recoveries associated with litigation and contingencies. Also, in periods of significant fundraising, to the extent that we use third parties to assist in our fundraising efforts, our general, administrative and other expenses may increase accordingly. Additionally, we anticipate that general, administrative and other expenses will fluctuate from period to period due to the impact of foreign exchange transactions.

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

Income Taxes. The Carlyle Holdings partnerships and their subsidiaries primarily 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 U.S. income taxes on only a portion of our income or loss. Depending on the sources of our taxable income or loss, our income tax provision or benefit can vary significantly from period to period.

Income taxes for foreign entities are accounted for using the asset and 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 in which 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. With a few exceptions, as of September 30, 2019, our U.S. federal income tax returns for the years 2016 through 2018 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 2014 to 2018. Foreign tax returns are generally subject to audit from 2011 to 2018. Certain of our affiliates are currently under audit by federal, state and foreign tax authorities. We do not believe the outcome of any future audit will have a material impact on our consolidated financial statements.

On July 31, 2019, we announced our Conversion from a Delaware limited partnership to the Corporation. We anticipate that the Conversion will be effective January 1, 2020 and following the Conversion, we expect to pay more corporate income taxes than we would have as a limited partnership.

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.

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. As described above under "—Conversion to a Corporation—Conversion Steps," the limited partners of the Carlyle Holdings partnerships will exchange their Carlyle Holdings partnership units for an equivalent number of shares of common stock of The Carlyle Group Inc. in the Transactions. As a result, we expect that following the Conversion, the consolidated balance sheet of The Carlyle Group Inc. will not reflect any non-controlling interests in Carlyle Holdings.

Non-GAAP Financial Measures

Distributable Earnings. Distributable Earnings, or "DE", is a key performance benchmark used in our industry and is evaluated regularly by management in making resource deployment and compensation decisions, and in assessing the performance of our four segments. We also use DE in our budgeting, forecasting, and the overall management of our segments. We believe that reporting DE is helpful to understanding our business and that investors should review the same supplemental financial measure that management uses to analyze our segment performance. DE is intended to show the amount of net

realized earnings without the effects of consolidation of the Consolidated Funds. DE is derived from our segment reported results and is an additional measure to assess performance and determine amounts potentially available for distribution from Carlyle Holdings to its unitholders.

Distributable Earnings differs from income (loss) before provision for income taxes computed in accordance with U.S. GAAP in that it includes certain tax expenses associated with performance revenues (comprised of performance allocations and incentive fees), and does not include unrealized performance allocations and related compensation expense, unrealized principal investment income, equity-based compensation expense, net income (loss) attributable to non-Carlyle interest in consolidated entities, or charges (credits) related to Carlyle corporate actions and non-recurring items. Charges (credits) related to Carlyle corporate actions and non-recurring items include: charges associated with acquisitions or strategic investments, changes in the tax receivable agreement liability, corporate conversion costs, amortization and any impairment charges associated with acquired intangible assets, transaction costs associated with acquisitions, charges associated with earnouts and contingent consideration including gains and losses associated with the estimated fair value of contingent consideration issued in conjunction with acquisitions or strategic investments, impairment charges associated with lease right-of-use assets, gains and losses from the retirement of debt, charges associated with contract terminations and employee severance. We believe the inclusion or exclusion of these items provides investors with a meaningful indication of our core operating 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.

Fee Related Earnings. Fee Related Earnings, or “FRE”, is a component of DE and is used to assess the ability of the business to cover direct base compensation and operating expenses from total fee revenues. FRE differs from income (loss) before provision for income taxes computed in accordance with U.S. GAAP in that it adjusts for the items included in the calculation of DE and also adjusts DE to exclude net realized performance revenues, realized principal investment income from investments in Carlyle funds, net interest (interest income less interest expense), and certain general, administrative and other expenses when the timing of any future payment is uncertain.

Operating Metrics

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

Fee-earning Assets under Management. Fee-earning assets under management or Fee-earning AUM refers to the assets we manage or advise from which we derive recurring fund management fees. Our Fee-earning AUM is generally based on one of the following, once fees have been activated:

- (a) the amount of limited partner capital commitments, generally for carry funds where the original investment period has not expired, for AlpInvest carry funds during the commitment fee period and for Metropolitan carry funds during the weighted-average investment period of the underlying funds (see “Fee-earning AUM based on capital commitments” in the table below for the amount of this component at each period);
- (b) the remaining amount of limited partner invested capital at cost, generally for carry funds and certain co-investment vehicles where the original investment period has expired, Metropolitan carry funds after the expiration of the weighted-average investment period of the underlying funds, and one of our business development companies (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 and other securitization vehicles, as defined in the fund indentures (typically exclusive of equities and defaulted positions) as of the quarterly cut-off date;
- (d) the external investor portion of the net asset value of our open-ended funds (pre redemptions and subscriptions), as well as certain carry 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 one of our business development companies and certain carry funds (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); and
- (f) the lower of cost or fair value of invested capital, generally for AlpInvest carry funds where the commitment fee period has expired and certain carry funds where the investment period has expired, (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,			
	2019		2018	
	(Dollars in millions)			
Consolidated Results				
Components of Fee-earning AUM				
Fee-earning AUM based on capital commitments (1)	\$	69,816	\$	63,231
Fee-earning AUM based on invested capital (2)		42,092		40,208
Fee-earning AUM based on collateral balances, at par (3)		24,831		21,013
Fee-earning AUM based on net asset value (4)		4,241		2,485
Fee-earning AUM based on lower of cost or fair value and other (5)		17,862		20,464
Balance, End of Period (6) (7)	\$	158,842	\$	147,401

- (1) Reflects limited partner capital commitments where the original investment period, weighted-average investment period, or commitment fee period has not expired.
- (2) Reflects limited partner invested capital at cost and includes amounts committed to or reserved for investments for certain Real Assets and Investment Solutions funds.
- (3) Represents the amount of aggregate Fee-earning collateral balances and principal balances, at par, for our CLOs/structured products.
- (4) Reflects the net asset value (pre-redemptions and subscriptions) of our open-ended funds, as well as certain other carry funds.
- (5) Includes funds with fees based on gross asset value.
- (6) Energy III, Energy IV, 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 advisors to each of the Legacy Energy Funds. Carlyle has a minority representation on the management committees of Energy IV and Renew II. Carlyle and Riverstone each hold half of the seats on the management committee of Energy III, but the investment period for this fund has expired and the remaining investments in such fund are being disposed of in the ordinary course of business. As of September 30, 2019, the Legacy Energy Funds had, in the aggregate, approximately \$2.9 billion in AUM and \$2.5 billion in Fee-earning AUM. We are no longer raising capital for the Legacy Energy Funds and expect these balances to continue to decrease over time as the funds wind down.
- (7) Ending balance excludes \$7.6 billion of pending Fee-earning AUM for which fees have not yet been activated.

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

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2019		2018		2019		2018	
	(Dollars in millions)							
Consolidated Results								
Fee-earning AUM Rollforward								
Balance, Beginning of Period	\$	158,442	\$	146,477	\$	159,552	\$	124,595
Inflows, including Commitments (1)		4,663		3,499		12,233		34,267
Outflows, including Distributions (2)		(2,920)		(2,576)		(11,940)		(10,322)
Market Appreciation/(Depreciation) (3)		30		107		92		85
Foreign Exchange and other (4)		(1,373)		(106)		(1,095)		(1,224)
Balance, End of Period	\$	158,842	\$	147,401	\$	158,842	\$	147,401

- (1) Inflows represents limited partner capital raised by our carry funds or separately managed accounts for which management fees based on commitments were activated during the period, the fee-earning commitments invested in vehicles for which management fees are based on invested capital, the fee-earning collateral balance of new CLO issuances, as well as gross subscriptions in our vehicles for which management fees are based on net asset value. Inflows exclude fundraising amounts during the period for which fees have not yet been activated, which are referenced as Pending Fee-earning AUM.
- (2) Outflows represents the impact of limited partner distributions from vehicles with management fees based on remaining invested capital at cost or fair value, changes in basis for funds where the investment period, weighted-average investment period or commitment fee period has expired during the period, reductions for funds that are no longer calling for fees,

gross redemptions in our open-ended funds, and runoff of CLO collateral balances. Distributions for funds earning management fees based on commitments during the period do not affect Fee-earning AUM.

- (3) Market Appreciation/(Depreciation) represents realized and unrealized gains (losses) on portfolio investments in our carry funds based on the lower of cost or fair value and net asset value.
- (4) Includes activity of funds with fees based on gross asset value. 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.

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 or advise. Our AUM equals the sum of the following:

- (a) the aggregate fair value of our carry funds and related co-investment vehicles, NGP Predecessor Funds and separately managed accounts, plus the capital that Carlyle is entitled to call from investors in those funds and vehicles (including Carlyle 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 or aggregate principal amount of the notes of our CLOs and other structured products (inclusive of all positions);
- (c) the net asset value (pre-redemptions and subscriptions) of our open-ended funds; and
- (d) the gross assets (including assets acquired with leverage) of our business development companies, plus the capital that Carlyle is entitled to call from investors in those vehicles pursuant to the terms of their capital commitments to those vehicles.

We include in our calculation of AUM and Fee-earning AUM certain energy and renewable resources funds that we jointly advise with Riverstone and the NGP Energy Funds that are advised by NGP.

For most of our carry 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 original 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 asset managers. As a result, these measures may not be comparable to similar measures presented by other asset managers. In addition, our calculation of AUM (but not Fee-earning AUM) includes uncalled commitments to, and the fair value of invested capital in, our investment funds from Carlyle and our personnel, regardless of whether such commitments or invested capital are subject to management fees or performance allocations. Our calculations of AUM or Fee-earning AUM are not based on any definition of AUM or Fee-earning AUM that is set forth in the agreements governing the investment funds that we manage or advise.

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

Available Capital. “Available Capital” refers to the amount of capital commitments available to be called for investments, which may be reduced for equity invested that is funded via a fund credit facility and expected to be called from investors at a later date, plus any additional assets/liabilities at the fund level other than active 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.

The table below provides the period to period rollforward of Total AUM.

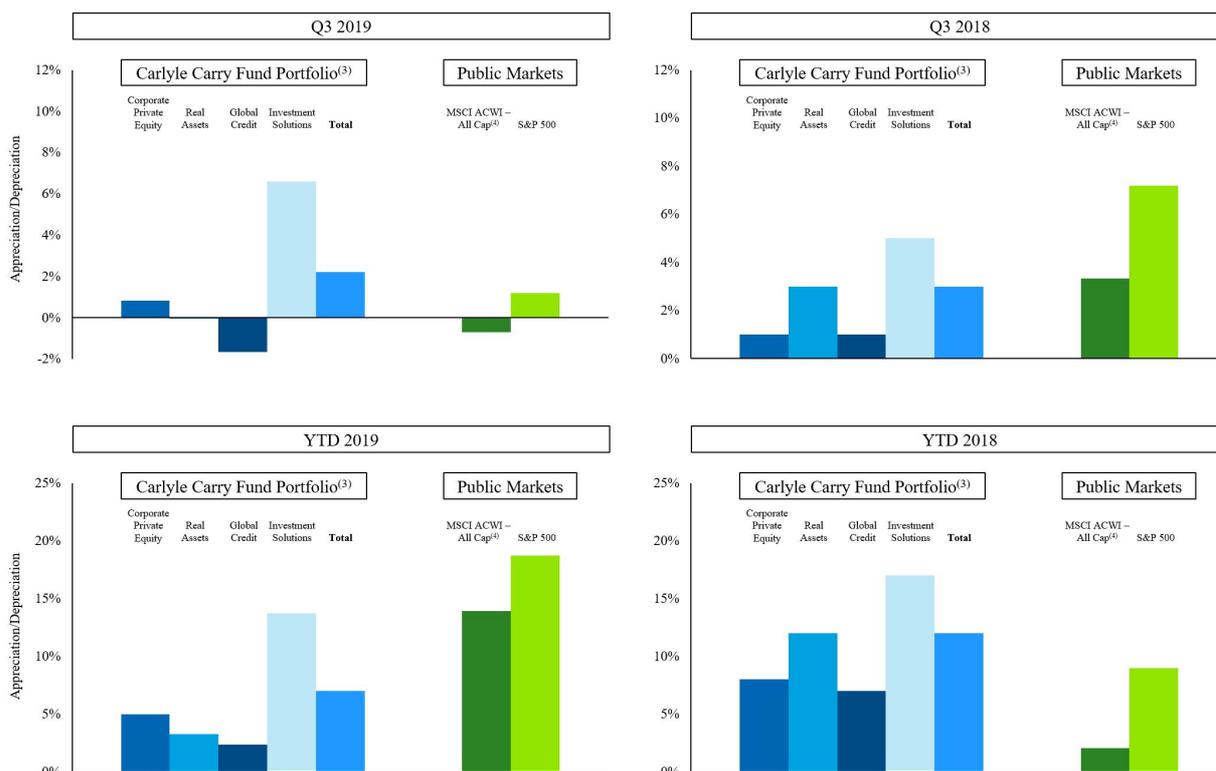
Consolidated Results	Three Months Ended		Nine Months Ended	
	September 30, 2019		September 30, 2019	
	(Dollars in millions)			
Total AUM Rollforward				
Balance, Beginning of Period	\$	222,658	\$	216,470
New Commitments (1)		5,737		16,136
Outflows (2)		(6,039)		(14,314)
Market Appreciation/(Depreciation) (3)		2,368		7,777
Foreign Exchange Gain/(Loss) (4)		(2,455)		(2,868)
Other (5)		(436)		(1,368)
Balance, End of Period	\$	221,833	\$	221,833

- (1) New Commitments reflects the impact of gross fundraising during the period. For funds or vehicles denominated in foreign currencies, this reflects translation at the average quarterly rate, while the separately reported Fundraising metric is translated at the spot rate for each individual closing.
- (2) Outflows includes distributions in our carry funds, related co-investment vehicles, separately managed accounts and the NGP Predecessor Funds, gross redemptions in our open-ended funds, and runoff of CLO collateral balances.
- (3) Market Appreciation/(Depreciation) generally represents realized and unrealized gains (losses) on portfolio investments in our carry funds and related co-investment vehicles, the NGP Predecessor Funds and separately managed accounts.
- (4) 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.
- (5) Includes expiring available capital, the impact of capital calls for fees and expenses, change in gross asset value for our business development companies and other changes in AUM.

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

The table below presents the change in appreciation on portfolio investments of our carry funds. Please refer to “— Segment Analysis” for a detailed discussion by segment of the activity affecting Total AUM for each of the periods presented.

Carlyle Portfolio Appreciation^(1,2) vs. % Change in MSCI All Country World Index - All Cap



- (1) Reflects carry funds only. Appreciation/Depreciation is fund only, and excludes the impact of external co-investment.
- (2) For Carlyle returns, “Appreciation/Depreciation” represents realized and unrealized gain / loss for the period on a total return basis before fees and expenses. The percentage of return is calculated as the sum of ending remaining investment fair market value (“FMV”) and net investment outflow (sales proceeds less net purchases) less beginning remaining investment FMV divided by beginning remaining investment FMV.
- (3) In the Corporate Private Equity, Real Assets, and Global Credit carry funds, public investments made up 6% of remaining fair value at September 30, 2019 and 12% of remaining fair value at September 30, 2018. For Q3 2019, public investments depreciated 8% while private investments appreciated 1%, compared to 3% public depreciation and 3% private appreciation for Q3 2018. Public portfolio includes initial public offerings (“IPO”) that occurred in the quarter. Investments may be reported as private in quarters prior to the IPO quarter.
- (4) The MSCI ACWI - All Cap Index represents the performance of the MSCI All Country World Index across all market capitalization sizes of the global equity market. There are significant differences between the types of securities and assets typically acquired by our carry funds and the investments covered by the MSCI All Country World Index. Specifically, our carry funds may make investments in securities and other assets that have a greater degree of risk and volatility, and less liquidity, than those securities included in the MSCI All Country World Index. Moreover, investors in the securities included in the MSCI All Country World Index may not be subject to the management fees, carried interest or expenses to which investors in our carry funds are typically subject. Comparisons between the carry fund appreciation and the MSCI All Country World Index are included for informational purposes only.

Consolidation of Certain Carlyle Funds

The Partnership consolidates all entities that it controls either through a majority voting interest or as the primary beneficiary of variable interest entities. The entities we consolidate are referred to collectively as the Consolidated Funds in our unaudited condensed consolidated financial statements. As of September 30, 2019, our Consolidated Funds represent approximately 2% of our AUM; 1% of our management fees for both the three and nine months ended September 30, 2019 and 1% of our investment income for the three months ended September 30, 2019.

We are not required under the consolidation guidance to consolidate in our financial statements most of the investment funds we advise. However, we consolidate certain CLOs that we advise. As of September 30, 2019, our consolidated CLOs held approximately \$4.6 billion of total assets and comprised substantially all of the assets and loans payable of the 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.

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 in the consolidated financial statements. 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.

For further information on our consolidation policy and the consolidation of certain funds, see Note 2 to the unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q.

Consolidated Results of Operations

The following table and discussion sets forth information regarding our unaudited condensed consolidated results of operations for the three and nine months ended September 30, 2019 and 2018. 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. As further described above, the consolidation of these funds primarily has 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.

	Three Months Ended September 30,		Nine Months Ended September 30, 2019	
	2019	2018	2019	2018
(Dollars in millions, except unit and per unit data)				
Revenues				
Fund management fees	\$ 359.5	\$ 328.8	\$ 1,103.8	\$ 894.6
Incentive fees	9.9	6.8	26.8	20.5
Investment income				
Performance allocations	112.4	214.2	709.1	947.4
Principal investment income	212.2	44.4	856.0	176.7
Total investment income	324.6	258.6	1,565.1	1,124.1
Interest and other income	23.3	24.4	71.5	74.9
Interest and other income of Consolidated Funds	51.3	60.5	149.5	161.4
Total revenues	768.6	679.1	2,916.7	2,275.5
Expenses				
Compensation and benefits				
Cash-based compensation and benefits	200.0	186.6	631.9	549.9
Equity-based compensation	36.6	49.7	107.8	199.5
Performance allocations and incentive fee related compensation	92.6	146.0	391.6	526.0
Total compensation and benefits	329.2	382.3	1,131.3	1,275.4
General, administrative and other expenses	121.7	166.2	344.9	388.0
Interest	20.0	26.3	59.2	62.6
Interest and other expenses of Consolidated Funds	34.1	40.5	99.7	121.7
Other non-operating expenses	0.3	0.3	1.0	0.9
Total expenses	505.3	615.6	1,636.1	1,848.6
Other income				
Net investment gains (losses) of Consolidated Funds	(1.9)	(2.9)	(6.9)	12.0
Income before provision for income taxes	261.4	60.6	1,273.7	438.9
Provision for income taxes	9.4	17.4	48.9	36.8
Net income	252.0	43.2	1,224.8	402.1
Net income attributable to non-controlling interests in consolidated entities	10.5	14.5	45.8	42.2
Net income attributable to Carlyle Holdings	241.5	28.7	1,179.0	359.9
Net income attributable to non-controlling interests in Carlyle Holdings	149.3	11.2	789.8	233.3
Net income attributable to The Carlyle Group L.P.	92.2	17.5	389.2	126.6
Net income attributable to Series A Preferred Unitholders	7.3	5.9	19.1	17.7
Series A Preferred Units redemption premium	16.5	—	16.5	—
Net income attributable to The Carlyle Group L.P. common unitholders	\$ 68.4	\$ 11.6	\$ 353.6	\$ 108.9
Net income attributable to The Carlyle Group L.P. per common unit				
Basic	\$ 0.60	\$ 0.11	\$ 3.17	\$ 1.06
Diluted	\$ 0.55	\$ 0.10	\$ 2.93	\$ 0.96
Weighted-average common units				
Basic	114,930,365	105,560,193	111,547,969	102,936,949
Diluted	124,875,070	346,930,017	120,558,967	112,851,327

Three Months Ended September 30, 2019 Compared to the Three Months Ended September 30, 2018 and Nine Months Ended September 30, 2019 Compared to the Nine Months Ended September 30, 2018

Revenues

Total revenues increased \$89.5 million, or 13%, for the three months ended September 30, 2019 as compared to the three months ended September 30, 2018 and increased \$641.2 million, or 28%, for the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2018. The following table provides the components of the changes in total revenues for the three and nine months ended September 30, 2019:

	Three Months Ended September 30,	Nine Months Ended September 30,
	(Dollars in millions)	
Total Revenues, September 30, 2018	\$ 679.1	\$ 2,275.5
Increases (Decreases):		
Increase in fund management fees	30.7	209.2
Increase in incentive fees	3.1	6.3
Increase in investment income, including performance allocations	66.0	441.0
Decrease in interest and other income	(1.1)	(3.4)
Decrease in interest and other income of Consolidated Funds	(9.2)	(11.9)
Total increase	89.5	641.2
Total Revenues, September 30, 2019	\$ 768.6	\$ 2,916.7

Fund Management Fees. Fund management fees increased \$30.7 million, or 9%, to \$359.5 million for the three months ended September 30, 2019 as compared to the three months ended September 30, 2018, and increased \$209.2 million, or 23%, to \$1.1 billion for the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2018, primarily due to the following:

	Three Months Ended September 30,	Nine Months Ended September 30,
	2019 v. 2018	
	(Dollars in millions)	
Higher management fees from the commencement of the investment period for certain newly raised funds	\$ 62.5	\$ 274.0
Lower management fees resulting from the change in basis for earning management fees from commitments to invested capital for certain funds and from distributions from funds whose management fees are based on invested capital	(27.8)	(99.0)
(Decrease) Increase in catch-up management fees from subsequent closes of funds that are in the fundraising period	(6.8)	20.9
Higher transaction and portfolio advisory fees	2.3	11.7
All other changes	0.5	1.6
Total increase in fund management fees	\$ 30.7	\$ 209.2

Fund management fees include transaction and portfolio advisory fees, net of rebate offsets, of \$9.9 million and \$7.7 million for the three months ended September 30, 2019 and 2018, respectively, and \$33.0 million and \$21.3 million for the nine months ended September 30, 2019 and 2018, respectively. The increase in transaction and portfolio advisory fees for the nine months ended September 30, 2019 resulted primarily from transaction fees earned related to investments in one of our U.S. buyout funds and CCS underwriting fees in 2019.

Investment Income. Investment income increased \$66.0 million to \$324.6 million for the three months ended September 30, 2019 as compared to the three months ended September 30, 2018 and increased \$441.0 million to \$1.6 billion for the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2018, primarily due to the following:

	Three Months Ended September 30,	Nine Months Ended September 30,
	2019 v. 2018	
	(Dollars in millions)	
Decrease in performance allocations, excluding NGP	\$ (101.8)	\$ (238.3)
Decrease in investment income from NGP, which includes performance allocations from the investments in NGP	(95.6)	(178.4)
Increase (decrease) in investment income from our buyout and growth funds	1.5	(8.7)
Increase in losses on foreign currency hedges	(1.6)	(0.3)
Decrease in investment income from our real assets funds, excluding NGP	(1.7)	(3.8)
Increase from the settlement of CEREP I tax matter in 2019	—	71.5
Decrease in investment income from our distressed debt funds and energy mezzanine funds	(10.1)	(7.0)
Decrease in investment income from CLOs	(3.6)	(0.9)
Investment income from Fortitude Re (1)	281.6	808.9
All other changes	(2.7)	(2.0)
Total increase in investment income	\$ 66.0	\$ 441.0

(1) The Partnership's earnings from its investment in Fortitude Re for the three and nine months ended September 30, 2019 were \$281.6 million and \$808.9 million, respectively, which represents 19.9% of Fortitude Re's estimated net income for the respective periods. These amounts are inclusive of \$213.5 million and \$673.7 million of unrealized gains, respectively, resulting from changes in the fair value of embedded derivatives related to certain reinsurance contracts included in Fortitude Re's U.S. GAAP financial statements. Modified coinsurance is subject to the general accounting principles for hedging, specifically the guidance originally issued as Derivatives Implementation Group Issue No. B36: *Embedded Derivatives: Modified Coinsurance Agreements and Debt Instruments That Incorporate Credit Risk Exposures That Are Unrelated or Only Partially Related to the Creditworthiness of the Obligor under Those Instruments* ("DIG B36"). The significant increase in fair value on the embedded derivatives during the quarter is primarily a result of a narrowing of credit spreads during the period.

Performance Allocations. Performance allocations decreased \$101.8 million for the three months ended September 30, 2019 as compared to the three months ended September 30, 2018 and decreased \$238.3 million for the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2018. Performance allocations by segment on a consolidated U.S. GAAP basis for the three and nine months ended September 30, 2019 and 2018 comprised the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(Dollars in millions)			
Corporate Private Equity	\$ (53.8)	\$ 52.2	\$ 161.5	\$ 520.8
Real Assets	54.6	58.2	313.6	193.3
Global Credit	4.1	(0.5)	28.2	14.4
Investment Solutions	107.5	104.3	205.8	218.9
Total performance allocations	\$ 112.4	\$ 214.2	\$ 709.1	\$ 947.4
Total carry fund appreciation	2%	3%	7%	12%

Refer to "— Key Financial Measures" for a listing of the funds with performance allocations in excess of 10% of the total for the periods presented.

Expectations for global economic growth have continued to moderate through the third quarter of the year as trade tensions continue to exert a significant impact on the world economy. In response to economic weakness and in the absence of inflationary pressures through the first three quarters of the year, major central banks continue to adopt accommodative policy stances, with more central banks easing simultaneously than at any point since the Global Financial Crisis. However, positive

sentiment around central bank easing has been offset by anxiety over U.S.-China trade negotiations and worsening news on global growth numbers, and global equity markets, while still high, were roughly flat over the quarter. Our overall carry fund portfolio experienced slower appreciation in the quarter, reflecting the flat public markets and continued weakness in the energy and energy-related investments in our portfolio. Our Corporate Private Equity funds appreciated by 1% in the quarter and our Real Estate funds appreciated by 3%. However, our Natural Resources funds depreciated by 3% in the quarter, primarily reflecting downward pressure on energy funds with significant development and non-producing investments. Our Global Credit carry funds depreciated by 2% in the third quarter, primarily driven by our Energy Mezzanine funds. While our Investment Solutions funds appreciated by 7%, these funds are generally valued on a quarter lag, and experienced positive impacts from foreign currency translation. Our public portfolio (which represents approximately 6% of the remaining fair value across our Corporate Private Equity, Real Assets and Global Credit carry fund portfolio) depreciated 8% in the third quarter, reflecting the impact of certain energy investments in the portfolio.

Interest and Other Income. Interest and other income decreased \$1.1 million for the three months ended September 30, 2019 as compared to the three months ended September 30, 2018, and decreased \$3.4 million for the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2018. Decreases were primarily as a result of decreased interest income related to corporate treasury investments, partially offset by the reimbursement of certain costs incurred on behalf of Carlyle funds.

Interest and Other Income of Consolidated Funds. Interest and other income of Consolidated Funds decreased \$9.2 million for the three months ended September 30, 2019 as compared to the three months ended September 30, 2018 and decreased \$11.9 million for the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2018. Substantially all of the decrease in interest and other income of Consolidated Funds relates to decreased interest income from CLOs.

Our CLOs generate interest income primarily from investments in bonds and loans inclusive of amortization of discounts and generate other income from consent and amendment fees. Substantially all interest and other income of the CLOs and other consolidated funds 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. Accordingly, such amounts have no material impact on net income attributable to the Partnership.

Expenses

Total expenses decreased \$110.3 million for the three months ended September 30, 2019 as compared to the three months ended September 30, 2018 and decreased \$212.5 million for the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2018. The following table provides the components of the changes in total expenses for the three and nine months ended September 30, 2019:

	Three Months Ended September 30,	Nine Months Ended September 30,
	(Dollars in millions)	
Total Expenses, September 30, 2018	\$ 615.6	\$ 1,848.6
Increases (Decreases):		
Decrease in total compensation and benefits	(53.1)	(144.1)
Decrease in general, administrative and other expenses	(44.5)	(43.1)
Decrease in interest and other expenses of Consolidated Funds	(6.4)	(22.0)
All other changes	(6.3)	(3.3)
Total decrease	<u>(110.3)</u>	<u>(212.5)</u>
Total Expenses, September 30, 2019	<u>\$ 505.3</u>	<u>\$ 1,636.1</u>

Total Compensation and Benefits. Total compensation and benefits decreased \$53.1 million for the three months ended September 30, 2019 as compared to the three months ended September 30, 2018 and decreased \$144.1 million for the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2018, due to the following:

	Three Months Ended September 30,	Nine Months Ended September 30,
	2019 v. 2018	
	(Dollars in millions)	
Increase in cash-based compensation and benefits	\$ 13.4	\$ 82.0
Decrease in equity-based compensation	(13.1)	(91.7)
Decrease in performance allocations and incentive fee related compensation	(53.4)	(134.4)
Decrease in total compensation and benefits	<u>\$ (53.1)</u>	<u>\$ (144.1)</u>

Cash-based Compensation and Benefits. Cash-based compensation and benefits increased \$13.4 million, or 7%, for the three months ended September 30, 2019 as compared to the three months ended September 30, 2018 and increased \$82.0 million, or 15%, for the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2018, primarily due to the following:

	Three Months Ended September 30,	Nine Months Ended September 30,
	2019 v. 2018	
	(Dollars in millions)	
Increase in headcount and bonuses	\$ 7.2	\$ 72.2
Decrease in compensation costs associated with fundraising activities	(4.1)	(27.6)
Increase associated with the Carlyle Aviation Partners acquisition:		
Compensation and benefits	4.7	15.0
Contingent earnout	5.6	22.4
Total increase in cash-based compensation and benefits	<u>\$ 13.4</u>	<u>\$ 82.0</u>

Equity-based Compensation. Equity-based compensation decreased \$13.1 million for the three months ended September 30, 2019 as compared to the three months ended September 30, 2018 primarily due to the lower rate of ongoing grants of deferred restricted common units during 2019. Equity-based compensation decreased \$91.7 million for the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2018 primarily due to the timing of the last vesting of awards related to our initial public offering in 2012 in May 2018.

Performance allocations and incentive fee related compensation expense. Performance allocations and incentive fee related compensation expense decreased \$53.4 million for the three months ended September 30, 2019 as compared to the three months ended September 30, 2018 and decreased \$134.4 million for the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2018. Performance allocations and incentive fee related compensation as a percentage of performance allocations and incentive fees was 82% and 55% for the three and nine months ended September 30, 2019, respectively, and 68% and 56% for both the three and nine months ended September 30, 2018. Performance allocations and incentive fee related compensation as a percentage of performance allocations and incentive fees fluctuates depending on the mix of funds contributing to performance allocations and incentive fees in a given period. For our largest segment, Corporate Private Equity, our performance allocations and incentive fee related compensation expense as a percentage of performance allocations and incentive fees is generally around 45%. Performance allocations from our Investment Solutions segment pay a higher ratio of performance allocations and incentive fees as compensation, primarily as a result of the terms of our acquisition of AlpInvest. Conversely, performance allocations from the Legacy Energy funds in our Real Assets segment are primarily allocated to Carlyle because the investment teams for the Legacy Energy funds are employed by Riverstone and not Carlyle. During both the three months ended September 30, 2019 and 2018, we saw a greater proportion of our performance allocations from our AlpInvest funds.

General, Administrative and Other Expenses. General, administrative and other expenses decreased \$44.5 million for the three months ended September 30, 2019 as compared to the three months ended September 30, 2018 and decreased \$43.1 million for the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2018, primarily due to:

	Three Months Ended September 30,	Nine Months Ended September 30,
	2019 v. 2018	
	(Dollars in millions)	
Lease assignment and termination costs	\$ (63.5)	\$ (66.9)
Higher depreciation and intangible asset amortization	3.8	10.7
Higher professional fees, including corporate conversion costs	10.8	30.8
Lower external fundraising costs	(0.8)	(34.5)
Foreign exchange and other changes	5.2	16.8
Total decrease in general, administrative and other expenses	<u>\$ (44.5)</u>	<u>\$ (43.1)</u>

Interest and Other Expenses of Consolidated Funds. Interest and other expenses of Consolidated Funds decreased \$6.4 million for the three months ended September 30, 2019 as compared to the three months ended September 30, 2018 and decreased \$22.0 million for the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2018. The decreases are primarily due to lower interest expense on the consolidated CLOs.

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. Accordingly, such amounts have no material impact on net income attributable to the Partnership.

Net Investment Gains of Consolidated Funds

For the three months ended September 30, 2019, net investment losses of Consolidated Funds were \$1.9 million as compared to net investment losses of \$2.9 million for the three months ended September 30, 2018. For the nine months ended September 30, 2019, net investment losses of Consolidated Funds were \$6.9 million as compared to net investment gains of \$12.0 million for the nine months ended September 30, 2018. For both the three and nine months ended September 30, 2019 and 2018, net investment gains (losses) comprise the activity of the consolidated CLOs and certain other 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:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(Dollars in millions)			
Realized gains (losses)	\$ 1.9	\$ (2.5)	\$ (9.5)	\$ (6.8)
Net change in unrealized gains (losses)	(1.3)	(8.1)	28.3	(45.3)
Total gains (losses)	0.6	(10.6)	18.8	(52.1)
Gains (Losses) from liabilities of CLOs	(2.5)	7.7	(25.7)	64.1
Total net investment gains (losses) of Consolidated Funds	<u>\$ (1.9)</u>	<u>\$ (2.9)</u>	<u>\$ (6.9)</u>	<u>\$ 12.0</u>

Net Income Attributable to Non-controlling Interests in Consolidated Entities

Net income attributable to non-controlling interests in consolidated entities was \$10.5 million for the three months ended September 30, 2019 as compared to net income of \$14.5 million for the three months ended September 30, 2018. Net income attributable to non-controlling interests in consolidated entities was \$45.8 million for the nine months ended September 30, 2019 as compared to net income of \$42.2 million for the nine months ended September 30, 2018. 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. This balance also includes the net income attributable to non-controlling interests in carried interest, giveback obligations, and cash held for carried interest distributions.

Net Income Attributable to The Carlyle Group L.P. Common Unitholders

The net income attributable to The Carlyle Group L.P. common unitholders was \$68.4 million for the three months ended September 30, 2019 as compared to \$11.6 million for the three months ended September 30, 2018. The net income attributable to The Carlyle Group L.P. common unitholders was \$353.6 million for the nine months ended September 30, 2019 as compared to \$108.9 million for the nine months ended September 30, 2018. The Partnership is allocated a portion of the net income (loss) attributable to Carlyle Holdings based on the Partnership's ownership in Carlyle Holdings (which was approximately 34% and 32% as of September 30, 2019 and 2018, respectively). Net income or loss attributable to The Carlyle Group L.P. common unitholders also includes 100% of the net income (loss) attributable to the Partnership's wholly-owned taxable subsidiary, Carlyle Holdings I GP Inc., which was \$9.8 million and \$6.4 million for the three months ended September 30, 2019 and 2018, respectively, and \$(11.5) million and \$5.8 million for the nine months ended September 30, 2019 and 2018, respectively. As a result, the total net income or loss attributable to the Partnership will vary as a percentage of the net income or loss attributable to Carlyle Holdings. In addition, net income attributable to The Carlyle Group L.P. common unitholders for the three and nine months ended September 30, 2019 was reduced by the Series A preferred units redemption premium.

Non-GAAP Financial Measures

The following tables set 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 and nine months ended September 30, 2019 and 2018. Our Non-GAAP financial measures exclude the effects of unrealized performance allocations net of related compensation expense, unrealized principal investment income, consolidated funds, acquisition-related items including amortization and any impairment charges of acquired intangible assets and contingent consideration taking the form of earn-outs, charges associated with equity-based compensation, changes in the tax receivable agreement liability, corporate actions and infrequently occurring or unusual events.

The following table shows our total segment DE and FRE for the three and nine months ended September 30, 2019 and 2018.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(Dollars in millions)			
Total Segment Revenues	\$ 527.8	\$ 641.3	\$ 1,529.4	\$ 1,640.5
Total Segment Expenses	367.1	431.3	1,054.5	1,177.1
Distributable Earnings	\$ 160.7	\$ 210.0	\$ 474.9	\$ 463.4
(-) Realized Net Performance Revenues	57.7	123.9	85.5	276.6
(-) Realized Principal Investment Income	7.3	7.0	85.3	43.4
(+) Net Interest	13.1	9.9	40.7	31.6
(-) Fee Related Earnings	\$ 108.8	\$ 89.0	\$ 344.8	\$ 175.0

The following table sets forth our total segment revenues for the three and nine months ended September 30, 2019 and 2018.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
(Dollars in millions)				
Segment Revenues				
Fund level fee revenues				
Fund management fees	\$ 384.6	\$ 355.2	\$ 1,180.7	\$ 970.8
Portfolio advisory fees, net and other	5.3	9.8	16.1	25.1
Transaction fees, net	5.8	—	19.9	6.8
Total fund level fee revenues	395.7	365.0	1,216.7	1,002.7
Realized performance revenues	118.3	260.2	209.4	570.7
Realized principal investment income	7.3	7.0	85.3	43.4
Interest income	6.5	9.1	18.0	23.7
Total Segment Revenues	\$ 527.8	\$ 641.3	\$ 1,529.4	\$ 1,640.5

The following table sets forth our total segment expenses for the three and nine months ended September 30, 2019 and 2018.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
(Dollars in millions)				
Segment Expenses				
Compensation and benefits				
Cash-based compensation and benefits	\$ 194.1	\$ 186.4	\$ 603.5	\$ 547.8
Realized performance revenue related compensation	60.6	136.3	123.9	294.1
Total compensation and benefits	254.7	322.7	727.4	841.9
General, administrative, and other indirect expenses	81.0	80.9	236.7	254.6
Depreciation and amortization expense	11.8	8.7	31.7	25.3
Interest expense	19.6	19.0	58.7	55.3
Total Segment Expenses	\$ 367.1	\$ 431.3	\$ 1,054.5	\$ 1,177.1

Income before provision for income taxes is the U.S. GAAP financial measure most comparable to Distributable Earnings and Fee Related Earnings. The following table is a reconciliation of income before provision for income taxes to Distributable Earnings and to Fee Related Earnings.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(Dollars in millions)			
Income before provision for income taxes	\$ 261.4	\$ 60.6	\$ 1,273.7	\$ 438.9
Adjustments:				
Net unrealized performance revenues	126.2	54.6	(112.0)	(202.3)
Unrealized principal investment income	(198.7)	(6.9)	(672.2)	(25.4)
Adjusted unrealized principal investment income from investment in Fortitude Re	(68.1)	—	(135.2)	—
Equity-based compensation ⁽¹⁾	38.9	52.0	116.6	208.2
Acquisition related charges, including amortization of intangibles and impairment	11.2	2.4	38.6	16.2
Other non-operating expense	0.3	0.3	1.0	0.9
Tax expense associated with performance fee revenues	(10.8)	(12.7)	(13.3)	(11.0)
Net income attributable to non-controlling interests in consolidated entities	(10.5)	(14.5)	(45.8)	(42.2)
Lease assignment and termination costs	—	63.5	—	66.9
Debt extinguishment costs	—	7.8	0.1	7.8
Corporate conversion costs, severance and other adjustments	10.8	2.9	23.4	5.4
(=) Distributable Earnings	\$ 160.7	\$ 210.0	\$ 474.9	\$ 463.4
(-) Realized net performance revenues ⁽²⁾	57.7	123.9	85.5	276.6
(-) Realized principal investment income ⁽²⁾	7.3	7.0	85.3	43.4
(+) Net Interest	13.1	9.9	40.7	31.6
(=) Fee Related Earnings	\$ 108.8	\$ 89.0	\$ 344.8	\$ 175.0

(1) Equity-based compensation for the three and nine months ended September 30, 2019 includes \$3.4 million and \$11.0 million, respectively, which is included in principal investment income and general, administrative and other expenses in our U.S. GAAP statement of operations. Equity-based compensation for the three and nine months ended September 30, 2019 also includes \$0.1 million and \$0.2 million, respectively, related to units issued in conjunction with a previous acquisition.

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

	Three Months Ended September 30, 2019		
	Carlyle Consolidated	Adjustments ⁽³⁾	Total Reportable Segments
	(Dollars in millions)		
Performance revenues	\$ 112.4	\$ 5.9	\$ 118.3
Performance revenues related compensation expense	92.6	(32.0)	60.6
Net performance revenues	\$ 19.8	\$ 37.9	\$ 57.7
Principal investment income (loss)	\$ 212.2	\$ (204.9)	\$ 7.3

	Nine Months Ended September 30, 2019		
	Carlyle Consolidated	Adjustments ⁽³⁾	Total Reportable Segments
	(Dollars in millions)		
Performance revenues	\$ 709.1	\$ (499.7)	\$ 209.4
Performance revenues related compensation expense	391.6	(267.7)	123.9
Net performance revenues	\$ 317.5	\$ (232.0)	\$ 85.5
Principal investment income (loss)	\$ 856.0	\$ (770.7)	\$ 85.3

	Three Months Ended September 30, 2018		
	Carlyle Consolidated	Adjustments ⁽³⁾	Total Reportable Segments
	(Dollars in millions)		
Performance revenues	\$ 214.2	\$ 46.0	\$ 260.2
Performance revenues related compensation expense	146.0	(9.7)	136.3
Net performance revenues	\$ 68.2	\$ 55.7	\$ 123.9
Principal investment income (loss)	\$ 44.4	\$ (37.4)	\$ 7.0

	Nine Months Ended September 30, 2018		
	Carlyle Consolidated	Adjustments ⁽³⁾	Total Reportable Segments
	(Dollars in millions)		
Performance revenues	\$ 947.4	\$ (376.7)	\$ 570.7
Performance revenues related compensation expense	526.0	(231.9)	294.1
Net performance revenues	\$ 421.4	\$ (144.8)	\$ 276.6
Principal investment income (loss)	\$ 176.7	\$ (133.3)	\$ 43.4

(3) Adjustments to performance revenues and principal investment income (loss) relate to (i) unrealized performance allocations net of related compensation expense and unrealized principal investment income, which are excluded from our Non-GAAP results, (ii) amounts earned from the Consolidated Funds, which were eliminated in the U.S. GAAP consolidation but were included in the Non-GAAP results, (iii) amounts attributable to non-controlling interests in consolidated entities, which were excluded from the Non-GAAP results, (iv) the reclassification of NGP performance revenues, which are included in investment income in the U.S. GAAP financial statements, (v) the reclassification of certain incentive fees from business development companies, which are included in fund management fees in the segment results, and (vi) the reclassification of certain tax expenses associated with performance revenues. Adjustments to principal investment income (loss) also include the reclassification of earnings for the investment in NGP Management and its affiliates to the appropriate operating captions for the Non-GAAP results, the exclusion of charges associated with the investment in NGP Management and its affiliates that are excluded from the Non-GAAP results (see Note 4 to our unaudited condensed consolidated financial statements).

Distributable Earnings for our reportable segments are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(Dollars in millions)			
Corporate Private Equity	\$ 81.7	\$ 121.3	\$ 206.3	\$ 247.6
Real Assets	63.3	66.2	216.0	151.3
Global Credit	11.1	10.0	34.1	34.8
Investment Solutions	4.6	12.5	18.5	29.7
Distributable Earnings	\$ 160.7	\$ 210.0	\$ 474.9	\$ 463.4

Segment Analysis

Discussed below is our DE and FRE for our segments for the periods presented. Our segment information is reflected in the manner used by our senior management to make operating and compensation 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, realized performance revenues and realized principal investment income (loss) are different than those presented on a consolidated U.S. GAAP basis because these revenues recognized in certain segments are received from Consolidated Funds and are eliminated in consolidation when presented on a consolidated U.S. GAAP basis. Furthermore, segment expenses are different than related amounts presented on a consolidated U.S. GAAP basis due to the exclusion of fund expenses that are paid by the Consolidated Funds.

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,	
	2019	2018	2019	2018
(Dollars in millions)				
Segment Revenues				
Fund level fee revenues				
Fund management fees	\$ 192.2	\$ 175.8	\$ 572.5	\$ 437.9
Portfolio advisory fees, net and other	4.3	7.6	11.4	17.3
Transaction fees, net	4.4	—	12.1	3.9
Total fund level fee revenues	200.9	183.4	596.0	459.1
Realized performance revenues	33.3	143.6	67.9	383.6
Realized principal investment income	1.8	4.2	0.5	24.4
Interest income	1.7	3.0	4.1	7.5
Total revenues	237.7	334.2	668.5	874.6
Segment Expenses				
Compensation and benefits				
Cash-based compensation and benefits	92.6	93.9	290.4	281.6
Realized performance revenues related compensation	14.9	66.1	30.7	180.8
Total compensation and benefits	107.5	160.0	321.1	462.4
General, administrative, and other indirect expenses	34.8	41.1	102.2	130.5
Depreciation and amortization expense	5.7	4.3	15.1	12.5
Interest expense	8.0	7.5	23.8	21.6
Total expenses	156.0	212.9	462.2	627.0
Distributable Earnings	\$ 81.7	\$ 121.3	\$ 206.3	\$ 247.6
(-) Realized Net Performance Revenues	18.4	77.5	37.2	202.8
(-) Realized Principal Investment Income	1.8	4.2	0.5	24.4
(+) Net Interest	6.3	4.5	19.7	14.1
(=) Fee Related Earnings	\$ 67.8	\$ 44.1	\$ 188.3	\$ 34.5

Three Months Ended September 30, 2019 Compared to Three Months Ended September 30, 2018 and Nine Months Ended September 30, 2019 Compared to Nine Months Ended September 30, 2018

Distributable Earnings

Distributable Earnings decreased \$39.6 million for the three months ended September 30, 2019 as compared to the three months ended September 30, 2018 and decreased \$41.3 million for the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2018. The following table provides the components of the changes in Distributable Earnings for the three and nine months ended September 30, 2019:

	Three Months Ended September 30,	Nine Months Ended September 30,
	(Dollars in millions)	
Distributable Earnings, September 30, 2018	\$ 121.3	\$ 247.6
Increases (decreases):		
Increase in fee related earnings	23.7	153.8
Decrease in realized net performance revenues	(59.1)	(165.6)
Decrease in realized principal investment income	(2.4)	(23.9)
Increase in net interest	(1.8)	(5.6)
Total decrease	(39.6)	(41.3)
Distributable Earnings, September 30, 2019	\$ 81.7	\$ 206.3

Realized Net Performance Revenues. Realized net performance revenues decreased \$59.1 million for the three months ended September 30, 2019 as compared to the three months ended September 30, 2018 primarily due to lower realizations in our U.S. and Asia buyout funds as well as in our Europe growth funds.

Realized net performance revenues decreased \$165.6 million for the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2018, primarily due to lower realizations in our U.S., Europe and Asia buyout funds as well as our Europe growth funds. Realized net performance revenues were primarily generated by the following funds for the three and nine months ended September 30, 2019 and 2018.

Three Months Ended September 30,		Nine Months Ended September 30,	
2019	2018	2019	2018
CETP II	CP V	CP V	CP V
CGFSP II	CAP III	CAP III	CEP III
	CETP III	CETP II	CAP III
		CGFSP II	CETP III

Realized Principal Investment Income. Realized principal investment income was \$0.5 million for the nine months ended September 30, 2019 as compared to realized principal investment income of \$24.4 million for the nine months ended September 30, 2018. The decrease was primarily due to lower realized gains from our investments in U.S. buyout funds, as well as realized losses for the nine months ended September 30, 2019 compared to realized gains for nine months ended September 30, 2018 in our Europe buyout funds.

Fee Related Earnings

Fee Related Earnings increased \$23.7 million for the three months ended September 30, 2019 as compared to the three months ended September 30, 2018 and increased \$153.8 million for the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2018. The following table provides the components of the changes in Fee Related Earnings for the three and nine months ended September 30, 2019:

	Three Months Ended September 30,	Nine Months Ended September 30,
	(Dollars in millions)	
Fee Related Earnings, September 30, 2018	\$ 44.1	\$ 34.5
Increases (decreases):		
Increase in fee revenues	17.5	136.9
Decrease (increase) in cash-based compensation and benefits	1.3	(8.8)
Decrease in general, administrative and other indirect expenses	6.3	28.3
All other changes	(1.4)	(2.6)
Total increase	23.7	153.8
Fee Related Earnings, September 30, 2019	\$ 67.8	\$ 188.3

Fee Revenues. Total fee revenues increased \$17.5 million for the three months ended September 30, 2019 as compared to the three months ended September 30, 2018 and increased \$136.9 million for the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2018, due to the following:

	Three Months Ended September 30,	Nine Months Ended September 30,
	2019 v. 2018	
	(Dollars in millions)	
Higher fund management fees	\$ 16.4	\$ 134.6
Higher transaction fees	4.4	8.2
Lower portfolio advisory fees, net and other	(3.3)	(5.9)
Total increase in fee revenues	\$ 17.5	\$ 136.9

The increase in fund management fees for three months ended September 30, 2019 as compared to the three months ended September 30, 2018 was primarily due to the activation of management fees during the fourth quarter of 2018 on our fifth Europe buyout fund (“CEP V”) and during the third quarter of 2019 on our fourth Europe growth fund (“CETP IV”).

The increase in fund management fees for the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2018 was primarily due to the activation of management fees during the second quarter of 2018 on our seventh U.S. buyout fund (“CP VII”) and our fifth Asia buyout fund (“CAP V”), as well as activation of management fees during the fourth quarter of 2018 in CEP V and during the third quarter of 2019 in CETP IV. These increases were partially offset by lower fee rates and a lower basis for CP VI, CAP IV, CEP IV and CETP III as they have exited the investment period.

The total weighted-average management fee rates as of September 30, 2019 and 2018 were 1.23% and 1.22%, respectively. Fee-earning assets under management were \$61.2 billion and \$56.3 billion as of September 30, 2019 and 2018, respectively, an increase of \$4.9 billion.

The increase in transaction fees for the three months ended September 30, 2019 as compared to the three months ended September 30, 2018 resulted primarily from transaction fees related to investments in one of our Japan buyout funds.

The increase in transaction fees for the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2018 resulted primarily from transaction fees related to investments in one of our U.S. buyout funds and one of our Japan buyout funds, partially offset by transaction fees in one of our Asia buyout funds in nine months ended September 30, 2018.

Cash-based compensation and benefits expense. Cash-based compensation and benefits expense increased \$8.8 million for the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2018, primarily due to an increase in headcount and an increase in projected year-end bonuses, partially offset by lower compensation costs related to fundraising activities of approximately \$20.6 million.

General, administrative and other indirect expenses. General, administrative and other indirect expenses decreased \$6.3 million for the three months ended September 30, 2019 as compared to the three months ended September 30, 2018, primarily due to lower professional fees as well as lower external costs associated with fundraising activities of approximately \$2.0 million.

General, administrative and other indirect expenses decreased \$28.3 million for the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2018, primarily due to lower external costs associated with fundraising activities of approximately \$29.9 million.

Fee-earning AUM as of and for the Three and Nine Months Ended September 30, 2019 and 2018

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,	
	2019	2018
Corporate Private Equity		
Components of Fee-earning AUM (1)		
Fee-earning AUM based on capital commitments	\$ 37,687	\$ 33,416
Fee-earning AUM based on invested capital	21,552	20,430
Fee-earning AUM based on lower of cost or fair value	1,996	2,454
Total Fee-earning AUM	\$ 61,235	\$ 56,300
Weighted Average Management Fee Rates (2)		
All Funds	1.23%	1.22%
Funds in Investment Period	1.44%	1.46%

(1) For additional information concerning the components of Fee-earning AUM, 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,	
	2019	2018	2019	2018
Corporate Private Equity				
Fee-earning AUM Rollforward				
Balance, Beginning of Period	\$ 60,518	\$ 56,310	\$ 62,358	\$ 35,584
Inflows, including Fee-paying Commitments (1)	1,538	399	2,116	24,235
Outflows, including Distributions (2)	(292)	(321)	(2,614)	(3,234)
Market Appreciation/(Depreciation) (3)	1	(11)	(25)	11
Foreign Exchange and other (4)	(530)	(77)	(600)	(296)
Balance, End of Period	\$ 61,235	\$ 56,300	\$ 61,235	\$ 56,300

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

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

(3) Market Appreciation/(Depreciation) represents realized and unrealized gains (losses) on portfolio investments in our carry funds based on the lower of cost or fair value.

(4) 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.

Fee-earning AUM was \$61.2 billion at September 30, 2019, an increase of \$0.7 billion, or approximately 1%, compared to \$60.5 billion at June 30, 2019. This increase was driven by inflows of \$1.5 billion primarily from the activation of management fees in CETP IV. Partially offsetting the increase were \$0.5 billion of foreign exchange losses from the translation of our EUR-denominated funds' AUM to USD and outflows of \$0.3 billion primarily in our Europe buyout and growth funds. Investment and distribution activity has no impact for funds still in the original investment period where Fee-earning AUM is based on commitments.

Fee-earning AUM was \$61.2 billion at September 30, 2019, a decrease of \$1.2 billion, or approximately 2%, compared to \$62.4 billion at December 31, 2018. The decrease was driven by outflows of \$2.6 billion primarily in our U.S. buyout funds and foreign exchange losses of \$0.6 billion from the translation of our EUR-denominated funds' AUM to USD. This was partially offset by inflows of \$2.1 billion from new fee-earning commitments raised in CETP IV and CEP V.

Fee-earning AUM was \$61.2 billion at September 30, 2019, an increase of \$4.9 billion, or approximately 9%, compared to \$56.3 billion at September 30, 2018. The increase was driven by inflows of \$9.4 billion primarily related to new fee-earning commitments in CEP V and CETP IV. This was partially offset by outflows of \$3.8 billion primarily due to dispositions in CP VI, CEP V, CP V, and other funds which charge fees based on invested equity. Foreign exchange losses of \$0.6 billion were driven by the translation of our EUR-denominated funds' AUM to USD.

Fee-earning AUM was \$56.3 billion at September 30, 2018 and June 30, 2018. Inflows of \$0.4 billion were driven by new fee-earning commitments raised in CBPF II and CP VII. These inflows were offset by outflows of \$0.3 billion from dispositions in various funds which charge fees based on invested equity and \$0.1 billion of foreign exchange losses.

Fee-earning AUM was \$56.3 billion at September 30, 2018, an increase of \$20.7 billion, or approximately 58%, compared to \$35.6 billion at December 31, 2017. The increase was driven by inflows of \$24.2 billion primarily from new fee-earning commitments in CP VII and CAP V. Partially offsetting the increase were outflows of \$3.2 billion primarily due to the step-down of fees in CP VI and dispositions in various funds which charge fees based on invested equity.

Total AUM as of and for the Three and Nine Months Ended September 30, 2019

The table below provides the period to period rollforward of Total AUM.

	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2019
	(Dollars in millions)	
Corporate Private Equity		
Total AUM Rollforward		
Balance, Beginning of Period	\$ 83,862	\$ 80,759
New Commitments (1)	1,912	6,050
Outflows (2)	(1,318)	(3,569)
Market Appreciation/(Depreciation) (3)	562	2,327
Foreign Exchange Gain/(Loss) (4)	(742)	(822)
Other (5)	(187)	(656)
Balance, End of Period	\$ 84,089	\$ 84,089

- (1) New Commitments reflects the impact of gross fundraising during the period. For funds or vehicles denominated in foreign currencies, this reflects translation at the average quarterly rate, while the separately reported Fundraising metric is translated at the spot rate for each individual closing.
- (2) Outflows includes distributions in our carry funds, related co-investment vehicles and separately managed accounts.
- (3) Market Appreciation/(Depreciation) generally represents realized and unrealized gains (losses) on portfolio investments in our carry funds, related co-investment vehicles and separately managed accounts.
- (4) 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.
- (5) Includes expiring available capital, the impact of capital calls for fees and expenses and other changes in AUM.

Total AUM was \$84.1 billion at September 30, 2019, an increase of \$0.2 billion, compared to \$83.9 billion as of June 30, 2019. The increase was driven by \$1.9 billion of new commitments raised primarily in CJP IV and market appreciation of \$0.6 billion due to overall segment appreciation of 1% for the period. The carry funds driving appreciation for the period included \$0.2 billion attributable to CP VI, \$0.1 billion attributable to CETP III, and \$0.1 billion attributable to CAP V. This was partially offset by outflows of \$1.3 billion primarily in our Europe buyout, US growth, and financial services funds. Foreign exchange loss of \$0.7 billion was largely due to the translation of our EUR-denominated funds' AUM to USD.

Total AUM was \$84.1 billion at September 30, 2019, an increase of \$3.3 billion, compared to \$80.8 billion as of December 31, 2018. The increase was driven by \$6.1 billion of new commitments raised primarily in CJP IV, CETP IV, CGP II, and CEP V. Also driving the increase was market appreciation of \$2.3 billion due to overall segment appreciation of 5% for the period. The carry funds driving appreciation for the period included \$0.5 billion attributable to CP VI, \$0.3 billion attributable to CAP V, and \$0.2 billion attributable to CP V. Partially offsetting the increase were outflows of \$3.6 billion primarily in our U.S., Europe, and Asia buyout funds.

Fund Performance Metrics

Fund performance information for our investment funds that generally have at least \$1.0 billion in capital commitments, cumulative equity invested or total value as of September 30, 2019, 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 Corporate Private Equity business. Please see “— Our Family of Funds” for a legend of the fund acronyms listed below.

	Fund Vintage (1)	Committed Capital	TOTAL INVESTMENTS					REALIZED/PARTIALLY REALIZED INVESTMENTS(5)				
			As of September 30, 2019					As of September 30, 2019				
			Cumulative Invested Capital(2)	Total Fair Value(3)	MOIC(4)	Gross IRR (7)(12)	Net IRR (8)(12)	Cumulative Invested Capital(2)	Total Fair Value(3)	MOIC (4)	Gross IRR(7)	
Corporate Private Equity (Reported in Local Currency, in Millions)												
Fully Invested/Committed Funds(6)												
CP II	1995	\$ 1,331.1	\$ 1,362.4	\$ 4,072.2	3.0x	34%	25%	\$ 1,362.4	\$ 4,072.2	3.0x	34%	
CP III	2000	\$ 3,912.7	\$ 4,031.6	\$ 10,146.9	2.5x	27%	21%	\$ 4,031.6	\$ 10,146.9	2.5x	27%	
CP IV	2005	\$ 7,850.0	\$ 7,612.6	\$ 18,024.3	2.4x	16%	13%	\$ 7,612.6	\$ 18,024.3	2.4x	16%	
CP V	2007	\$ 13,719.7	\$ 13,190.9	\$ 27,930.5	2.1x	18%	14%	\$ 10,777.9	\$ 26,469.6	2.5x	24%	
CP VI	2014	\$ 13,000.0	\$ 12,873.7	\$ 18,856.2	1.5x	15%	10%	\$ 1,972.9	\$ 4,942.8	2.5x	36%	
CEP I	1998	€ 1,003.6	€ 981.6	€ 2,126.5	2.2x	18%	11%	€ 981.6	€ 2,126.5	2.2x	18%	
CEP II	2003	€ 1,805.4	€ 2,048.4	€ 4,128.1	2.0x	36%	20%	€ 1,888.9	€ 4,120.1	2.2x	43%	
CEP III	2007	€ 5,294.9	€ 5,155.5	€ 11,623.1	2.3x	19%	14%	€ 4,533.6	€ 11,280.7	2.5x	21%	
CEP IV	2014	€ 3,669.5	€ 3,709.9	€ 4,958.8	1.3x	14%	8%	€ 645.9	€ 828.9	1.3x	11%	
CAP I	1998	\$ 750.0	\$ 627.7	\$ 2,521.8	4.0x	25%	18%	\$ 627.7	\$ 2,521.8	4.0x	25%	
CAP II	2006	\$ 1,810.0	\$ 1,628.2	\$ 3,081.4	1.9x	11%	8%	\$ 1,628.2	\$ 3,081.4	1.9x	11%	
CAP III	2008	\$ 2,551.6	\$ 2,543.2	\$ 4,704.3	1.8x	17%	11%	\$ 2,149.0	\$ 4,413.8	2.1x	19%	
CAP IV	2014	\$ 3,880.4	\$ 3,966.7	\$ 5,370.3	1.4x	12%	8%	\$ 831.8	\$ 1,559.8	1.9x	20%	
CJP I	2001	¥ 50,000.0	¥ 47,291.4	¥ 138,902.1	2.9x	61%	37%	¥ 47,291.4	¥ 138,902.1	2.9x	61%	
CJP II	2006	¥ 165,600.0	¥ 141,866.7	¥ 207,821.1	1.5x	7%	4%	¥ 134,666.7	¥ 203,831.2	1.5x	7%	
CGFSP I	2008	\$ 1,100.2	\$ 1,080.7	\$ 2,482.2	2.3x	20%	14%	\$ 1,080.7	\$ 2,482.2	2.3x	20%	
CGFSP II	2013	\$ 1,000.0	\$ 942.7	\$ 1,547.4	1.6x	21%	14%	\$ 406.5	\$ 801.0	2.0x	28%	
CEOF I	2011	\$ 1,119.1	\$ 1,173.1	\$ 1,790.2	1.5x	13%	9%	\$ 419.9	\$ 1,037.2	2.5x	37%	
CETP II	2008	€ 521.6	€ 437.4	€ 1,284.8	2.9x	28%	19%	€ 437.4	€ 1,284.8	2.9x	28%	
CAGP IV	2008	\$ 1,041.4	\$ 954.1	\$ 1,297.0	1.4x	8%	3%	\$ 589.8	\$ 1,010.4	1.7x	13%	
All Other Funds (9)	Various		\$ 5,707.0	\$ 8,569.6	1.5x	16%	6%	\$ 4,091.7	\$ 6,494.1	1.6x	17%	
Coinvestment and SMA's (10)	Various		\$ 11,031.3	\$ 24,992.9	2.3x	36%	33%	\$ 7,340.6	\$ 21,399.4	2.9x	36%	
Total Fully Invested Funds			\$ 83,924.1	\$ 164,897.8	2.0x	26%	18%	\$ 55,861.5	\$ 133,044.7	2.4x	27%	
Funds in the Investment Period (6)												
CP VII	2018	\$ 18,510.0	\$ 6,777.5	\$ 6,744.9	1.0x	NM	NM					
CEP V	2018	€ 6,317.8	€ 1,182.2	€ 1,176.9	1.0x	NM	NM					
CAP V	2018	\$ 6,554.2	\$ 1,144.8	\$ 1,411.5	1.2x	NM	NM					
CGP	2015	\$ 3,588.0	\$ 2,745.5	\$ 3,163.9	1.2x	6%	4%					
CJP III	2013	¥ 119,505.1	¥ 91,191.7	¥ 182,789.9	2.0x	27%	18%					
CEOF II	2015	\$ 2,400.0	\$ 1,925.7	\$ 2,134.3	1.1x	7%	1%					
CGFSP III	2018	\$ 1,004.6	\$ 250.0	\$ 327.9	1.3x	NM	NM					
CETP III	2014	€ 656.6	€ 566.0	€ 1,164.1	2.1x	40%	26%					
All Other Funds (11)	Various		\$ 178.0	\$ 259.6	1.5x	NM	NM					
Coinvestment and SMA's (10)	Various		\$ 3,280.2	\$ 3,771.7	1.1x	NM	NM					
Total Funds in the Investment Period			\$ 19,051.3	\$ 22,056.9	1.2x	14%	5%	\$ 417.1	\$ 1,246.9	3.0x	45%	
TOTAL CORPORATE PRIVATE EQUITY (13)			\$ 102,975.4	\$ 186,954.6	1.8x	26%	18%	\$ 56,278.6	\$ 134,291.6	2.4x	27%	

(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 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.
- (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. Fund level IRRs are based on aggregate Limited Partner cash flows, and this blended return may differ from that of individual Limited Partners. As a result, certain funds may generate accrued performance revenues with a blended Net IRR that is below the preferred return hurdle for that fund.
- (9) Aggregate includes the following funds: CP I, CMG, CVP I, CVP II, CUSGF III, CEVP, CETP I, CAVP I, CAVP II, CAGP III, CSABF, CPF I, Mexico, CBPF, CCI, CSSAF, and MENA.
- (10) Includes coinvestments, separately managed accounts (SMA’s) and certain other stand-alone investments arranged by us.
- (11) Aggregate, which is considered not meaningful, includes the following funds and their respective commencement dates: CAGP V (May 2016) and CBPF II (November 2017).
- (12) For funds marked “NM,” IRR may be positive or negative, but is considered not meaningful because of the limited time since initial investment and early stage of capital deployment. For funds marked “Neg,” IRR is negative as of reporting period end.
- (13) For purposes of aggregation, funds that report in foreign currency have been converted to U.S. dollars at the reporting period spot rate.

	Remaining Fair Value(1)	Unrealized MOIC(2)	Total MOIC(3)	% Invested(4)	In Accrued Carry/ (Clawback) (5)	LTM Realized Carry (6)	Catch-up Rate	Fee Initiation Date(7)	Quarters Since Fee Initiation	Original Investment Period End Date
As of September 30, 2019										
Corporate Private Equity										
(Reported in Local Currency, in Millions)										
CP VI	\$ 13,074.6	1.2x	1.5x	99%	X		100%	Jun-13	26	May-18
CP VII	\$ 6,730.4	1.0x	1.0x	37%			100%	May-18	6	May-24
CEP IV	€ 3,738.6	1.4x	1.3x	101%	X		100%	Sep-14	21	Aug-19
CAP IV	\$ 3,709.8	1.2x	1.4x	102%	X		100%	Jul-13	25	Nov-18
CGP	\$ 2,978.6	1.1x	1.2x	77%	X		100%	Jan-15	19	Dec-20
CP V	\$ 2,050.9	0.7x	2.1x	96%	X	X	100%	Jun-07	50	May-13
CEOF II	\$ 1,995.0	1.1x	1.1x	80%			80%	Nov-15	16	Mar-21
CAP V	\$ 1,422.8	1.2x	1.2x	17%			100%	Jun-18	6	Jun-24
CEP V	€ 1,176.9	1.0x	1.0x	19%			100%	Oct-18	4	Oct-24
CJP III	¥ 126,927.6	1.7x	2.0x	76%	X		100%	Sep-13	25	Feb-20
CETP III	€ 830.3	1.6x	2.1x	86%	X	X	100%	Jul-14	21	May-20
CEP III	€ 641.0	1.1x	2.3x	97%	X	X	100%	Jul-07	49	Dec-12
CGFSP II	\$ 653.4	1.3x	1.6x	94%	X	X	100%	Jun-13	26	Dec-17
CAP III	\$ 581.1	0.7x	1.8x	100%	X	X	100%	Jun-08	46	May-14
CEOF I	\$ 378.4	0.7x	1.5x	105%	X		80%	Sep-11	33	May-17
CGFSP III	\$ 325.6	1.3x	1.3x	25%			100%	May-18	6	Dec-23
CP IV	\$ 254.3	2.7x	2.4x	97%	X	X	80%	Apr-05	58	Dec-10
CAGP IV	\$ 220.9	0.7x	1.4x	92%			100%	Aug-08	45	Jun-14
All Other Funds (8)	\$ 2,311.8	1.2x	2.1x		NM	NM				
Coinvestment and SMA's (9)	\$ 6,934.0	1.0x	2.0x		NM	NM				
Total Corporate Private Equity (10)	\$ 51,760.0	1.1x	1.8x							

- (1) Remaining Fair Value reflects the unrealized carrying value of investments in carry funds and related co-investment vehicles. Significant funds with remaining fair value of greater than \$100 million are listed individually.
- (2) Unrealized multiple of invested capital ("MOIC") represents remaining fair market value, before management fees, expenses and carried interest, divided by remaining investment cost.
- (3) Total MOIC represents total fair value (realized proceeds combined with remaining fair value), before management fees, expenses and carried interest, divided by cumulative invested capital. For certain funds, 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.
- (4) Represents cumulative invested capital as of the reporting period divided by total commitments. Amount can be greater than 100% due to the re-investment of recallable distributions to fund investors.
- (5) Fund has a net accrued performance revenue balance/(giveback obligation) as of the current quarter end, driven by a significant portion of the fund's asset base.
- (6) Fund has generated realized net performance revenues/(realized giveback) in the last twelve months.
- (7) Represents the date of the first capital contribution for management fees.
- (8) Aggregate includes the following funds: CMG, CP I, CP II, CP III, CEP I, CEP II, CAP I, CAP II, CBPF, CBPF II, CJP I, CJP II, CEVP, CETP I, CETP II, CCI, CAVP I, CAVP II, CAGP III, CAGP V, Mexico, MENA, CSABF, CSSAF, CPF, CGFSP I, CVP I, CVP II, and CUSGF III. In Accrued Carry/(Clawback) and LTM Realized Carry not indicated because the indicator does not apply to each fund within the aggregate.
- (9) Includes co-investments, prefund investments, separately managed accounts (SMA's) and certain other stand-alone investments arranged by us. In Accrued Carry/(Clawback) and LTM Realized Carry not indicated because the indicator does not apply to each fund within the aggregate.
- (10) For purposes of aggregation, funds that report in foreign currency have been converted to U.S. dollars at the reporting period spot rate.

Real Assets

For purposes of presenting our results of operations for this segment, our earnings from our investments in NGP 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,	
	2019	2018	2019	2018
(Dollars in millions)				
Segment Revenues				
Fund level fee revenues				
Fund management fees	\$ 78.1	\$ 76.3	\$ 261.3	\$ 229.4
Portfolio advisory fees, net and other	(0.1)	0.9	1.3	3.5
Transaction fees, net	—	—	2.4	2.8
Total fund level fee revenues	78.0	77.2	265.0	235.7
Realized performance revenues	65.0	73.7	94.5	115.1
Realized principal investment income	3.9	0.6	75.6	11.9
Interest income	0.8	1.5	2.0	3.6
Total revenues	147.7	153.0	437.1	366.3
Segment Expenses				
Compensation and benefits				
Cash-based compensation and benefits	33.1	33.7	102.9	97.7
Realized performance revenues related compensation	29.2	31.8	52.4	50.8
Total compensation and benefits	62.3	65.5	155.3	148.5
General, administrative, and other indirect expenses	16.7	15.5	50.5	49.5
Depreciation and amortization expense	2.2	1.7	5.9	4.9
Interest expense	3.2	4.1	9.4	12.1
Total expenses	84.4	86.8	221.1	215.0
(=) Distributable Earnings	\$ 63.3	\$ 66.2	\$ 216.0	\$ 151.3
(-) Realized Net Performance Revenues	35.8	41.9	42.1	64.3
(-) Realized Principal Investment Income	3.9	0.6	75.6	11.9
(+) Net Interest	2.4	2.6	7.4	8.5
(=) Fee Related Earnings	\$ 26.0	\$ 26.3	\$ 105.7	\$ 83.6

Three Months Ended September 30, 2019 Compared to Three Months Ended September 30, 2018 and Nine Months Ended September 30, 2019 Compared to Nine Months Ended September 30, 2018

Distributable Earnings

Distributable Earnings decreased \$2.9 million for the three months ended September 30, 2019 as compared to the three months ended September 30, 2018 and increased \$64.7 million for the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2018. The following table provides the components of the changes in Distributable Earnings for the three and nine months ended September 30, 2019:

	Three Months Ended September 30,	Nine Months Ended September 30,
	(Dollars in millions)	
Distributable Earnings, September 30, 2018	\$ 66.2	\$ 151.3
Increases (decreases):		
(Decrease) increase in fee related earnings	(0.3)	22.1
Decrease in realized net performance revenues	(6.1)	(22.2)
Increase in realized principal investment income	3.3	63.7
Decrease in net interest	0.2	1.1
Total (decrease) increase	(2.9)	64.7
Distributable Earnings, September 30, 2019	\$ 63.3	\$ 216.0

Realized Net Performance Revenues. Realized net performance revenues decreased \$6.1 million for the three months ended September 30, 2019 as compared to the three months ended September 30, 2018 primarily due to realizations in our Europe real estate funds in the three months ended September 30, 2018 and lower realizations in our U.S. real estate funds.

Realized net performance revenues decreased \$22.2 million for the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2018 primarily due to the \$19.0 million realized giveback on Riverstone Legacy Energy Fund IV in the nine months ended September 30, 2019 and realizations in our Asia and Europe real estate funds in the nine months ended September 30, 2018, partially offset by higher realizations in our U.S. real estate funds and our power opportunities fund. Realized net performance revenues were primarily generated by the following funds for the three and nine months ended September 30, 2019 and 2018:

Three Months Ended September 30,		Nine Months Ended September 30,	
2019	2018	2019	2018
CRP VII	CRP VII	Energy IV (clawback)	CRP VII
CRP III	CRP III	CRP VII	CRP III
	CRP VI	CPI	CRP VI
		CRP III	CAREP - External Coinvestment
		CPOCP	

Realized Principal Investment Income. Realized principal investment income increased \$3.3 million for the three months ended September 30, 2019 as compared to the three months ended September 30, 2018 primarily due to realized gains in our investments in U.S. real estate funds.

Realized principal investment income increased \$63.7 million for the the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2018 primarily related to the recovery of \$71.5 million from the final resolution of French tax litigation concerning a European real estate fund, which reversed a portion of an investment loss recognized in 2015 (see Note 7 of our unaudited condensed consolidated financial statements for more information on this matter). Additionally, we recognized higher principal investment income related to our investments in U.S. real estate funds for the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2018.

Fee Related Earnings

Fee Related Earnings decreased \$0.3 million for the three months ended September 30, 2019 as compared to the three months ended September 30, 2018 and increased \$22.1 million for the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2018. The following table provides the components of the changes in Fee Related Earnings for the three and nine months ended September 30, 2019:

	Three Months Ended September 30,	Nine Months Ended September 30,
	(Dollars in millions)	
Fee Related Earnings, September 30, 2018	\$ 26.3	\$ 83.6
Increases (decreases):		
Increase in fee revenues	0.8	29.3
Decrease (increase) in cash-based compensation and benefits	0.6	(5.2)
Increase in general, administrative and other indirect expenses	(1.2)	(1.0)
All other changes	(0.5)	(1.0)
Total (decrease) increase	(0.3)	22.1
Fee Related Earnings, September 30, 2019	\$ 26.0	\$ 105.7

Fee Revenues. Fee revenues increased \$0.8 million for the three months ended September 30, 2019 as compared to the three months ended September 30, 2018 and increased \$29.3 million for the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2018, due to the following:

	Three Months Ended September 30,	Nine Months Ended September 30,
	2019 v. 2018	
	(Dollars in millions)	
Higher fund management fees	\$ 1.8	\$ 31.9
Lower transaction fees	—	(0.4)
Lower portfolio advisory fees, net and other	(1.0)	(2.2)
Total increase in fee revenues	\$ 0.8	\$ 29.3

The increase in fund management fees for both the three and nine months ended September 30, 2019 as compared to both the three and nine months ended September 30, 2018 primarily reflects the increased management fees from CGI, CIEP II, CPI and NGP XII, partially offset by lower management fees from CEREP III, CIEP I, CRP VII and CRP V. Management fees also included \$0.6 million in catch-up management fees mainly from subsequent closes in 2019 for CIEP II during the three months ended September 30, 2019 and \$26.4 million in catch-up management fees mainly from subsequent closes in 2019 for CGI and NGP XII during the nine months ended September 30, 2019, as compared to catch-up management fees earned during the three and nine months ended September 30, 2018 of \$2.9 million and \$11.3 million, respectively.

The weighted average management fee rate for funds in the investment period decreased to 1.29% at September 30, 2019 from 1.31% at September 30, 2018 primarily due to lower management fee rates on the newly-raised NGP XII fund and funds with higher rates exiting the investment period, such as CIEP I. The total weighted average management fee rate was 1.23% at September 30, 2019, a slight increase from 1.22% at September 30, 2018.

Cash based compensation and benefits expense increased \$5.2 million for the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2018, primarily due to higher projected year-end bonuses, partially offset by a decrease in compensation costs related to fundraising activities of approximately \$3.6 million.

General, administrative and other indirect expenses. General, administrative and other indirect expense increased \$1.2 million for the three months ended September 30, 2019 as compared to the three months ended September 30, 2018, and increased \$1.0 million for the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2018, primarily due to increased professional fees. The increase for the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2018 was partially offset by lower external costs associated with fundraising activities of approximately \$2.7 million.

Fee-earning AUM as of and for the Three and Nine Months Ended September 30, 2019 and 2018

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,	
	2019	2018
Real Assets	(Dollars in millions)	
Components of Fee-earning AUM (1)		
Fee-earning AUM based on capital commitments	\$ 15,495	\$ 13,426
Fee-earning AUM based on invested capital (2)	14,724	16,568
Fee-earning AUM based on net asset value	2,131	1,240
Fee-earning AUM based on lower of cost or fair value and other (3)	364	353
Total Fee-earning AUM (4)	\$ 32,714	\$ 31,587
Weighted Average Management Fee Rates (5)		
All Funds	1.23%	1.22%
Funds in Investment Period	1.29%	1.31%

- (1) For additional information concerning the components of Fee-earning AUM, 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 III, Energy IV, 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 advisors to each of the Legacy Energy Funds. Carlyle has a minority representation on the management committees of Energy IV and Renew II. Carlyle and Riverstone each hold half of the seats on the management committee of Energy III, but the investment period for this fund has expired and the remaining investments in such fund are being disposed of in the ordinary course of business. As of September 30, 2019, the Legacy Energy Funds had, in the aggregate, approximately \$2.9 billion in AUM and \$2.5 billion in Fee-earning AUM. NGP IX, or in the case of NGP M&R and NGP ETP II, certain affiliated entities (collectively, the “NGP Predecessor Funds”) and NGP X, NGP GAP, NGP XI, and NGP XII (referred to herein as the “NGP Carry Funds”, collectively with the NGP Predecessor Funds, the “NGP Energy Funds”), are managed by NGP Energy Capital Management (“NGP”). As of September 30, 2019, the NGP Energy Funds had, in the aggregate, approximately \$12.2 billion in AUM and \$11.6 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 55% interest in management fees earned by the Legacy Energy funds and the NGP Energy Funds, respectively. Accounts based on gross asset base generally have an effective management fee rate of 0.5% or less.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Real Assets	(Dollars in millions)			
Fee-earning AUM Rollforward				
Balance, Beginning of Period	\$ 33,197	\$ 31,541	\$ 32,977	\$ 31,599
Inflows, including Fee-paying Commitments (1)	519	775	3,665	2,420
Outflows, including Distributions (2)	(1,039)	(702)	(3,906)	(2,307)
Market Appreciation/(Depreciation) (3)	24	(9)	83	38
Foreign Exchange and other (4)	13	(18)	(105)	(163)
Balance, End of Period	\$ 32,714	\$ 31,587	\$ 32,714	\$ 31,587

- (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, changes in fee basis for our carry funds where the investment period has expired, and redemptions in our open-ended products.
- (3) Market Appreciation/(Depreciation) represents realized and unrealized gains (losses) on portfolio investments in our carry funds based on the lower of cost or fair value and net asset value.
- (4) 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 \$32.7 billion at September 30, 2019, a decrease of \$0.5 billion compared to \$33.2 billion at June 30, 2019. The decrease was driven by outflows of \$1.0 billion primarily in our Legacy Energy and U.S. real estate funds. This was partially offset by inflows of \$0.5 billion primarily related to new fee-paying commitments in CIEP II and new limited partner capital invested in CPI. Changes in fair value have no material 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. Investment and distribution activity has no impact for funds still in the original investment period where Fee-earning AUM is based on commitments.

Fee-earning AUM was \$32.7 billion at September 30, 2019, a decrease of \$0.3 billion compared to \$33.0 billion at December 31, 2018. The decrease was driven by outflows of \$3.9 billion primarily in our NGP Energy, Legacy Energy, and U.S. real estate funds. This was offset by inflows of \$3.7 billion primarily related to new fee-paying commitments in CGI, the activation of management fees in CIEP II, and new limited partner capital invested in CPI.

Fee-earning AUM was \$32.7 billion at September 30, 2019, an increase of \$1.1 billion, or approximately 3%, compared to \$31.6 billion at September 30, 2018. This increase was driven by inflows of \$5.7 billion, primarily related to new fee-paying commitments in NGP XII, CIEP II, and CGI, as well as new limited partner invested capital in CPI. The increase was partially offset by outflows of \$4.4 billion primarily related to distribution activity in the U.S. real estate, NGP Energy, and Legacy Energy funds, as well as other funds outside the original investment period.

Fee-earning AUM was \$31.6 billion at September 30, 2018, an increase of \$0.1 billion compared to \$31.5 billion at June 30, 2018. The increase was driven by inflows of \$0.8 billion primarily related to new fee-paying commitments in CRP VIII and CER, and new limited partner capital invested in CPI. This was largely offset by outflows of \$0.7 billion, primarily related to distribution and step-down activity in our U.S. real estate and NGP management fee funds.

Fee-earning AUM was \$31.6 billion at September 30, 2018 and December 31, 2017. Inflows of \$2.4 billion were driven by new fee-paying commitments in CER, CRP VIII, and NGP XII, and new limited partner invested capital in CPI. This was offset by outflows of \$2.3 billion primarily related to distribution and step-down activity in the U.S. real estate funds, NGP management fee funds, and Legacy Energy funds.

Total AUM as of and for the Three and Nine Months Ended September 30, 2019

The table below provides the period to period rollforward of Total AUM.

	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2019
(Dollars in millions)		
Real Assets		
Total AUM Rollforward		
Balance, Beginning of Period	\$ 46,801	\$ 45,640
New Commitments (1)	581	2,695
Outflows (2)	(1,798)	(3,206)
Market Appreciation/(Depreciation) (3)	(452)	289
Foreign Exchange Gain/(Loss) (4)	(79)	(92)
Other (5)	(115)	(388)
Balance, End of Period	\$ 44,938	\$ 44,938

- (1) New Commitments reflects the impact of gross fundraising during the period. For funds or vehicles denominated in foreign currencies, this reflects translation at the average quarterly rate, while the separately reported Fundraising metric is translated at the spot rate for each individual closing.
- (2) Outflows includes distributions in our carry funds and related co-investment vehicles, NGP Predecessor Funds and separately managed accounts, and redemptions in our open-ended funds.
- (3) Market Appreciation/(Depreciation) generally represents realized and unrealized gains (losses) on portfolio investments in our carry funds and related co-investment vehicles, the NGP Predecessor Funds and separately managed accounts.
- (4) 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.
- (5) Includes expiring available capital, the impact of capital calls for fees and expenses and other changes in AUM.

Total AUM was \$44.9 billion at September 30, 2019, a decrease of \$1.9 billion, or approximately 4%, compared to \$46.8 billion at June 30, 2019. This decrease was driven by outflows of \$1.8 billion primarily in our NGP Energy and U.S. real estate funds. Carry fund market depreciation of \$0.5 billion was driven by \$0.1 billion attributable to CRP VII, \$0.1 billion attributable to CPP II, and \$0.1 billion attributable to CRP VIII. This was partially offset by new commitments of \$0.6 billion primarily from fundraising in CIEP II and a related coinvestment.

Total AUM was \$44.9 billion at September 30, 2019, a decrease of \$0.7 billion, or approximately 2%, compared to \$45.6 billion at December 31, 2018. The decrease was driven by outflows of \$3.2 billion primarily in our NGP Energy, U.S. real estate, and Legacy Energy funds. This was partially offset by new commitments of \$2.7 billion primarily from fundraising in CGI, CIEP II, and NGP XII, as well as market appreciation of \$0.3 billion. Carry fund market appreciation of 3% was driven by \$0.4 billion attributable to CRP V, \$0.4 billion attributable to CRP VII, and \$0.2 billion attributable to CIEP.

Fund Performance Metrics

Fund performance information for our carry funds that generally have at least \$1.0 billion in capital commitments, cumulative equity invested or total value as of September 30, 2019, 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.

	Fund Vintage (1)	Committed Capital	TOTAL INVESTMENTS						REALIZED/PARTIALLY REALIZED INVESTMENTS(5)			
			As of September 30, 2019						As of September 30, 2019			
			Cumulative Invested Capital(2)	Total Fair Value(3)	MOIC(4)	Gross IRR (7)(12)	Net IRR (8)(12)	Cumulative Invested Capital(2)	Total Fair Value(3)	MOIC(4)	Gross IRR (7)(12)	
(Reported in Local Currency, in Millions)												
Real Assets												
Fully Invested/Committed Funds(6)												
CRP III	2000	\$ 564.1	\$ 522.5	\$ 1,890.4	3.6x	44%	30%	\$ 522.5	\$ 1,890.4	3.6x	44%	
CRP IV	2004	\$ 950.0	\$ 1,260.1	\$ 2,014.2	1.6x	7%	4%	\$ 1,203.0	\$ 1,990.9	1.7x	8%	
CRP V	2006	\$ 3,000.0	\$ 3,370.6	\$ 5,936.7	1.8x	13%	9%	\$ 3,189.2	\$ 5,757.8	1.8x	13%	
CRP VI	2010	\$ 2,340.0	\$ 2,157.9	\$ 3,952.4	1.8x	28%	19%	\$ 1,672.0	\$ 3,378.2	2.0x	32%	
CRP VII	2014	\$ 4,161.6	\$ 3,674.9	\$ 5,792.5	1.6x	21%	14%	\$ 1,581.2	\$ 2,871.1	1.8x	27%	
CEREP I	2002	€ 426.6	€ 517.0	€ 698.6	1.4x	0.14	7%	€ 517.0	€ 698.6	1.4x	14%	
CEREP II	2005	€ 762.7	€ 833.8	€ 128.1	0.2x	Neg	Neg	€ 826.7	€ 132.3	0.2x	Neg	
CEREP III	2007	€ 2,229.5	€ 2,052.6	€ 2,473.9	1.2x	4%	1%	€ 1,911.5	€ 2,384.0	1.2x	5%	
CIP	2006	\$ 1,143.7	\$ 1,069.8	\$ 1,429.4	1.3x	6%	3%	\$ 1,069.8	\$ 1,429.4	1.3x	6%	
CIEP I	2013	\$ 2,500.0	\$ 1,860.3	\$ 3,037.8	1.6x	26%	14%	\$ 657.4	\$ 1,402.7	2.1x	27%	
NGP X	2012	\$ 3,586.0	\$ 3,294.6	\$ 3,774.9	1.1x	4%	1%	\$ 1,575.4	\$ 2,570.0	1.6x	21%	
NGP XI	2014	\$ 5,325.0	\$ 4,638.9	\$ 5,972.9	1.3x	12%	8%	\$ 677.9	\$ 1,042.1	1.5x	58%	
Energy II	2002	\$ 1,100.0	\$ 1,334.8	\$ 3,130.0	2.3x	81%	55%	\$ 1,334.8	\$ 3,130.0	2.3x	81%	
Energy III	2005	\$ 3,800.0	\$ 3,569.7	\$ 5,480.2	1.5x	9%	6%	\$ 3,152.1	\$ 5,044.8	1.6x	11%	
Energy IV	2007	\$ 5,979.1	\$ 6,371.6	\$ 7,775.7	1.2x	6%	3%	\$ 5,606.3	\$ 7,071.6	1.3x	8%	
Renew II	2008	\$ 3,417.5	\$ 2,833.5	\$ 4,210.4	1.5x	8%	5%	\$ 2,376.5	\$ 3,006.2	1.3x	6%	
All Other Funds (9)	Various		\$ 3,315.3	\$ 3,508.9	1.1x	2%	Neg	\$ 2,744.1	\$ 3,098.2	1.1x	5%	
Coinvestment and SMA's (10)	Various		\$ 5,869.7	\$ 10,342.5	1.8x	17%	13%	\$ 4,658.3	\$ 8,299.0	1.8x	20%	
Total Fully Invested Funds			\$ 48,855.6	\$ 71,848.4	1.5x	12%	7%	\$ 35,570.7	\$ 55,488.3	1.6x	14%	
Funds in the Investment Period(6)												
CRP VIII	2017	\$ 5,505.1	\$ 1,731.3	\$ 1,880.8	1.1x	NM	NM					
NGP XII	2017	\$ 4,277.6	\$ 1,372.1	\$ 1,488.5	1.1x	NM	NM					
CPP II	2014	\$ 1,526.7	\$ 1,098.2	\$ 1,399.1	1.3x	14%	7%					
CPI	2016	\$ 2,238.4	\$ 2,217.3	\$ 2,578.6	1.2x	13%	10%					
CGI	2018	\$ 2,201.4	\$ 96.7	\$ 115.9	1.2x	NM	NM					
All Other Funds (11)	Various		\$ 308.3	\$ 316.1	1.0x	NM	NM					
Coinvestment and SMA's (10)	Various		\$ 622.0	\$ 723.2	1.2x	NM	NM					
Total Funds in the Investment Period			\$ 7,446.0	\$ 8,502.1	1.1x	12%	3%	\$ 62.2	\$ 129.8	2.1x	NM	
TOTAL Real Assets(13)			\$ 56,301.6	\$ 80,350.5	1.4x	12%	7%	\$ 35,632.8	\$ 55,618.1	1.6x	14%	

- (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 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. Fund level IRRs are based on aggregate Limited Partner cash flows, and this blended return may differ from that of individual Limited Partners. As a result, certain funds may generate accrued performance revenues with a blended Net IRR that is below the preferred return hurdle for that fund.
- (9) Aggregate includes the following funds: CRP I, CRP II, CAREP I, CAREP II, CRCP I, CPOCP, NGP GAP, Energy I, and Renew I.
- (10) Includes coinvestments, separately managed accounts (SMA’s) and certain other stand-alone investments arranged by us.
- (11) Aggregate includes CCR and CER. Return is considered not meaningful, as the investment period commenced in October 2016 for CCR and December 2017 for CER.
- (12) For funds marked “NM,” IRR may be positive or negative, but is considered not meaningful because of the limited time since initial investment and early stage of capital deployment. For funds marked “Neg,” IRR is negative as of reporting period end.
- (13) For purposes of aggregation, funds that report in foreign currency have been converted to U.S. dollars at the reporting period spot rate.

	Remaining Fair Value(1)	Unrealized MOIC(2)	Total MOIC(3)	% Invested(4)	In Accrued Carry/ (Clawback) (5)	LTM Realized Carry (6)	Catch-up Rate	Fee Initiation Date(7)	Quarters Since Fee Initiation	Original Investment Period End Date
As of September 30, 2019										
Real Assets (Reported in Local Currency, in Millions)										
NGP XI	\$ 4,686.4	1.2x	1.3x	87%	X		80%	Feb-15	19	Oct-19
CRP VII	\$ 2,858.9	1.4x	1.6x	88%	X	X	80%	Jun-14	22	Mar-19
CIEP I	\$ 2,327.4	1.5x	1.6x	74%	X		80%	Oct-13	24	Sep-19
CPI	\$ 2,268.7	1.0x	1.2x	n/a	X	X	50%	May-16	14	n/a
CRP VIII	\$ 1,865.9	1.1x	1.1x	31%			80%	Aug-17	9	May-22
NGP XII	\$ 1,488.5	1.1x	1.1x	32%			80%	Nov-17	8	Jul-22
Renew II	\$ 1,422.1	0.8x	1.5x	83%	(X)		80%	Mar-08	47	May-14
CPP II	\$ 1,107.7	1.3x	1.3x	72%			80%	Sep-14	21	Apr-21
NGP X	\$ 1,070.1	0.7x	1.1x	92%			80%	Jan-12	31	May-17
Energy IV	\$ 1,059.1	0.6x	1.2x	107%			(X) 80%	Feb-08	47	Dec-13
CRP V	\$ 903.7	3.1x	1.8x	112%	X		50%	Nov-06	52	Nov-11
CRP VI	\$ 421.4	1.2x	1.8x	92%	X	X	50%	Mar-11	35	Mar-16
CRP IV	\$ 306.5	3.2x	1.6x	133%			50%	Jan-05	59	Dec-09
CRP III	\$ 305.1	128.8x	3.6x	93%	X	X	50%	Mar-01	75	May-05
Energy III	\$ 231.7	0.6x	1.5x	94%			80%	Nov-05	56	Oct-11
CEREP III	€ 110.9	0.9x	1.2x	92%			67%	Jun-07	50	May-11
All Other Funds (8)	\$ 773.2	0.8x	1.2x		NM	NM				
Coinvestment and SMA's (9)	\$ 2,881.4	1.3x	1.7x		NM	NM				
Total Real Assets (10)	\$ 26,098.8	1.1x	1.4x							

- (1) Remaining Fair Value reflects the unrealized carrying value of investments in carry funds and related co-investment vehicles. Significant funds with remaining fair value of greater than \$100 million are listed individually.
- (2) Unrealized multiple of invested capital (“MOIC”) represents remaining fair market value, before management fees, expenses and carried interest, divided by remaining investment cost.
- (3) Total MOIC represents total fair value (realized proceeds combined with remaining fair value), before management fees, expenses and carried interest, divided by cumulative invested capital. For certain funds, 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.

- (4) Represents cumulative invested capital as of the reporting period divided by total commitments. Amount can be greater than 100% due to the re-investment of recallable distributions to fund investors.
- (5) Fund has a net accrued performance revenue balance/(giveback obligation) as of the current quarter end, driven by a significant portion of the fund's asset base.
- (6) Fund has generated realized net performance revenues/(realized giveback) in the last twelve months.
- (7) Represents the date of the first capital contribution for management fees.
- (8) Aggregate includes the following funds: CRP I, CRP II, CRCP I, CEREP I, CEREP II, CER, CAREP I, CAREP II, CCR, CPOCP, CIP, CGI, NGP GAP, Energy I, Energy II and Renew I. In Accrued Carry/(Clawback) and LTM Realized Carry not indicated because the indicator does not apply to each fund within the aggregate.
- (9) Includes co-investments, prefund investments, separately managed accounts (SMA's) and certain other stand-alone investments arranged by us. In Accrued Carry/(Clawback) and LTM Realized Carry not indicated because the indicator does not apply to each fund within the aggregate.
- (10) For purposes of aggregation, funds that report in foreign currency have been converted to U.S. dollars at the reporting period spot rate.

Global Credit

We continue to invest in growing our Global Credit business, for example with the acquisition of Carlyle Aviation Partners in December 2018 (see Note 3 of our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2018). In the near to mid term, this segment will incur additional expenses to build the credit business and raise additional capital. The following table presents our results of operations for our Global Credit segment:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
(Dollars in millions)				
Segment Revenues				
Fund level fee revenues				
Fund management fees	\$ 75.6	\$ 60.4	\$ 229.6	\$ 178.9
Portfolio advisory fees, net and other	1.1	1.2	3.4	3.9
Transaction fees, net	1.4	—	5.4	0.1
Total fund level fee revenues	78.1	61.6	238.4	182.9
Realized performance revenues	0.9	0.1	1.0	5.9
Realized principal investment income	2.2	2.2	8.2	7.1
Interest income	3.6	4.2	10.8	11.4
Total revenues	84.8	68.1	258.4	207.3
Segment Expenses				
Compensation and benefits				
Cash-based compensation and benefits	43.9	36.6	140.0	101.1
Realized performance revenues related compensation	—	—	—	2.7
Total compensation and benefits	43.9	36.6	140.0	103.8
General, administrative, and other indirect expenses	20.9	14.2	57.9	47.3
Depreciation and amortization expense	2.4	1.5	6.5	4.5
Interest expense	6.5	5.8	19.9	16.9
Total expenses	73.7	58.1	224.3	172.5
(=) Distributable Earnings	\$ 11.1	\$ 10.0	\$ 34.1	\$ 34.8
(-) Realized Net Performance Revenues	0.9	0.1	1.0	3.2
(-) Realized Principal Investment Income	2.2	2.2	8.2	7.1
(+) Net Interest	2.9	1.6	9.1	5.5
(=) Fee Related Earnings	\$ 10.9	\$ 9.3	\$ 34.0	\$ 30.0

Three Months Ended September 30, 2019 Compared to Three Months Ended September 30, 2018 and Nine Months Ended September 30, 2019 Compared to Nine Months Ended September 30, 2018

Distributable Earnings

Distributable Earnings increased \$1.1 million for the three months ended September 30, 2019 as compared to the three months ended September 30, 2018 and decreased \$0.7 million for the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2018. The following table provides the components of the changes in Distributable Earnings for the three and nine months ended September 30, 2019:

	Three Months Ended September 30,	Nine Months Ended September 30,
	(Dollars in millions)	
Distributable Earnings, September 30, 2018	\$ 10.0	\$ 34.8
Increases (decreases):		
Increase in fee related earnings	1.6	4.0
Increase (decrease) in realized net performance revenues	0.8	(2.2)
Increase in realized principal investment income	—	1.1
Increase in net interest	(1.3)	(3.6)
Total increase (decrease)	1.1	(0.7)
Distributable Earnings, September 30, 2019	\$ 11.1	\$ 34.1

Realized Net Performance Revenues. Realized net performance revenues decreased \$2.2 million for the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2018. The majority of realized net performance revenues was generated by our distressed credit carry funds during the nine months ended September 30, 2018.

Realized Principal Investment Income. Realized principal investment income increased \$1.1 million for the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2018, primarily due to higher realizations on investments in our carry and structured credit funds.

Fee Related Earnings

Fee Related Earnings increased \$1.6 million for the three months ended September 30, 2019 as compared to the three months ended September 30, 2018 and increased \$4.0 million for the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2018. The following table provides the components of the changes in Fee Related Earnings for the three and nine months ended September 30, 2019:

	Three Months Ended September 30,	Nine Months Ended September 30,
	(Dollars in millions)	
Fee Related Earnings, September 30, 2018	\$ 9.3	\$ 30.0
Increases (decreases):		
Increase in fee revenues	16.5	55.5
Increase in cash-based compensation and benefits	(7.3)	(38.9)
Increase in general, administrative and other indirect expenses	(6.7)	(10.6)
All other changes	(0.9)	(2.0)
Total increase	1.6	4.0
Fee Related Earnings, September 30, 2019	\$ 10.9	\$ 34.0

Fee Revenues. Fee revenues increased \$16.5 million for the three months ended September 30, 2019 as compared to the three months ended September 30, 2018 and increased \$55.5 million for the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2018. The increases were primarily driven by management fees from Carlyle Aviation Partners, which was acquired in December 2018, management fees from CLOs that originated in 2018 and 2019, as well as increased management fees from our direct lending platform.

The weighted average management fee rate on our carry funds decreased from 1.35% at September 30, 2018 to 1.23% at September 30, 2019. The rate decrease was primarily due to the acquisition of the Aviation funds with lower fee rates.

Cash-based compensation and benefits expense. Cash-based compensation and benefits expense increased \$7.3 million for the three months ended September 30, 2019 as compared to the three months ended September 30, 2018 and increased \$38.9 million for the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2018. The increases were primarily due to the Carlyle Aviation Partners acquisition, as well as increased headcount and higher projected year-end bonuses.

We expect that as we add new talent to our growing Global Credit business, our cash-based compensation and benefits expense will increase. However, as this strategy raises incremental capital, we expect the positive impact from additional fee revenue to more than offset our increased compensation levels.

General, administrative and other indirect expenses. General, administrative and other indirect expenses increased \$6.7 million for the three months ended September 30, 2019 as compared to the three months ended September 30, 2018 and increased \$10.6 million for the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2018, primarily due to the Carlyle Aviation Partners acquisition.

Fee-earning AUM as of and for the Three and Nine Months Ended September 30, 2019 and 2018

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,	
	2019	2018
(Dollars in millions)		
Global Credit		
Components of Fee-earning AUM (1)		
Fee-earning AUM based on capital commitments	\$ 4,727	\$ 5,026
Fee-earning AUM based on invested capital	4,015	1,643
Fee-earning AUM based on collateral balances, at par	24,831	21,013
Fee-earning AUM based on net asset value	1,377	235
Fee-earning AUM based on other (2)	2,198	2,133
Total Fee-earning AUM	\$ 37,148	\$ 30,050
Weighted Average Management Fee Rates (3)		
All Funds, excluding CLOs	1.23%	1.35%

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

(2) Includes funds with fees based on gross asset value.

(3) Represents the aggregate effective management fee rate for carry 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) and principal balance of the notes in the fund and are not calculated as a percentage of equity and are therefore not included.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
(Dollars in millions)				
Global Credit				
Fee-earning AUM Rollforward				
Balance, Beginning of Period	\$ 35,902	\$ 28,795	\$ 35,152	\$ 27,262
Inflows, including Fee-paying Commitments (1)	2,088	1,297	3,784	3,854
Outflows, including Distributions (2)	(765)	(162)	(2,390)	(1,064)
Market Appreciation/(Depreciation) (3)	8	6	34	5
Foreign Exchange and other (4)	(85)	114	568	(7)
Balance, End of Period	\$ 37,148	\$ 30,050	\$ 37,148	\$ 30,050

- (1) Inflows represent limited partner capital raised and capital invested by our carry funds and CLO's, gross subscriptions in our open-ended funds, as well as capital invested by our carry funds outside the investment period.
- (2) Outflows represent limited partner distributions from our carry funds, changes in fee basis for our carry funds where the investment period has expired, reductions for funds that are no longer calling fees, gross redemptions in our open-ended funds, and runoff of CLO collateral balances.
- (3) Market Appreciation/(Depreciation) represents realized and unrealized gains (losses) on portfolio investments in our carry funds based on the lower of cost or fair value and net asset value.
- (4) Includes activity of funds with fees based on gross asset value. 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 \$37.1 billion at September 30, 2019, an increase of \$1.2 billion, or approximately 3%, compared to \$35.9 billion at June 30, 2019. This increase was driven by inflows of \$2.1 billion primarily related to the closing of our latest U.S. and Europe CLO's, as well as purchases in CCOF. This was partially offset by outflows of \$0.8 billion primarily due to dispositions in funds with fees based on invested capital and runoff of our CLO collateral balances. Investment and distribution activity has no impact for funds still in the original investment period where Fee-earning AUM is based on commitments.

Fee-earning AUM was \$37.1 billion at September 30, 2019, an increase of \$1.9 billion, or approximately 5%, compared to \$35.2 billion at December 31, 2018. The increase was driven by inflows of \$3.8 billion primarily related to the closing of our latest U.S. and Europe CLOs, as well as purchases in CCOF. This was partially offset by \$2.4 billion of outflows primarily due to a fee-basis stepdown in CEMOF II, runoff of our CLO collateral balances, and dispositions in funds with fees based on invested capital.

Fee-earning AUM was \$37.1 billion at September 30, 2019, an increase of \$7.0 billion, or approximately 23%, compared to \$30.1 billion at September 30, 2018. The increase was driven by inflows of \$5.0 billion primarily related to the raising of additional U.S. and Europe CLOs, as well as purchases in CCOF and CSC. Also driving the increase was \$4.1 billion of acquisition activity related to our December 2018 acquisition of Carlyle Aviation Partners. This was partially offset by outflows of \$2.6 billion primarily due to a fee-basis stepdown in CEMOF II, runoff of our CLO collateral balances, and dispositions in funds with fees based on invested capital.

Fee-earning AUM was \$30.1 billion at September 30, 2018, an increase of \$1.3 billion, or approximately 5%, compared to \$28.8 billion at June 30, 2018. The difference was driven by increases in our CLO collateral balances of \$1.0 billion and inflows of \$0.2 billion .

Fee-earning AUM was \$30.1 billion at September 30, 2018, an increase of \$2.8 billion, or approximately 10%, compared to \$27.3 billion at December 31, 2017. The increase was driven by increases in our CLO collateral balances of \$2.6 billion and \$0.5 billion of inflows primarily from purchases in CCOF and CSC. This was partially offset by outflows of \$0.3 billion primarily in CEMOF I, CSC, and CCOF.

Total AUM as of and for the Three and Nine Months Ended September 30, 2019.

The table below provides the period to period rollforward of Total AUM.

	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2019
(Dollars in millions)		
Global Credit		
Total AUM Rollforward		
Balance, Beginning of Period	\$ 46,569	\$ 44,417
New Commitments (1)	2,833	5,372
Outflows (2)	(1,092)	(1,804)
Market Appreciation/(Depreciation) (3)	(83)	266
Foreign Exchange Gain/(Loss) (4)	(309)	(364)
Other (5)	87	118
Balance, End of Period	\$ 48,005	\$ 48,005

- (1) New Commitments reflects the impact of gross fundraising during the period. For funds or vehicles denominated in foreign currencies, this reflects translation at the average quarterly rate, while the separately reported Fundraising metric is translated at the spot rate for each individual closing.
- (2) Outflows includes distributions in our carry funds, related co-investment vehicles and separately managed accounts, gross redemptions in our open-ended funds, and runoff of CLO collateral balances.
- (3) Market Appreciation/(Depreciation) generally represents realized and unrealized gains (losses) on portfolio investments in our carry funds, related co-investment vehicles and separately managed accounts.
- (4) 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.
- (5) Includes expiring available capital, the impact of capital calls for fees and expenses, change in gross asset value for our business development companies and other changes in AUM.

Total AUM was \$48.0 billion at September 30, 2019, an increase of \$1.4 billion, or approximately 3%, compared to \$46.6 billion at June 30, 2019. The increase was driven by new commitments of \$2.8 billion primarily in our U.S. and Europe CLO's. This increase was partially offset by outflows of \$1.1 billion primarily due to distributions in our energy mezzanine funds and runoff of our CLO collateral balances.

Total AUM was \$48.0 billion at September 30, 2019, an increase of \$3.6 billion, or approximately 8%, compared to \$44.4 billion at December 31, 2018. The increase was driven by new commitments of \$5.4 billion primarily in our U.S. and Europe CLO's as well as CCOF. This increase was partially offset by outflows of \$1.8 billion primarily related to runoff of our CLO collateral balances and distributions in our energy mezzanine and Aviation funds.

Fund Performance Metrics

Fund performance information for certain of our Global Credit 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 table reflects the performance of carry funds in our Global Credit business. These tables separately present carry funds that, as of September 30, 2019, 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, 2019

	Fund Vintage (1)	Committed Capital	Cumulative Invested Capital(2)	Total Fair Value(3)	MOIC(4)	Gross IRR (5)(10)	Net IRR (6)(10)
Global Credit (Carry Funds Only)							
(Reported in Local Currency, in Millions)							
Fully Invested/Committed Funds (7)							
CSP II	2007	\$ 1,352.3	\$ 1,352.3	\$ 2,494.8	1.8x	17%	11%
CSP III	2011	\$ 702.8	\$ 702.8	\$ 1,149.9	1.6x	26%	16%
CEMOF I	2011	\$ 1,382.5	\$ 1,603.4	\$ 1,203.1	0.8x	Neg	Neg
CEMOF II	2015	\$ 2,819.2	\$ 1,621.1	\$ 1,777.6	1.1x	6%	Neg
All Other Funds (8)	Various		\$ 2,321.3	\$ 3,493.6	1.5x	14%	9%
Coinvestment and SMA's (9)	Various		\$ 984.0	\$ 899.7	0.9x	NM	NM
Total Fully Invested Funds			\$ 8,584.8	\$ 11,018.7	1.3x	11%	5%
Funds in the Investment Period (7)							
CSP IV	2016	\$ 2,500.0	\$ 1,123.5	\$ 1,327.0	1.2x	NM	NM
CCOF	2017	\$ 2,373.4	\$ 1,003.8	\$ 1,082.9	1.1x	NM	NM
All Other Funds	Various		\$ 1,202.7	\$ 1,386.6	1.2x	NM	NM
Coinvestment and SMA's (9)	Various		\$ 100.3	\$ 116.1	1.2x	NM	NM
Total Funds in the Investment Period			\$ 3,430.4	\$ 3,912.5	1.1x	NM	NM
TOTAL Global Credit			\$ 12,015.1	\$ 14,931.2	1.2x	11%	5%

- (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 Credit segment our first carry fund was formed in 2004.
- (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) 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. Fund level IRRs are based on aggregate Limited Partner cash flows, and this blended return may differ from that of individual Limited Partners. As a result, certain funds may generate accrued performance revenues with a blended Net IRR that is below the preferred return hurdle for that fund.
- (7) 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.
- (8) Aggregate includes the following funds: CMP I, CMP II, CSP I, CASCOF, SASOF II, and SASOF III.
- (9) Includes coinvestments, separately managed accounts (SMA’s) and certain other stand-alone investments arranged by us.
- (10) For funds marked “NM,” IRR may be positive or negative, but is considered not meaningful because of the limited time since initial investment and early stage of capital deployment. For funds marked “Neg,” IRR is negative as of reporting period end.

	Remaining Fair Value(1)	Unrealized MOIC(2)	Total MOIC(3)	% Invested(4)	In Accrued Carry/ (Clawback) (5)	LTM Realized Carry (6)	Catch-up Rate	Fee Initiation Date(7)	Quarters Since Fee Initiation	Original Investment Period End Date
As of September 30, 2019										
Global Credit (Reported in Local Currency, in Millions)										
CEMOF II	\$ 1,277.1	1.0x	1.1x	58%			100%	Dec-15	16	Feb-20
CCOF	\$ 962.7	1.0x	1.1x	42%	X		100%	Oct-17	8	Jun-22
CSP IV	\$ 812.5	1.0x	1.2x	45%			100%	Feb-17	11	Dec-20
CEMOF I	\$ 342.6	0.3x	0.8x	116%			100%	Dec-10	36	Dec-15
CSP III	\$ 300.6	1.1x	1.6x	100%	X		80%	Dec-11	32	Aug-15
All Other Funds (8)	\$ 1,369.4	1.4x	1.5x		NM	NM				
Coinvestment and SMA's (9)	\$ 502.8	0.6x	0.9x		NM	NM				
Total Global Credit	\$ 5,567.7	0.9x	1.2x							

- (1) Remaining Fair Value reflects the unrealized carrying value of investments in carry funds and related co-investment vehicles. Significant funds with remaining fair value of greater than \$100 million are listed individually.
- (2) Unrealized multiple of invested capital ("MOIC") represents remaining fair market value, before management fees, expenses and carried interest, divided by remaining investment cost.
- (3) Total MOIC represents total fair value (realized proceeds combined with remaining fair value), before management fees, expenses and carried interest, divided by cumulative invested capital. For certain funds, 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.
- (4) Represents cumulative invested capital as of the reporting period divided by total commitments. Amount can be greater than 100% due to the re-investment of recallable distributions to fund investors.
- (5) Fund has a net accrued performance revenue balance/(giveback obligation) as of the current quarter end, driven by a significant portion of the fund's asset base.
- (6) Fund has generated realized net performance revenues/(realized giveback) in the last twelve months.
- (7) Represents the date of the first capital contribution for management fees.
- (8) Aggregate includes the following funds: CSP I, CSP II, CMP I, CMP II, CSC, CASCOF, SASOF II, SASOF III, and SASOF IV. In Accrued Carry/(Clawback) and LTM Realized Carry not indicated because the indicator does not apply to each fund within the aggregate.
- (9) Includes co-investments, prefund investments, separately managed accounts (SMA's) and certain other stand-alone investments arranged by us. In Accrued Carry/(Clawback) and LTM Realized Carry not indicated because the indicator does not apply to each fund within the aggregate.

Investment Solutions

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
(Dollars in millions)				
Segment Revenues				
Fund level fee revenues				
Fund management fees	\$ 38.7	\$ 42.7	\$ 117.3	\$ 124.6
Portfolio advisory fees, net and other	—	0.1	—	0.4
Total fund level fee revenues	38.7	42.8	117.3	125.0
Realized performance revenues	19.1	42.8	46.0	66.1
Realized principal investment income (loss)	(0.6)	—	1.0	—
Interest income	0.4	0.4	1.1	1.2
Total revenues	57.6	86.0	165.4	192.3
Segment Expenses				
Compensation and benefits				
Cash-based compensation and benefits	24.5	22.2	70.2	67.4
Realized performance revenues related compensation	16.5	38.4	40.8	59.8
Total compensation and benefits	41.0	60.6	111.0	127.2
General, administrative, and other indirect expenses	8.6	10.1	26.1	27.3
Depreciation and amortization expense	1.5	1.2	4.2	3.4
Interest expense	1.9	1.6	5.6	4.7
Total expenses	53.0	73.5	146.9	162.6
(=) Distributable Earnings	\$ 4.6	\$ 12.5	\$ 18.5	\$ 29.7
(-) Realized Net Performance Revenues	2.6	4.4	5.2	6.3
(-) Realized Principal Investment Income (Loss)	(0.6)	—	1.0	—
(+) Net Interest	1.5	1.2	4.5	3.5
(=) Fee Related Earnings	\$ 4.1	\$ 9.3	\$ 16.8	\$ 26.9

Three Months Ended September 30, 2019 Compared to Three Months Ended September 30, 2018 and Nine Months Ended September 30, 2019 Compared to Nine Months Ended September 30, 2018

Distributable Earnings

Distributable Earnings decreased \$7.9 million for three months ended September 30, 2019 as compared to the three months ended September 30, 2018 and decreased \$11.2 million for the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2018. The following table provides the components of the changes in Distributable Earnings for the three and nine months ended September 30, 2019:

	Three Months Ended September 30,	Nine Months Ended September 30,
	(Dollars in millions)	
Distributable Earnings, September 30, 2018	\$ 12.5	\$ 29.7
Increases (decreases):		
Decrease in fee related earnings	(5.2)	(10.1)
Decrease in realized net performance revenues	(1.8)	(1.1)
(Decrease) increase in realized principal investment income	(0.6)	1.0
Increase in net interest	(0.3)	(1.0)
Total decrease	(7.9)	(11.2)
Distributable Earnings, September 30, 2019	\$ 4.6	\$ 18.5

Realized net performance revenues were \$2.6 million and \$5.2 million for the three and nine months ended September 30, 2019, respectively. Performance revenues from our Investment Solutions segment pay a higher ratio of performance revenues as compensation, primarily as a result of the terms of our acquisition of AlpInvest.

Fee Related Earnings

Fee Related Earnings decreased \$5.2 million for the three months ended September 30, 2019 as compared to the three months ended September 30, 2018 and decreased \$10.1 million for the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2018. The following table provides the components of the changes in Fee Related Earnings for the three and nine months ended September 30, 2019:

	Three Months Ended September 30,	Nine Months Ended September 30,
	(Dollars in millions)	
Fee Related Earnings, September 30, 2018	\$ 9.3	\$ 26.9
Increases (decreases):		
Decrease in fee revenues	(4.1)	(7.7)
Increase in cash-based compensation and benefits	(2.3)	(2.8)
Decrease in general, administrative and other indirect expenses	1.5	1.2
All other changes	(0.3)	(0.8)
Total decrease	(5.2)	(10.1)
Fee Related Earnings, September 30, 2019	\$ 4.1	\$ 16.8

Fee Revenues. Total fee revenues decreased \$4.1 million for the three months ended September 30, 2019 as compared to the three months ended September 30, 2018 and decreased \$7.7 million for the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2018, primarily due to decreased management fees from our private equity fund vehicles and lower catch-up management fees on our real estate fund-of-fund vehicles. In addition, realizations have outpaced new fundraising, leading to lower Fee-earning AUM.

Cash-based compensation and benefits expense. Cash-based compensation and benefits expense increased \$2.3 million for the three months ended September 30, 2019 as compared to the three months ended September 30, 2018 and increased \$2.8 million for the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2018 primarily due to an increase in projected year-end bonuses.

General, administrative and other indirect expenses. General, administrative and other indirect expenses decreased \$1.5 million for the three months ended September 30, 2019 as compared to the three months ended September 30, 2018 primarily due to lower professional fees.

General, administrative and other indirect expenses decreased \$1.2 million for the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2018 primarily due to lower office expenses as well as lower external costs associated with fundraising activities.

Fee-earning AUM as of and for the Three and Nine Months Ended September 30, 2019 and 2018

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

	As of September 30,	
	2019	2018
(Dollars in millions)		
Investment Solutions		
Components of Fee-earning AUM (1)		
Fee-earning AUM based on capital commitments	\$ 11,907	\$ 11,363
Fee-earning AUM based on invested capital (2)	1,801	1,567
Fee-earning AUM based on net asset value	733	1,010
Fee-earning AUM based on lower of cost or fair market value	13,304	15,524
Total Fee-earning AUM	\$ 27,745	\$ 29,464

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

(2) Includes amounts committed to or reserved for certain AlpInvest and Metropolitan carry funds.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
(Dollars in millions)				
Investment Solutions				
Fee-earning AUM Rollforward				
Balance, Beginning of Period	\$ 28,825	\$ 29,831	\$ 29,065	\$ 30,150
Inflows, including Fee-paying Commitments (1)	518	1,028	2,668	3,758
Outflows, including Distributions (2)	(824)	(1,391)	(3,030)	(3,717)
Market Appreciation/(Depreciation) (3)	(3)	121	—	31
Foreign Exchange and other (4)	(771)	(125)	(958)	(758)
Balance, End of Period	\$ 27,745	\$ 29,464	\$ 27,745	\$ 29,464

(1) Inflows represent mandates where commitment fee period was activated and capital invested by carry fund vehicles outside the commitment fee period or weighted-average investment period.

(2) Outflows represent distributions from carry fund vehicles outside the commitment fee period or weighted-average investment period and changes in fee basis for carry fund vehicles where the commitment fee period or weighted-average investment period has expired.

(3) Market Appreciation/(Depreciation) represents realized and unrealized gains (losses) on our carry fund vehicles based on the lower of cost or fair value.

(4) 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 \$27.7 billion at September 30, 2019, an decrease of \$1.1 billion compared to \$28.8 billion at June 30, 2019. This was driven by outflows, including distributions, of \$0.8 billion which were primarily attributable to our AlpInvest carry funds. Also driving the decrease were \$0.8 billion of foreign exchange losses from the translation of our

AlpInvest Fee-earning AUM from EUR to USD. Partially offsetting the decrease were inflows, including fee-paying commitments, of \$0.5 billion primarily due to activation of previously raised mandates and purchases in our AlpInvest vehicles. Distributions from funds still in the commitment or weighted-average investment 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 Investment Solutions as fully committed funds are based on the lower of cost or fair value of the underlying investments.

Fee-earning AUM was \$27.7 billion at September 30, 2019, a decrease of \$1.4 billion, or approximately 5%, compared to \$29.1 billion at December 31, 2018. The decrease was driven by outflows, including distributions, of \$3.0 billion primarily in our AlpInvest carry funds and \$1.0 billion of foreign exchange losses due to the translation of our AlpInvest Fee-earning AUM from EUR to USD. This was offset by inflows, including fee-paying commitments, of \$2.7 billion due to activation of previously raised mandates and purchases in our AlpInvest and MRE carry funds.

Fee-earning AUM was \$27.7 billion at September 30, 2019, a decrease of \$1.8 billion, or approximately 6%, compared to \$29.5 billion at September 30, 2018. The decrease was driven by outflows, including distributions, of \$4.3 billion primarily in our AlpInvest carry funds and \$1.3 billion of foreign exchange losses due to the translation of our AlpInvest Fee-earning AUM from EUR to USD. This was offset by inflows, including fee-paying commitments, of \$4.0 billion due to activation of previously raised mandates and purchases in our AlpInvest and MRE carry funds.

Fee-earning AUM was \$29.5 billion at September 30, 2018, a decrease of \$0.3 billion, or approximately 1%, compared to \$29.8 billion at June 30, 2018. This was driven by outflows, including distributions, of \$1.4 billion which were primarily attributable to our AlpInvest carry funds. This was partially offset by inflows, including fee-paying commitments, of \$1.0 billion primarily due to activation of previously raised mandates and purchases in our AlpInvest vehicles.

Fee-earning AUM was \$29.5 billion at September 30, 2018, a decrease of \$0.7 billion, or approximately 2%, compared to \$30.2 billion at December 31, 2017. The decrease was driven by outflows, including distributions, of \$3.7 billion which were primarily attributable to our AlpInvest carry funds and foreign exchange losses of \$0.8 billion from translating our Euro-denominated AlpInvest Fee-earning AUM to USD. This was largely offset by inflows, including fee-paying commitments, of \$3.8 billion primarily due to activation of previously raised mandates and purchases in our AlpInvest vehicles.

Total AUM as of and for the Three and Nine Months Ended September 30, 2019

The table below provides the period to period rollforward of Total AUM.

	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2019
	(Dollars in millions)	
Investment Solutions		
Total AUM Rollforward		
Balance, Beginning of Period	\$ 45,426	\$ 45,654
New Commitments (1)	411	2,019
Outflows (2)	(1,831)	(5,735)
Market Appreciation/(Depreciation) (3)	2,341	4,895
Foreign Exchange Gain/(Loss) (4)	(1,325)	(1,590)
Other (5)	(221)	(442)
Balance, End of Period	\$ 44,801	\$ 44,801

- (1) New Commitments reflects the impact of gross fundraising during the period. For funds or vehicles denominated in foreign currencies, this reflects translation at the average quarterly rate, while the separately reported Fundraising metric is translated at the spot rate for each individual closing.
- (2) Outflows includes distributions in our carry funds, related co-investment vehicles and separately managed accounts.
- (3) Market Appreciation/(Depreciation) generally represents realized and unrealized gains (losses) on portfolio investments in our carry funds and related co-investment vehicles and separately managed accounts. The fair market values for our Investment Solutions carry funds are based on the latest available valuations of the underlying limited partnership interests (in most cases as of June 30, 2019) as provided by their general partners, plus the net cash flows since the latest valuation, up to September 30, 2019.

- (4) 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.
- (5) Includes expiring available capital, the impact of capital calls for fees and expenses other changes in AUM.

Total AUM was \$44.8 billion at September 30, 2019, a decrease of \$0.6 billion, or approximately 1%, compared to \$45.4 billion at June 30, 2019. This decrease was driven by \$1.8 billion of outflows primarily related to distributions in our AlpInvest carry funds and \$1.3 billion of foreign exchange losses from the translation of our AlpInvest AUM from EUR to USD. Partially offsetting the increase was \$2.3 billion of market appreciation primarily in our AlpInvest carry funds and \$0.4 billion of new commitments raised in our AlpInvest and MRE carry funds.

Total AUM was \$44.8 billion at September 30, 2019, a decrease of \$0.9 billion, or approximately 2%, compared to \$45.7 billion at December 31, 2018. This decrease was driven by \$5.7 billion of outflows primarily related to distributions in our AlpInvest carry funds, as well as \$1.6 billion of foreign exchange losses related to the translation of our AlpInvest AUM from EUR to USD. This was offset by \$4.9 billion of market appreciation primarily in our AlpInvest carry funds and \$2.0 billion of new commitments raised in our AlpInvest and MRE carry funds.

Fund Performance Metrics

Fund performance information for our AlpInvest and Metropolitan funds that have at least \$1.0 billion in capital commitments, cumulative equity invested or total value as of September 30, 2019, 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 Investment Solutions business.

Investment Solutions (1)	Vintage Year	Fund Size	TOTAL INVESTMENTS						
			As of September 30, 2019						
			Cumulative Invested Capital (2)(8)	Total Fair Value (3)(8)	MOIC (4)	Gross IRR (6) (10)	Net IRR (7) (10)		
(Reported in Local Currency, in Millions)									
AlpInvest									
Fully Committed Funds (5)									
Main Fund I - Fund Investments	2000	€ 5,174.6	€ 4,434.5	€ 7,296.6	1.6x	12%	11%		
Main Fund II - Fund Investments	2003	€ 4,545.0	€ 5,013.5	€ 8,050.2	1.6x	10%	9%		
Main Fund III - Fund Investments	2005	€ 11,500.0	€ 13,448.4	€ 22,304.1	1.7x	10%	10%		
Main Fund IV - Fund Investments	2009	€ 4,877.3	€ 5,523.9	€ 10,053.8	1.8x	17%	17%		
Main Fund V - Fund Investments	2012	€ 5,080.0	€ 5,210.8	€ 7,939.0	1.5x	16%	15%		
Main Fund VI - Fund Investments	2015	€ 1,106.4	€ 845.8	€ 1,096.9	1.3x	17%	16%		
Main Fund I - Secondary Investments	2002	€ 519.4	€ 490.6	€ 931.6	1.9x	59%	55%		
Main Fund II - Secondary Investments	2003	€ 998.4	€ 1,050.1	€ 1,919.7	1.8x	27%	26%		
Main Fund III - Secondary Investments	2006	€ 2,250.0	€ 2,453.0	€ 3,758.2	1.5x	11%	10%		
Main Fund IV - Secondary Investments	2010	€ 1,859.1	€ 2,009.8	€ 3,437.6	1.7x	19%	18%		
Main Fund V - Secondary Investments	2011	€ 4,272.8	€ 4,230.3	€ 6,973.6	1.6x	20%	19%		
Main Fund II - Co-Investments	2003	€ 1,090.0	€ 928.3	€ 2,566.1	2.8x	44%	42%		
Main Fund III - Co-Investments	2006	€ 2,760.0	€ 2,916.3	€ 4,198.9	1.4x	6%	5%		
Main Fund IV - Co-Investments	2010	€ 1,475.0	€ 1,403.5	€ 3,724.6	2.7x	24%	22%		
Main Fund V - Co-Investments	2012	€ 1,122.2	€ 1,067.6	€ 2,689.9	2.5x	29%	27%		
Main Fund VI - Co-Investments	2014	€ 1,114.6	€ 969.1	€ 2,138.8	2.2x	29%	27%		
Main Fund II - Mezzanine Investments	2004	€ 700.0	€ 785.9	€ 1,087.5	1.4x	8%	7%		
Main Fund III - Mezzanine Investments	2006	€ 2,000.0	€ 2,062.6	€ 2,789.6	1.4x	10%	9%		
All Other Funds (9)	Various		€ 3,050.9	€ 4,205.6	1.4x	14%	11%		
Total Fully Committed Funds			€ 57,894.9	€ 97,162.5	1.7x	13%	12%		
Funds in the Commitment Period (5)									
Main Fund VI - Secondary Investments	2017	€ 5,200.0	€ 2,844.1	€ 3,451.7	1.2x	19%	14%		
Main Fund VII - Co-Investments	2017	€ 2,500.2	€ 1,371.3	€ 1,565.9	1.1x	13%	9%		
All Other Funds (9)	Various		€ 1,329.6	€ 1,457.9	1.1x	10%	8%		
Total Funds in the Commitment Period			€ 5,545.0	€ 6,475.5	1.2x	16%	12%		
TOTAL ALPINVEST			€ 63,439.9	€ 103,637.9	1.6x	13%	12%		
TOTAL ALPINVEST (USD) (11)			\$ 69,182.1	\$ 113,018.5	1.6x				
Metropolitan Real Estate									
Fully Committed Funds (5)	Various		\$ 3,065.4	\$ 4,013.8	1.3x	7%	4%		
MRE Secondaries Fund II	2017	\$ 1,163.0	\$ 242.7	\$ 269.4	1.1x	NM	NM		
All Other Funds in the Commitment Period	Various		\$ 135.8	\$ 144.3	1.1x	NM	NM		
Funds in the Commitment Period (5)			\$ 378.5	\$ 413.7	1.1x	9%	Neg		
TOTAL METROPOLITAN REAL ESTATE			\$ 3,443.9	\$ 4,427.5	1.3x	7%	4%		

- (1) Includes private equity and mezzanine primary fund investments, secondary fund investments and co-investments originated by the AlpInvest team, as well as real estate primary fund investments, secondary fund investments and co-investments originated by the Metropolitan Real Estate team. Main Fund line items for each strategy reflect aggregated amounts and performance for commingled funds and associated managed accounts or mandates. 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, 2019, these excluded investments represent \$0.2 billion of AUM at AlpInvest.
- (2) Represents the original cost of 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) Fully Committed funds are past the expiration date of the commitment period as defined in the respective limited partnership agreement.
- (6) Gross Internal Rate of Return (“Gross IRR”) represents the annualized IRR for the period indicated on Limited Partner invested capital based on investment contributions, distributions and unrealized value of the underlying investments, before management fees, expenses and carried interest at the AlpInvest/Metropolitan Real Estate level.
- (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. Fund level IRRs are based on aggregate Limited Partner cash flows, and this blended return may differ from that of individual Limited Partners. As a result, certain funds may generate accrued performance revenues with a blended Net IRR that is below the preferred return hurdle for that fund.
- (8) To exclude the impact of FX, all AlpInvest foreign currency cash flows have been converted to Euro at the reporting period spot rate.
- (9) Aggregate includes Main Fund VII - Fund Investments, Main Fund VIII - Fund Investments, Main Fund IX - Fund Investments, Main Fund I - Co-Investments, Main Fund I - Mezzanine Investments, Main Fund IV - Mezzanine Investments, Main Fund V - Mezzanine Investments, AlpInvest CleanTech Funds and funds which are not included as part of a main fund.
- (10) For funds marked “NM,” IRR may be positive or negative, but is considered not meaningful because of the limited time since initial investment and early stage of capital deployment. For funds marked “Neg,” IRR is negative as of reporting period end.
- (11) 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 all realized performance allocations, after covering the related compensation, are available for distribution 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, advisors and other professionals.

Our Sources of Liquidity

We have multiple sources of liquidity to meet our capital needs, including cash on hand, annual cash flows, accumulated earnings and funds from our senior credit facility, which has \$775.0 million of available capacity as of September 30, 2019. We believe these sources will be sufficient to fund our capital needs for at least the next twelve months. If we determine that market conditions are favorable after taking into account our liquidity requirements, including the amounts available under our senior credit facility, we may seek to issue and sell common units in a registered public offering or a privately negotiated transaction, or we may issue additional senior notes, other debt or preferred equity. In September 2019, we issued \$425.0 million of 3.500% senior notes due September 19, 2029 and used the net proceeds from that issuance to redeem the Preferred Units outstanding.

Cash and cash equivalents. Cash and cash equivalents were approximately \$1.5 billion at September 30, 2019. However, a portion of this cash is allocated for specific business purposes, including, but not limited to, (i) performance allocations and incentive fee-related cash that has been received but not yet distributed as performance allocations and incentive fee-related compensation and amounts owed to non-controlling interests; (ii) proceeds received from realized investments that are allocable to non-controlling interests; (iii) regulatory capital; and (iv) redemption of the Preferred Units.

Corporate Treasury Investments. These investments represent investments in U.S. Treasury and government agency obligations, commercial paper, certificates of deposit, other investment grade securities and other investments with original maturities of greater than three months when purchased. There were no corporate treasury investments at September 30, 2019.

After deducting cash amounts allocated to the specific requirements mentioned above as well as the \$405.4 million used to redeem the Preferred Units in October 2019, the remaining cash and cash equivalents, is approximately \$995.6 million as of September 30, 2019. This remaining amount will be used towards our primary liquidity needs, as outlined in the next section. This amount does not take into consideration ordinary course of business payables and reserves for specific business purposes.

Senior Credit Facility. On February 11, 2019, the Partnership entered into an amendment and restatement of its senior credit facility. In connection with this amendment and restatement, the capacity under the revolving credit facility was increased to \$775.0 million from \$750.0 million, the term was extended to February 11, 2024, and the \$25.0 million term loan was repaid. Principal amounts outstanding under the amended and restated 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 0.50% per annum, or (b) at LIBOR plus an applicable margin not to exceed 1.50% per annum (3.27% at September 30, 2019).

The senior credit facility is unsecured. We are required to maintain management fee earning assets (as defined in the amended and restated senior credit facility) of at least \$75.0 billion and a total 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.

Global Credit Revolving Credit Facility. In December 2018, certain subsidiaries of the Partnership established a \$250.0 million revolving line of credit, primarily intended to support certain lending activities within the Global Credit segment. The credit facility includes a \$125.0 million line of credit with a one-year term, and a \$125.0 million line of credit with a three-year term. Principal amounts outstanding under the facility accrue interest, at the option of the borrowers, either (a) at an alternate base rate plus applicable margin not to exceed 1.00%, or (b) at the Eurocurrency rate plus an applicable margin not to exceed 2.00%.

CLO Borrowings. For certain of our CLOs, the Partnership finances a portion of its investment in the CLOs through the proceeds received from term loans and other financing arrangements with financial institutions or other financing arrangements. The Partnership's outstanding CLO borrowings were \$321.1 million and \$309.9 million at September 30, 2019 and December 31, 2018, respectively. The CLO borrowings are secured by the Partnership's investments in the respective CLO, have a general unsecured interest in the Carlyle entity that manages the CLO, and generally do not have recourse to any other Carlyle entity. As of September 30, 2019, \$303.6 million of these borrowings are secured by investments attributable to Carlyle Holdings. See Note 5 of the unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for more information on our CLO borrowings.

Senior Notes. Certain indirect finance subsidiaries of the Partnership have issued senior notes, on which interest is payable semi-annually, as discussed below. The senior notes are unsecured and unsubordinated obligations of the respective subsidiary and are fully and unconditionally guaranteed, jointly and severally, by the Partnership and each of the Carlyle Holdings partnerships. The indentures governing each of the senior notes contain customary covenants that, among other things, limit the issuers' 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.

3.500% Senior Notes. In September 2019, Carlyle Finance Subsidiary L.L.C. issued \$425.0 million of 3.500% senior notes due September 19, 2029 at 99.841% of par.

5.650% Senior Notes. In September 2018, Carlyle Finance L.L.C. issued \$350.0 million of 5.650% senior notes due September 15, 2048 at 99.914% of par.

3.875% Senior Notes. In January 2013, Carlyle Holdings Finance L.L.C. issued \$500.0 million of 3.875% senior notes due February 1, 2023 at 99.966% of par. In September 2018, we completed a tender offer to purchase \$250.0 million in aggregate principal amount of these notes. As of September 30, 2019, \$250.0 million of these notes remain outstanding.

5.625% Senior Notes. In March 2013, Carlyle Holdings II Finance L.L.C. issued \$400.0 million of 5.625% senior notes due March 30, 2043 at 99.583% of par. In March 2014, an additional \$200.0 million of these notes were issued at 104.315% of par and are treated as a single class with the already outstanding \$400.0 million aggregate principal amount of these notes.

Promissory Notes. In June 2017, as part of the settlement with investors in two commodities investment vehicles managed by an affiliate of the Partnership (discussed in Note 7 to the unaudited condensed consolidated financial statements), the Partnership issued a series of promissory notes, aggregating to \$53.9 million, to the investors of these commodities investment vehicles. Interest on these promissory notes accrued at the three month LIBOR plus 2%. These promissory notes matured on July 15, 2019 and were fully repaid as of that date.

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 unaudited condensed consolidated balance sheets. 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.

Realized Performance Allocation Revenues. Another source of liquidity we may use to meet our capital needs is the realized performance allocation revenues generated by our investment funds. Performance allocations are generally realized when an underlying investment is profitably disposed of and the fund's cumulative returns are in excess of the preferred return. For certain funds, performance allocations are realized once all invested capital and expenses have been returned to the fund's investors and the fund's cumulative returns are in excess of the preferred return. Incentive fees earned on our CLO vehicles generally are paid upon the dissolution of such vehicles.

Our accrued performance allocations by segment as of September 30, 2019, gross and net of accrued giveback obligations, are set forth below:

<u>Asset Class</u>	<u>Accrued</u>	<u>Accrued</u>	<u>Net Accrued</u>
	<u>Performance</u>	<u>Giveback</u>	<u>Performance</u>
	<u>Allocations</u>	<u>Obligation</u>	<u>Revenues</u>
	(Dollars in millions)		
Corporate Private Equity	\$ 2,051.4	\$ (5.0)	\$ 2,046.4
Real Assets	849.8	(58.2)	791.6
Global Credit	127.4	—	127.4
Investment Solutions	838.6	—	838.6
Total	\$ 3,867.2	\$ (63.2)	\$ 3,804.0
Plus: Accrued performance allocations from NGP Carry Funds			39.6
Less: Accrued performance allocation-related compensation			(2,040.7)
Plus: Receivable for giveback obligations from current and former employees			1.4
Less: Deferred taxes on accrued performance allocations			(66.8)
Less: Net accrued performance allocations attributable to non-controlling interests in consolidated entities			12.1
Net accrued performance revenues before timing differences			1,749.6
Less/Plus: Timing differences between the period when accrued performance allocations are realized and the period they are collected/distributed			27.8
Net accrued performance revenues attributable to Carlyle Holdings			\$ 1,777.4

The net accrued performance revenues attributable to Carlyle Holdings, excluding realized amounts, related to our carry funds and our other vehicles as of September 30, 2019, as well as the carry fund appreciation (depreciation), is set forth below by segment (Dollars in millions):

	<u>Carry Fund Appreciation/(Depreciation)⁽¹⁾</u>					<u>Net Accrued</u>
	<u>Q3 2018</u>	<u>Q4 2018</u>	<u>Q1 2019</u>	<u>Q2 2019</u>	<u>Q3 2019</u>	
						<u>Revenues</u>
Overall Carry Fund Appreciation/(Depreciation)	3%	(2)%	3%	2 %	2 %	
Corporate Private Equity	1%	(2)%	3%	1 %	1 %	\$ 1,114.4
Real Assets ⁽²⁾ :	3%	(7)%	3%	0 %	0 %	495.8
Real Estate	3%	(1)%	5%	6 %	3 %	361.3
Natural Resources	3%	(7)%	3%	(4)%	(3)%	134.3
Global Credit Carry Funds	1%	(2)%	5%	1 %	(2)%	70.3
Investment Solutions Carry Funds	5%	2 %	3%	4 %	7 %	96.9
Net Accrued Performance Revenues						\$ 1,777.4

(1) Appreciation/(Depreciation) represents unrealized gain/(loss) for the period on a total return basis before fees and expenses. The percentage of return is calculated as: ending remaining investment fair market value plus net investment outflow (sales proceeds minus net purchases) minus beginning remaining investment fair market value divided by beginning remaining investment fair market value. Amounts are fund only, and do not include coinvestments.

(2) Includes \$0.2 million of net accrued performance revenues from our Legacy Energy funds.

Realized Principal Investment Income. Another source of liquidity we may use to meet our capital needs is the realized principal investment income generated by our equity method investments and other principal investments. Principal investment income is realized when we redeem all or a portion of our investment or when we receive or are due cash income, such as

dividends or distributions. Certain of the investments attributable to Carlyle Holdings (excluding certain general partner interests, strategic investments, and investments in certain CLOs) may be sold at our discretion as a source of liquidity.

Investments as of September 30, 2019 consist of the following:

	Investments in Carlyle Funds	Investments in NGP ⁽¹⁾	Investment in Fortitude Re ⁽¹⁾	Total
(Dollars in millions)				
Investments, excluding performance allocations	\$ 1,319.0	\$ 424.5	\$ 1,285.1	\$ 3,028.6
Less: Amounts attributable to non-controlling interests in consolidated entities	(309.1)	—	—	(309.1)
Plus: Investments in Consolidated Funds, eliminated in consolidation	166.3	—	—	166.3
Less: Strategic equity method investments in NGP Management	—	(384.9)	—	(384.9)
Less: Investment in NGP general partners - accrued performance allocations	—	(39.6)	—	(39.6)
Less: Mark-to-market gains associated with strategic equity method investment in Fortitude Re	—	—	(719.9)	(719.9)
Total investments attributable to Carlyle Holdings, exclusive of NGP Management	\$ 1,176.2	\$ —	\$ 565.2	\$ 1,741.4

(1) See Note 4 to our unaudited condensed consolidated financial statements.

Our investments as of September 30, 2019, can be further attributed as follows (Dollars in millions):

Adjusted investment in Fortitude Re	\$ 565.2
Investments in Carlyle Funds, excluding CLOs:	
Corporate Private Equity funds	380.5
Real Assets funds ⁽¹⁾	191.0
Global Credit funds	95.0
Investment Solutions funds	34.7
Total investments in Carlyle Funds, excluding CLOs	701.2
Investments in CLOs	438.6
Other investments	36.4
Total investments attributable to Carlyle Holdings	1,741.4
CLO loans attributable to Carlyle Holdings⁽²⁾	(303.6)
Total investments attributable to Carlyle Holdings, net of CLO loans	\$ 1,437.8

(1) Excludes our strategic equity method investment in NGP Management and investments in NGP general partners - accrued performance allocations.

(2) Of the \$320.3 million in total CLO borrowings as of September 30, 2019 and as disclosed in Note 5 to the consolidated financial statements, \$303.6 million are collateralized by investments attributable to Carlyle Holdings.

Our adjusted strategic equity method investment in Fortitude Re of \$565.2 million includes \$146.9 million of adjusted net income for the period from closing through September 30, 2019, and excludes \$719.9 million of unrealized mark-to-market gains associated with our pro rata share of the changes in the fair value of embedded derivatives related to certain reinsurance contracts included in Fortitude Re's U.S. GAAP financial statements. Modified coinsurance is subject to the general accounting principles for derivatives and hedging, specifically the guidance originally issued as Derivatives Implementation Group Issue No. B36: *Embedded Derivatives: Modified Coinsurance Agreements and Debt Instruments That Incorporate Credit Risk Exposures That Are Unrelated or Only Partially Related to the Creditworthiness of the Obligor under Those Instruments* ("DIG B36"). This guidance can cause significant volatility in earnings that is not necessarily consistent with the underlying performance of Fortitude Re. We believe it is meaningful to reflect our investment in Fortitude Re excluding the effects of these fair value changes as these fluctuations are not considered by Fortitude Re in assessing its performance, which is consistent with industry practice when evaluating performance. During the nine months ended September 30, 2019, our investment in Fortitude Re generated \$135.2 million of principal investment income, excluding the unrealized mark-to-market gains on embedded derivatives.

Our Liquidity Needs

We generally use our working capital and cash flows to invest in growth initiatives, service our debt, fund the working capital needs of our business and investment funds and pay distributions to our unitholders.

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 compliance costs and other obligations as they arise;
- fund costs of litigation and contingencies, including related legal costs;
- fund the capital investments of Carlyle in our funds;
- 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 common unitholders and the holders of the Carlyle Holdings partnership units in accordance with our distribution policy, and;
- repurchase our common units.

On July 31, 2019, we announced our Conversion from a Delaware limited partnership to the Corporation. Following the Conversion, all of the net income attributable to the Corporation will be subject to U.S. federal (and state and local) corporate income taxes. See “Part II. Item 1A. Risk Factors—Following the Conversion, we expect to pay more corporate income taxes than we would have as a limited partnership.” and “—Conversion to a Corporation.” In addition, we anticipate that our dividend policy as a corporation beginning in the first quarter of 2020 will be to pay dividends to holders of our Common Stock in an initial amount of \$0.25 per share each quarter (\$1.00 per share annually), starting with the distribution for the fourth quarter which is payable in February 2020, subject to the discretion of our board of directors and compliance with applicable law. We believe that the fixed dividend will enable improved capital allocation and offers an attractive yield. See “—Dividend Policy Following Conversion.” In addition, we will be obligated to pay cash payments aggregating to \$1.50 per Carlyle Holdings partnership unit exchanged in the Transactions, payable in five annual installments of \$0.30 per unit beginning in 2020. Based on the Carlyle Holdings partnership units outstanding as of September 30, 2019, the total cash payments would be approximately \$344 million.

Preferred Unit Redemption. In September 2019, we announced the redemption of our preferred units for \$25.339757 per unit, which is equal to \$25.25 per Preferred Unit plus declared and unpaid distributions to, but excluding, the redemption date. The redemption was completed in October 2019.

Preferred Unit Distributions. With respect to distribution year 2019, the Board of Directors of our general partner has declared a quarterly distribution to preferred unitholders totaling approximately \$19.1 million, or \$1.191321 per preferred unit, inclusive of the distribution paid upon redemption of the Preferred Units in October 2019, consisting of the following:

Preferred Unit Distributions					
Distribution per Preferred Unit	Distribution to Preferred Unitholders	Distribution Year	Record Date	Payment Date	
(Dollars in millions, except per unit data)					
\$ 0.367188	\$ 5.9	2019	March 1, 2019	March 15, 2019	
0.367188	5.9	2019	June 1, 2019	June 17, 2019	
0.367188	5.9	2019	September 1, 2019	September 16, 2019	
0.089757	1.4	2019	October 4, 2019	October 7, 2019	
<u>\$ 1.191321</u>	<u>\$ 19.1</u>				

With respect to distribution year 2018, the Board of Directors of our general partner declared a distribution to preferred unitholders totaling approximately \$23.6 million, consisting of the following:

Preferred Unit Distributions					
Distribution per Preferred Unit	Distribution to Preferred Unitholders	Distribution Year	Record Date	Payment Date	
(Dollars in millions, except per unit data)					
\$ 0.367188	\$ 5.9	2018	March 1, 2018	March 15, 2018	
0.367188	5.9	2018	June 1, 2018	June 15, 2018	
0.367188	5.9	2018	September 1, 2018	September 17, 2018	
0.367188	5.9	2018	December 1, 2018	December 17, 2018	
\$ 1.468752	\$ 23.6				

Distributions on the preferred units are discretionary and non-cumulative.

Common Unit Distributions. With respect to distribution year 2019, the Board of Directors of our general partner has declared a distribution to common unitholders totaling approximately \$107.4 million, or \$0.93 per common unit, consisting of the following:

Common Unit Distributions - Distribution Year 2019					
Quarter	Distribution per Common Unit	Distribution to Common Unitholders	Record Date	Payment Date	
(Dollars in millions, except per unit data)					
Q1 2019	\$ 0.19	\$ 21.0	May 13, 2019	May 20, 2019	
Q2 2019	0.43	49.9	August 12, 2019	August 19, 2019	
Q3 2019	0.31	36.5	November 12, 2019	November 19, 2019	
Total	\$ 0.93	\$ 107.4			

With respect to distribution year 2018, the Board of Directors of our general partner declared distributions totaling approximately \$144.1 million to common unitholders, consisting of the following:

Common Unit Distributions - Distribution Year 2018					
Quarter	Distribution per Common Unit	Distribution to Common Unitholders	Record Date	Payment Date	
(Dollars in millions, except per unit data)					
Q1 2018	\$ 0.27	\$ 27.8	May 11, 2018	May 17, 2018	
Q2 2018	0.22	23.3	August 13, 2018	August 17, 2018	
Q3 2018	0.42	45.5	November 13, 2018	November 20, 2018	
Q4 2018	0.43	47.5	February 19, 2019	February 26, 2019	
Total	\$ 1.34	\$ 144.1			

Distributions to common unitholders paid during the nine months ended September 30, 2019 totaled \$118.4 million, including the amount paid in February 2019 of \$0.43 per common unit in respect of the fourth quarter of 2018. Distributions to common unitholders paid during the nine months ended September 30, 2018 totaled \$84.3 million, including the amount paid in February 2018 of \$0.33 per common unit in respect of the fourth quarter of 2017.

Carlyle Holdings Units Distributions. It is Carlyle's intention to 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 approximately 75% of Distributable Earnings Attributable to Common Unitholders for the quarter. "Distributable Earnings Attributable to Common Unitholders" refers to The Carlyle Group L.P.'s share of Distributable Earnings, after an implied provision for current corporate income taxes (other than corporate income taxes attributable to The Carlyle Group L.P.) and preferred unit distributions, net of corporate income taxes attributable to The Carlyle Group L.P. and amounts payable under the tax receivable agreement. Carlyle's general partner may adjust the distribution for amounts

determined to be necessary or appropriate to provide for the conduct of its business, to make appropriate investments in its business and its funds or to comply with applicable law or any of its financing agreements, or to provide for future cash requirements such as tax-related payments, giveback obligations and distributions to unitholders for any ensuing quarter. The amount to be distributed could also be adjusted upward in any one quarter.

Because The Carlyle Group L.P. is a holding partnership and has no material assets other than its ownership of partnership units in Carlyle Holdings held through wholly owned subsidiaries, we will fund distributions by The Carlyle Group L.P. to common unitholders, if any, in three steps:

- first, we will cause Carlyle Holdings to make distributions to its partners, including The Carlyle Group L.P.'s wholly owned subsidiaries. If Carlyle Holdings makes such distributions, the limited partners of Carlyle Holdings will be entitled to receive equivalent distributions pro rata based on their partnership interests in Carlyle Holdings;
- second, we will cause The Carlyle Group L.P.'s wholly owned subsidiaries to distribute to The Carlyle Group L.P. their share of such distributions, net of taxes and amounts payable under the tax receivable agreement by such wholly owned subsidiaries; and
- third, The Carlyle Group L.P. will distribute its net share of such distributions to our common unitholders on a pro rata basis.

Certain wholly-owned subsidiaries of The Carlyle Group L.P. through which it holds Carlyle Holdings Units are corporate taxpayers for U.S. Federal income tax purposes and also must make payments under the tax receivable agreement. These corporate subsidiaries of The Carlyle Group L.P. fund these obligations with a portion of the distributions they receive in respect of the Carlyle Holdings Units that they hold. As a result, the amounts ultimately distributed by The Carlyle Group L.P. in respect of the common units are expected to be less, on a per unit basis, than the amounts distributed by the Carlyle Holdings partnerships in respect of the Carlyle Holdings Partnership units. Accordingly, limited partners of the Carlyle Holdings partnerships who hold Carlyle Holdings partnership units are expected to receive distributions that are higher, on a per unit basis, than common unitholders of The Carlyle Group L.P. in respect of their common units.

In addition, the partnership agreements of the Carlyle Holdings partnerships will provide for cash distributions, which we refer to as "tax distributions," to the partners of such partnerships if the wholly owned subsidiaries of The Carlyle Group L.P. which are the general partners of the Carlyle Holdings partnerships determine that the taxable income of the relevant partnership will give rise to taxable income for its partners. Generally, these tax distributions will be computed based on our estimate of the net taxable income of the relevant partnership allocable to a partner multiplied by an assumed tax rate equal to the highest effective marginal combined U.S. federal, state and local income tax rate prescribed for an individual or corporate resident in New York, New York (taking into account the non-deductibility of certain expenses and the character of our income). The Carlyle Holdings partnerships will make tax distributions only to the extent distributions from such partnerships for the relevant year were otherwise insufficient to cover such tax liabilities. The Carlyle Group L.P. is not required to distribute to its common unitholders any of the cash that its wholly owned subsidiaries may receive as a result of tax distributions by the Carlyle Holdings partnerships.

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.

Because our wholly owned subsidiaries must pay taxes and make payments under the tax receivable agreement, the amounts ultimately distributed by us to our common unitholders are expected to be less, on a per unit basis, than the amounts distributed by the Carlyle Holdings partnerships to the other limited partners of the Carlyle Holdings partnerships in respect of their Carlyle Holdings partnership units.

As discussed in "Recent Transactions - Conversion to a Corporation", all Carlyle Holdings Partnership units will be exchanged for common stock upon conversion to a Corporation in 2020.

Dividend Policy Following Conversion. We anticipate that our dividend policy as a corporation beginning in the first quarter of 2020 will be to pay dividends to holders of our Common Stock in an initial amount of \$0.25 per share each quarter (\$1.00 per share annually), starting with the distribution for the fourth quarter which is payable in February 2020, subject to the discretion of our board of directors and compliance with applicable law. For U.S. federal income tax purposes, any dividends we pay following the Conversion generally will be treated as qualified dividend income (generally taxable to U.S. individual stockholders at capital gain rates) paid by a domestic corporation to the extent paid out of our current or accumulated earnings and profits, as determined for U.S. federal income tax purposes, with any excess dividends treated as return of capital to the

extent of the stockholder's basis. The declaration and payment of dividends to our Common Stockholders will be at the sole discretion of our board of directors, and our dividend policy may be changed at any time.

Fund Commitments. Generally, we intend to have Carlyle commit to fund approximately 0.75% to 1% of the capital commitments to our future carry funds, although we may elect to invest additional amounts in funds focused on new investment areas. 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 and our CLO vehicles. Our investments in our U.S. and European CLO vehicles will comply with the risk retention rules as discussed in "Risk Retention Rules" later in this section.

Since our inception through September 30, 2019, we and our senior Carlyle professionals, operating executives and other professionals have invested or committed to invest in or alongside our funds. Approximately 3% to 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 unfunded commitment of Carlyle and our senior Carlyle professionals, operating executives and other professionals to our investment funds as of September 30, 2019, consisted of the following (Dollars in millions):

<u>Asset Class</u>	<u>Unfunded Commitment</u>
Corporate Private Equity	\$ 2,427.0
Real Assets	975.9
Global Credit	432.0
Investment Solutions	107.5
Total	<u>\$ 3,942.4</u>

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 \$3.9 billion of unfunded commitments, approximately \$3.4 billion is subscribed individually by senior Carlyle professionals, operating executives and other professionals, with the balance funded directly by the Partnership.

Repurchase Program. In December 2018, the Board of Directors of the general partner of the Partnership authorized the repurchase of up to \$200 million of common units and/or Carlyle Holdings units. Under this new unit repurchase program, which became effective January 1, 2019, units may be repurchased from time to time in open market transactions, in privately negotiated transactions or otherwise. We expect that the majority of repurchases under this program will be done via open market and brokered transactions. The timing and actual number of common units and/or Carlyle Holdings units repurchased will depend on a variety of factors, including legal requirements, price, and economic and market conditions. This unit repurchase program may be suspended or discontinued at any time and does not have a specified expiration date. For the nine months ended September 30, 2019, we have paid an aggregate of \$34.5 million to repurchase and retire approximately 1.6 million units with all of the repurchases done via open market and brokered transactions.

In February 2016, the Board of Directors of the general partner of the Partnership authorized the repurchase of up to \$200 million of common units and/or Carlyle Holdings units. Under this unit repurchase program, units could be repurchased from time to time in open market transactions, in privately negotiated transactions or otherwise. Under this program, which was superseded by the repurchase program effective January 1, 2019, we paid an aggregate of \$166.6 million to repurchase and retire approximately 8.6 million units.

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,	
	2019	2018
(Dollars in millions)		
Statements of Cash Flows Data		
Net cash provided by operating activities, including investments in Carlyle funds	\$ 924.0	\$ 95.0
Net cash used in investing activities	(17.5)	(20.1)
Net cash provided by (used in) financing activities	(28.0)	150.3
Effect of foreign exchange rate changes	(11.0)	(14.4)
Net change in cash, cash equivalents and restricted cash	<u>\$ 867.5</u>	<u>\$ 210.8</u>

Net Cash Provided by Operating Activities. Net cash provided by operating activities was primarily driven by our earnings in the respective periods after adjusting for significant non-cash activity, including non-cash performance allocations and incentive fees, the related non-cash performance allocations and incentive fee related compensation, non-cash equity-based compensation, and depreciation, amortization and impairments, all of which are included in earnings.

Operating cash inflows primarily include the receipt of management fees, realized performance allocations and incentive fees, while operating cash outflows primarily include payments for operating expenses, including compensation and general, administrative, and other expenses. During both the nine months ended September 30, 2019 and 2018, net cash provided by operating activities primarily included the receipt of management fees and realized performance allocations and incentive fees, totaling approximately \$1.5 billion. These inflows were offset by payments for compensation and general, administrative and other expenses of approximately \$1.2 billion and \$1.4 billion for the nine months ended September 30, 2019 and 2018, respectively.

Cash used to purchase investments 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. During the nine months ended September 30, 2019, investment proceeds were \$305.2 million while investment purchases were \$216.5 million. During the nine months ended September 30, 2018, investment proceeds were \$571.9 million as compared to purchases of \$371.8 million.

The net cash provided by operating activities for the nine months ended September 30, 2019 and 2018 also reflects the investment activity of our Consolidated Funds. For the nine months ended September 30, 2019, purchases of investments by the Consolidated Funds were \$1.4 billion, while proceeds from the sales and settlements of investments by the Consolidated Funds were \$1.7 billion. For the nine months ended September 30, 2018, purchases of investments by the Consolidated Funds were \$2.9 billion, while proceeds from the sales and settlements of investments by the Consolidated Funds were \$2.2 billion.

Net Cash Used In Investing Activities. Our investing activities generally reflect cash used for acquisitions, fixed assets and software for internal use. For the nine months ended September 30, 2019, cash used in investing activities principally reflects purchases of fixed assets. Purchases of fixed assets were \$17.5 million and \$20.1 million for the nine months ended September 30, 2019 and 2018, respectively.

Net Cash Provided by (Used in) Provided by Financing Activities. For the nine months ended September 30, 2019, the Partnership received net proceeds of \$421.6 million from the issuance of \$425.0 million of 3.500% senior notes and \$40.9 million from the issuance of various CLO borrowings, and the Partnership repaid a \$25.0 million CLO term loan. For the nine months ended September 30, 2018, the Partnership received net proceeds of \$346.6 million from the issuance of \$350.0 million of 5.650% senior notes and \$40.8 million from the issuance of various CLO borrowings, and paid \$108.8 million to prepay the remaining balance under a promissory note to BNRI. See Note 5 to the unaudited condensed consolidated financial statements for more information on these borrowings.

Distributions to our common unitholders were \$118.4 million and \$84.3 million for the nine months ended September 30, 2019 and 2018, respectively. Distributions to the non-controlling interest holders in Carlyle Holdings were \$242.3 million and \$191.7 million for the nine months ended September 30, 2019 and 2018, respectively. Distributions to our preferred unitholders were \$17.7 million for both the nine months ended September 30, 2019 and 2018.

The net borrowings (payments) on loans payable by our Consolidated Funds during the nine months ended September 30, 2019 and 2018 were \$(161.7) million and \$662.3 million, respectively. Contributions from non-controlling interest holders were \$24.7 million and \$17.6 million for the nine months ended September 30, 2019 and 2018, respectively, which relate primarily to contributions from the non-controlling interest holders in Consolidated Funds. For the nine months ended September 30,

2019 and 2018, distributions to non-controlling interest holders were \$42.9 million and \$72.7 million, respectively, which relate primarily to distributions to the non-Carlyle interests in majority-owned subsidiaries.

Our Balance Sheet

Total assets were \$13.9 billion at September 30, 2019, an increase of \$1.0 billion from December 31, 2018. The increase in total assets was primarily attributable to an increase in investments, including accrued performance allocations, of \$1.2 billion, an increase in cash and cash equivalents of \$860.2 million (due in part to the timing of the September Senior Note issuance being prior to the preferred unit redemption in October 2019) and the recognition of lease right-of-use assets, net of \$212.8 million. Investments of Consolidated Funds decreased \$829.3 million due to the deconsolidation of two CLOs during the nine months ended September 30, 2019, partially offset by the consolidation of one CLO. Cash and cash equivalents were approximately \$1.5 billion and \$629.6 million at September 30, 2019 and December 31, 2018, respectively.

Total liabilities were \$10.6 billion at September 30, 2019, an increase of \$554.6 million from December 31, 2018. The increase in liabilities was primarily attributable to an increase in debt obligations of \$411.5 million (see Note 5), an increase in accrued compensation and benefits of \$309.7 million, an increase in lease liabilities of \$292.8 million, and the reclassification of the \$405.4 million redemption value of the Preferred Units from equity to a liability. The increase was partially offset by a decrease in loans payable of Consolidated Funds of \$608.7 million and a decrease in other liabilities of Consolidated Funds of \$361.1 million from December 31, 2018 to September 30, 2019, driven by the deconsolidation of two CLOs during the nine months ended September 30, 2019.

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. For example, as previously discussed, the CLO term loans generally are secured by the Partnership's investment in the CLO, have a general unsecured interest in the Carlyle entity that manages the CLO, and do not have recourse to any other Carlyle entity.

Our balance sheet without the effect of the Consolidated Funds can be seen in Note 16 to the unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q. At September 30, 2019, our total assets without the effect of the Consolidated Funds were \$9.4 billion, including cash and cash equivalents of \$1.5 billion and net accrued performance revenues of \$1.8 billion.

Unconsolidated Entities

Certain of our funds have entered into lines of credit secured by their investors' unpaid capital commitments or by a pledge of the equity of the underlying investment. These lines of credit are used primarily to reduce the overall number of capital calls to investors 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 our funds.

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 and Note 7 to the unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q.

Contractual Obligations

The following table sets forth information relating to our contractual obligations as of September 30, 2019 on a consolidated basis and on a basis excluding the obligations of the Consolidated Funds:

	Oct. 1, 2019 to Dec. 31, 2019	2020-2021	2022-2023	Thereafter	Total
	(Dollars in millions)				
Debt obligations (including senior notes) (1)	\$ 25.3	\$ —	\$ 363.1	\$ 1,583.0	\$ 1,971.4
Interest payable (2)	22.9	178.4	164.2	1,224.3	1,589.8
Other consideration (3)	410.4	2.6	75.0	170.0	658.0
Operating lease obligations (4)	16.3	101.2	105.8	484.0	707.3
Capital commitments to Carlyle funds (5)	3,942.4	—	—	—	3,942.4
Tax receivable agreement payments (6)	—	—	25.0	82.1	107.1
Loans payable of Consolidated Funds (7)	19.9	158.4	158.2	4,828.6	5,165.1
Unfunded commitments of the CLOs (8)	3.9	—	—	—	3.9
Consolidated contractual obligations	4,441.1	440.6	891.3	8,372.0	14,145.0
Loans payable of Consolidated Funds (7)	(19.9)	(158.4)	(158.2)	(4,828.6)	(5,165.1)
Capital commitments to Carlyle funds (5)	(3,381.9)	—	—	—	(3,381.9)
Unfunded commitments of the CLOs (8)	(3.9)	—	—	—	(3.9)
Carlyle Operating Entities contractual obligations	\$ 1,035.4	\$ 282.2	\$ 733.1	\$ 3,543.4	\$ 5,594.1

- (1) The table above assumes that no prepayments are made on the senior notes and that any outstanding balance on the senior credit facility is repaid on the maturity date of the senior credit facility, which is February 11, 2024. The CLO term loans are included in the table above based on the earlier of the stated maturity date or the date the CLO is expected to be dissolved. See Note 5 to the unaudited condensed consolidated financial statements for the various maturity dates of the CLO term loans and senior notes.
- (2) The interest rates on the debt obligations as of September 30, 2019 consist of: 3.500% on \$425.0 million of senior notes, 5.650% on \$350.0 million of senior notes, 3.875% on \$250.0 million of senior notes, 5.625% on \$600.0 million of senior notes, and a range of approximately 1.75% to 4.21% for our CLO term loans. Interest payments assume that no prepayments are made and loans are held until maturity with the exception of the CLO term loans, which are based on the earlier of the stated maturity date or the date the CLO is expected to be dissolved.
- (3) These obligations represent our estimate of amounts to be paid associated with our business acquisitions and other obligations, including \$150.0 million related to our acquisition of Carlyle Aviation Partners and up to \$95.0 million related to our investment in Fortitude Re (see Note 4), \$405.4 million related to our preferred unit redemption that was paid in October 2019, and other obligations.
- (4) We lease office space in various countries around the world and maintain our headquarters in Washington, D.C., where in June 2018, we entered into an amended non-cancelable lease agreement expiring on March 31, 2030. In July 2018, we entered into a new non-cancelable lease agreement expiring in 2036 for new office space in New York City. Our office leases in other locations expire in various years from 2019 through 2032. The amounts in this table represent the minimum lease payments required over the term of the lease.
- (5) These obligations generally 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 \$3.9 billion of unfunded commitments, approximately \$3.4 billion is subscribed individually by senior Carlyle professionals, advisors and other professionals, with the balance funded directly by the Partnership.
- (6) Represents obligations by the Partnership's corporate taxpayers to make payments under the tax receivable agreement for exchanges that have occurred to date. These obligations are more than offset by the future cash savings that the corporate taxpayers are expected to realize. 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. Further, the amount and timing of payments are subject to change based on any future authoritative guidance under the 2017 Tax Cuts and Jobs Act.
- (7) 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, 2019, at spreads to market rates pursuant to the debt agreements, and range from 0.40% to 9.57%.
- (8) These obligations represent commitments of the CLOs to fund certain investments. These amounts are generally due on demand and are therefore presented in the less than one year category.

Excluded from the table above are liabilities for uncertain tax positions of \$14.7 million at September 30, 2019 as we are unable to estimate when such amounts may be paid.

Contingent Cash Payments For Business Acquisitions and Strategic Investments

We have certain contingent cash obligations associated with our acquisition of Carlyle Aviation Partners and our strategic investment in Fortitude Re. For our acquisition of Carlyle Aviation Partners, the contingent cash payments relate to an earn-out of up to \$150.0 million that is payable upon the achievement of certain revenue and earnings performance targets during 2020 through 2025, which will be accounted for as compensation expense. We accrue the compensation liability over the service period.

For our strategic investment in Fortitude Re, the contingent cash payment relates to performance-based contingent cash consideration payable to AIG following December 31, 2023.

Based on the terms of the underlying contracts, the maximum amount that could be paid from contingent cash obligations associated with the acquisition of Carlyle Aviation Partners and the strategic investment in Fortitude Re as of September 30, 2019 is \$245.0 million versus the liabilities recognized on the balance sheet of \$23.2 million.

Risk Retention Rules

The Dodd-Frank Act requires sponsors of asset-backed securities, including CLOs, to retain at least 5% of the credit risk related to the assets that underlie asset-backed securities (referred to herein as the U.S. Risk Retention Rules). The U.S. Risk Retention Rules became effective in December 2016, at which time we began to comply by holding 5% of the credit risk for our U.S. CLOs. On February 9, 2018, the U.S. Court of Appeals for the District of Columbia ruled that the U.S. Risk Retention Rules do not apply to managers of open-market CLOs - CLOs for which the underlying assets are not transferred by the manager to the CLO issuer via a sale. This ruling went into effect on April 5, 2018, ending the need for managers of open-market CLOs to comply with the U.S. Risk Retention Rules. As a result, going forward, the manager of our U.S. open-market CLOs will not obtain or hold 5% of the credit risk that previously would have been necessary to satisfy the U.S. Risk Retention Rules, though we will continue to hold 5% of the credit risk of our U.S., non-open-market CLOs. In addition, other Carlyle entities may continue to hold positions in our U.S. open-market CLOs independent of the U.S. Risk Retention Rules.

Further, we will continue to comply with the risk retention rules governing CLOs issued in Europe for which we are a sponsor, which require a combination of capital from our balance sheet, commitments from senior Carlyle professionals, and/or third party financing.

Guarantees

See Note 7 to the unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for information related to our material guarantees.

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 unaudited condensed consolidated financial statements as of September 30, 2019.

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.

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.

See Note 2 to the unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for additional information related to our tax receivable agreement.

On July 31, 2019, we announced the termination of future obligations under the tax receivable agreement.

Contingent Obligations (Giveback)

Carried interest is ultimately realized when: (1) an underlying investment is profitably disposed of, (2) certain costs borne by the limited partner investors have been reimbursed, (3) the fund's cumulative returns are in excess of the preferred return, and (4) we have decided to collect carry rather than return additional capital to limited partner investors. Realized carried interest may be required to be returned by us in future periods if the funds' investment values decline below certain levels. When the fair value of a fund's investments remains constant or falls below certain return hurdles, previously recognized performance allocations are reversed.

See Note 7 to the unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for additional information related to our contingent obligations (giveback).

Other Contingencies

In the ordinary course of business, we are a party to litigation, investigations, inquiries, employment-related matters, disputes and other potential claims. We discuss certain of these matters in Note 7 to the unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q.

Carlyle Common Units and Carlyle Holdings Partnership Units

A rollforward of the outstanding Carlyle Group L.P. common units and Carlyle Holdings partnership units from December 31, 2018 through September 30, 2019 is as follows:

	Units as of December 31, 2018	Units Issued ⁽¹⁾	Units Forfeited	Units Exchanged	Units Repurchased / Retired	Units as of September 30, 2019
The Carlyle Group L.P. common units	107,746,443	9,561,519	—	1,588,977	(1,628,851)	117,268,088
Carlyle Holdings partnership units	230,977,836	—	—	(1,588,977)	—	229,388,859
Total	338,724,279	9,561,519	—	—	(1,628,851)	346,656,947

⁽¹⁾ Units issued include deferred restricted common units and units issued and delivered in connection with our equity method investment in NGP.

The Carlyle Group L.P. common units issued during the period from December 31, 2018 through September 30, 2019 relate to the vesting of the Partnership's deferred restricted common units during the nine months ended September 30, 2019.

The Carlyle Holdings partnership units exchanged relate to the exchange of Carlyle Holdings partnership units held by NGP and certain limited partners for common units on a one-for-one basis. Senior Carlyle professionals can exchange their Carlyle Holdings partnership units for common units on a quarterly basis, subject to the terms of the Exchange Agreement and the Carlyle Holdings partnership agreements. We intend to facilitate an orderly exchange process to seek to minimize the impact on the trading price of our common units. During the three and nine months ended September 30, 2019, senior Carlyle professionals exchanged approximately 1.2 million and 1.6 million, respectively, of their Carlyle Holdings partnership units for common units.

The total units as of September 30, 2019 as shown above exclude approximately 0.5 million common units in connection with the vesting of deferred restricted common units subsequent to September 30, 2019 that will participate in the common unitholder distribution that will be paid November 19, 2019.

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, incentive fees and investment income, including performance allocations. Although our investment funds share many common themes, each of our 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.

There was no material change in our market risks during the three months ended September 30, 2019. For additional information, refer to our Annual Report on Form 10-K for the year ended December 31, 2018.

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, 2019 that have materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

The information required with respect to this item can be found under “Legal Matters” in Note 7, Commitments and Contingencies, of the notes to the Partnership’s unaudited condensed consolidated financial statements contained in this quarterly report, and such information is incorporated by reference into this Item 1.

Item 1A. Risk Factors

Following the Conversion, we expect to pay more corporate income taxes than we would have as a limited partnership.

On July 31, 2019, we announced our decision to convert The Carlyle Group L.P. from a limited partnership to a corporation. We anticipate that the Conversion will be effective on January 1, 2020. Following the Conversion, all of the net income attributable to the Corporation will be subject to U.S. federal (and state and local) corporate income taxes, which we anticipate will have a dilutive impact to Distributable Earnings per share of Common Stock and net income and reduce the amount of cash available for dividends to our common stockholders, although this dilution should initially be mitigated by a tax basis increase related to the Conversion. We anticipate that our Distributable Earnings will be subject to an effective corporate tax rate in the mid-to-high teens for several years following the Conversion and in the low-twenties over the long-term. These estimates are presented for illustrative purposes only and are subject to various risks and uncertainties. Actual results could differ materially from these estimates. Among other things, these estimates are based on assumptions concerning the size and recovery period of the tax basis increase related to the Conversion, as well as the currently enacted maximum U.S. federal corporate income tax rate of 21%. To the extent the tax basis increase generated in the Conversion is smaller or takes longer to realize than anticipated, we would expect the effective tax rate on Distributable Earnings to more quickly reach its long-term level. In addition, any future increase in currently enacted corporate tax rates would cause us to pay more corporate income taxes than currently anticipated. The impact of changes to tax legislation may also cause us to pay more corporate income taxes than currently anticipated.

We may fail to realize the anticipated benefits of the Conversion or those benefits may take longer to realize than expected or not offset the costs of the Conversion, which could have a material and adverse impact on the trading price of our securities.

We believe that the Conversion will, among other things, improve trading liquidity, expand our global investor base and drive greater value for all of our stockholders over time. However, the level of investor interest in our Common Stock may not meet our expectations. For example, benchmark stock indices may change their eligibility requirements in a manner that is adverse to us or otherwise determine not to include our Common Stock. Moreover, even if we succeed in having our shares included in key stock indices and simplify our tax structure and reporting, this may not result in the increased demand for our stock that we anticipate. Consequently, we may fail to realize the anticipated benefits of the Conversion or those benefits may take longer to realize than we expect. Moreover, there can be no assurance that the anticipated benefits of the Conversion will offset its costs, which could be greater than we expect, particularly if there were to be an increase in the U.S. federal corporate income tax rate. Our failure to achieve the anticipated benefits of the Conversion at all or in a timely manner, or a failure of any benefits realized to offset its costs, could have a material and adverse impact on the trading price of our securities.

For a discussion of our other 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, 2018, which is accessible on the SEC’s website at sec.gov.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**Issuer Purchases of Equity Securities**

The following table sets forth repurchases of our common units during the three months ended September 30, 2019 for the periods indicated:

Period	(a) Total number of units purchased	(b) Average price paid per unit	(c) Total number of units purchased as part of publicly announced plans or programs	(d) Maximum number (or approximate dollar value) of units that may yet be purchased under the plans or programs
(Dollars in millions, except unit and per unit data)				
July 1, 2019 to July 31, 2019 (1)	—	\$ —	—	\$ 188.0
August 1, 2019 to August 31, 2019 (1) (2)	984,992	\$ 22.87	984,992	\$ 165.5
September 1, 2019 to September 30, 2019 (1)	—	\$ —	—	\$ 165.5
Total	<u>984,992</u>		<u>984,992</u>	

(1) In December 2018, the Board of Directors of the general partner of the Partnership authorized the repurchase of up to \$200 million of common units and/or Carlyle Holdings units. Under this unit repurchase program, units may be repurchased from time to time in open market transactions, in privately negotiated transactions or otherwise. We expect that the majority of repurchases under this program will be done via open market and brokered transactions. No units will be repurchased from our executive officers under this program. The timing and actual number of common units and/or Carlyle Holdings units repurchased will depend on a variety of factors, including legal requirements, price, and economic and market conditions. This unit repurchase program may be suspended or discontinued at any time and does not have a specified expiration date.

(2) All of the units purchased during this period were common units purchased in open market and brokered transactions. All units purchased during this period were subsequently retired.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

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

<u>Exhibit No.</u>	<u>Description</u>
3.1	Certificate of Limited Partnership of The Carlyle Group L.P. (incorporated by reference to Exhibit 3.1 to the Registrant's Registration Statement on Form S-1 filed with the SEC on September 6, 2011).
3.2	Second Amended and Restated Limited Partnership Agreement of The Carlyle Group L.P. (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the SEC on September 13, 2017).
4.1	Indenture dated as of September 19, 2019 among Carlyle Finance Subsidiary L.L.C., The Carlyle Group L.P., Carlyle Holdings I L.P., Carlyle Holdings II L.P., Carlyle Holdings III L.P. and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed with the SEC on September 19, 2019).
4.2	First Supplemental Indenture dated as of September 19, 2019 among Carlyle Finance Subsidiary L.L.C., The Carlyle Group L.P., Carlyle Holdings I L.P., Carlyle Holdings II L.P., Carlyle Holdings III L.P. and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed with the SEC on September 19, 2019).
4.3	Form of 3.500% Senior Notes due 2029 (included in Exhibit 4.3 to the Registrant's Current Report on Form 8-K filed with the SEC on September 19, 2019).
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 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 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	Inline XBRL Instance Document - the Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	The cover page from The Carlyle Group L.P.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2019, formatted in Inline XBRL (included within the Exhibit 101 attachments).

* Filed herewith.

+ Management contract or compensatory plan or arrangement in which directors and/or executive officers are eligible to participate.

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.

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: October 31, 2019

By: /s/ Curtis L. Buser
Name: Curtis L. Buser
Title: Chief Financial Officer
(Principal Financial Officer and Authorized Officer)

I, Kewsong Lee, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended September 30, 2019 of The Carlyle Group L.P.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 31, 2019

/s/ Kewsong Lee

Kewsong Lee

Co-Chief Executive Officer

Carlyle Group Management L.L.C.

(Co-Principal Executive Officer)

I, Glenn A. Youngkin, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended September 30, 2019 of The Carlyle Group L.P.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 31, 2019

/s/ Glenn A. Youngkin

Glenn A. Youngkin

Co-Chief Executive Officer

Carlyle Group Management L.L.C.

(Co-Principal Executive Officer)

I, Curtis L. Buser, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended September 30, 2019 of The Carlyle Group L.P.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 31, 2019

/s/ Curtis L. Buser

Curtis L. Buser

Chief Financial Officer

Carlyle Group Management L.L.C.

(Principal Financial Officer)

**Certification of the Co-Chief Executive Officer
Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of The Carlyle Group L.P. (the "Company") on Form 10-Q for the quarter ended September 30, 2019 filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kewsong Lee, Co-Chief Executive Officer of Carlyle Group Management L.L.C., the general partner of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Kewsong Lee

Kewsong Lee

Co-Chief Executive Officer

Carlyle Group Management L.L.C.

Date: October 31, 2019

* The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

**Certification of the Co-Chief Executive Officer
Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of The Carlyle Group L.P. (the "Company") on Form 10-Q for the quarter ended September 30, 2019 filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Glenn A. Youngkin, Co-Chief Executive Officer of Carlyle Group Management L.L.C., the general partner of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Glenn A. Youngkin

Glenn A. Youngkin

Co-Chief Executive Officer

Carlyle Group Management L.L.C.

Date: October 31, 2019

* The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

**Certification of the Chief Financial Officer
Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of The Carlyle Group L.P. (the "Company") on Form 10-Q for the quarter ended September 30, 2019 filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Curtis L. Buser, Chief Financial Officer of Carlyle Group Management L.L.C., the general partner of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Curtis L. Buser

Curtis L. Buser

Chief Financial Officer

Carlyle Group Management L.L.C.

Date: October 31, 2019

* The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.