

CARLYLE

Update to Operating Segments

January 2021

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The information contained in this presentation should be considered in connection with the information contained in our periodic filings with the SEC, which are accessible on the SEC’s website at www.sec.gov and through the investor relations section of the Company’s website at ir.carlyle.com.

This presentation includes certain Non-GAAP financial measures, including Distributable Earnings (DE) and Fee Related Earnings (FRE). These Non-GAAP financial measures should be considered only as supplemental to, and not as superior to, financial measures prepared in accordance with GAAP. Please refer to our public filings for more details on the definition of these Non-GAAP terms.

FORWARD LOOKING STATEMENTS

This press release 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 dividend policy, our expectations regarding the impact of COVID-19, and other nonhistorical 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, 2019 filed with the SEC on February 12, 2020 and in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 filed with the SEC on April 30, 2020, 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 release and in our 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.

This release does not constitute an offer for any Carlyle fund.

Overview

- Following Kewsong Lee's transition to our sole CEO on October 1, 2020, we began evaluating our operating structure and how we manage and assess the performance of the business and allocate resources.
- Reflecting how we leverage our global platform, local insights and deep industry expertise, we have revised our operating segments by combining Corporate Private Equity and Real Assets into a single segment called Global Private Equity. This change does not impact the Global Credit or Investment Solutions segments.
- Beginning with our fourth quarter and full year 2020 results, as well as our Form 10-K for the year ended December 31, 2020, we will report results in three segments: Global Private Equity, Global Credit, and Investment Solutions.
- This change has no impact on our consolidated historical U.S. GAAP financial results, or the calculations and definitions of our Non-GAAP financial measures, including Distributable Earnings and Fee Related Earnings.
- The following pages amend previously reported segment data to reflect the change in our operating segments, as well as recast performance metrics for our three segments. We have also included reconciliations of our non-GAAP financial measures to the most comparable U.S. GAAP financial measure, which are unchanged from what was previously reported.

“We believe this new structure and approach, which is all about leveraging our strengths, sets the stage for Carlyle to accelerate our growth over the long term. Our new business segment structure represents our focus on driving value for all of our stakeholders.”

**CARLYLE CEO,
KEWSONG LEE**

Recast Segment Results: 2018 – YTD 2020

	For the Year Ended December 31, 2018				For the Year Ended December 31, 2019				For the Nine Months Ended September 30, 2020			
	Global Private Equity	Global Credit	Investment Solutions	Total Segments	Global Private Equity	Global Credit	Investment Solutions	Total Segments	Global Private Equity	Global Credit	Investment Solutions	Total Segments
<i>(in millions)</i>												
SEGMENT REVENUES												
Fund management fees	\$ 952.0	\$ 243.0	\$ 166.8	\$ 1,361.8	\$ 1,106.6	\$ 307.2	\$ 157.1	\$ 1,570.9	\$ 779.3	\$ 237.5	\$ 140.2	\$ 1,157.0
Transaction and portfolio advisory fees, net and other	56.7	6.1	0.4	63.2	38.9	14.6	-	53.5	10.8	19.4	-	30.2
Total fee revenues	1,008.7	249.1	167.2	1,425.0	1,145.5	321.8	157.1	1,624.4	790.1	256.9	140.2	1,187.2
Realized performance revenues	566.2	9.8	106.4	682.4	301.8	1.8	70.7	374.3	251.7	26.5	132.4	410.6
Realized principal investment income (loss)	40.1	7.9	0.1	48.1	73.3	12.0	1.7	87.0	34.0	14.9	1.9	50.8
Interest income	13.7	15.3	1.4	30.4	8.7	14.2	1.5	24.4	2.6	8.0	0.6	11.2
Total revenues	\$ 1,628.7	\$ 282.1	\$ 275.1	\$ 2,185.9	\$ 1,529.3	\$ 349.8	\$ 231.0	\$ 2,110.1	\$ 1,078.4	\$ 306.3	\$ 275.1	\$ 1,659.8
SEGMENT EXPENSES												
Compensation and benefits												
Cash-based compensation and benefits	\$ 508.3	\$ 140.4	\$ 92.0	\$ 740.7	\$ 510.6	\$ 185.2	\$ 96.3	\$ 792.1	\$ 382.8	\$ 156.1	\$ 80.3	\$ 619.2
Realized performance revenues related compensation	261.9	4.5	96.3	362.7	145.2	0.4	64.6	210.2	114.4	12.2	125.0	251.6
Total compensation and benefits	770.2	144.9	188.3	1,103.4	655.8	185.6	160.9	1,002.3	497.2	168.3	205.3	870.8
General, administrative, and other expenses	231.7	30.5	36.6	298.8	215.2	78.9	37.2	331.3	115.2	30.7	22.5	168.4
Depreciation and amortization expense	24.1	6.3	4.7	35.1	32.1	9.9	6.2	48.2	16.2	5.2	3.4	24.8
Interest expense	45.2	22.9	6.6	74.7	46.8	27.0	7.9	81.7	43.4	20.2	7.0	70.6
Total expenses	\$ 1,071.2	\$ 204.6	\$ 236.2	\$ 1,512.0	\$ 949.9	\$ 301.4	\$ 212.2	\$ 1,463.5	\$ 672.0	\$ 224.4	\$ 238.2	\$ 1,134.6
Distributable Earnings	\$ 557.5	\$ 77.5	\$ 38.9	\$ 673.9	\$ 579.4	\$ 48.4	\$ 18.8	\$ 646.6	\$ 406.4	\$ 81.9	\$ 36.9	\$ 525.2
(-) Realized net performance revenues	304.3	5.3	10.1	319.7	156.6	1.4	6.1	164.1	137.3	14.3	7.4	159.0
(-) Realized principal investment income (loss)	40.1	7.9	0.1	48.1	73.3	12.0	1.7	87.0	34.0	14.9	1.9	50.8
(+) Net interest	31.5	7.6	5.2	44.3	38.1	12.8	6.4	57.3	40.8	12.2	6.4	59.4
Fee Related Earnings	\$ 244.6	\$ 71.9	\$ 33.9	\$ 350.4	\$ 387.6	\$ 47.8	\$ 17.4	\$ 452.8	\$ 275.9	\$ 64.9	\$ 34.0	\$ 374.8

Recast Segment Results: 2020 Quarters

	For the Three Months Ended March 31, 2020				For the Three Months Ended June 30, 2020				For the Three Months Ended September 30, 2020			
	Global Private Equity	Global Credit	Investment Solutions	Total Segments	Global Private Equity	Global Credit	Investment Solutions	Total Segments	Global Private Equity	Global Credit	Investment Solutions	Total Segments
<i>(in millions)</i>												
SEGMENT REVENUES												
Fund management fees	\$ 268.7	\$ 73.0	\$ 39.8	\$ 381.5	\$ 262.5	\$ 78.3	\$ 45.6	\$ 386.4	\$ 248.1	\$ 86.2	\$ 54.8	\$ 389.1
Transaction and portfolio advisory fees, net and other	4.2	2.6	-	6.8	3.1	15.2	-	18.3	3.5	1.6	-	5.1
Total fee revenues	272.9	75.6	39.8	388.3	265.6	93.5	45.6	404.7	251.6	87.8	54.8	394.2
Realized performance revenues	65.2	21.0	85.4	171.6	116.0	5.5	30.7	152.2	70.5	-	16.3	86.8
Realized principal investment income (loss)	10.2	5.1	0.6	15.9	16.3	5.3	0.5	22.1	7.5	4.5	0.8	12.8
Interest income	1.8	3.1	0.4	5.3	0.5	2.6	0.1	3.2	0.3	2.3	0.1	2.7
Total revenues	\$ 350.1	\$ 104.8	\$ 126.2	\$ 581.1	\$ 398.4	\$ 106.9	\$ 76.9	\$ 582.2	\$ 329.9	\$ 94.6	\$ 72.0	\$ 496.5
SEGMENT EXPENSES												
Compensation and benefits												
Cash-based compensation and benefits	\$ 129.7	\$ 49.1	\$ 25.0	\$ 203.8	\$ 130.6	\$ 54.5	\$ 25.0	\$ 210.1	\$ 122.5	\$ 52.5	\$ 30.3	\$ 205.3
Realized performance revenues related compensation	29.7	9.7	84.0	123.4	51.8	2.5	27.0	81.3	32.9	-	14.0	46.9
Total compensation and benefits	159.4	58.8	109.0	327.2	182.4	57.0	52.0	291.4	155.4	52.5	44.3	252.2
General, administrative, and other expenses	37.2	5.6	5.5	48.3	37.6	13.1	7.4	58.1	40.4	12.0	9.6	62.0
Depreciation and amortization expense	4.8	1.6	1.0	7.4	6.1	1.8	1.3	9.2	5.3	1.8	1.1	8.2
Interest expense	13.9	7.0	2.3	23.2	15.8	6.9	2.4	25.1	13.7	6.3	2.3	22.3
Total expenses	\$ 215.3	\$ 73.0	\$ 117.8	\$ 406.1	\$ 241.9	\$ 78.8	\$ 63.1	\$ 383.8	\$ 214.8	\$ 72.6	\$ 57.3	\$ 344.7
Distributable Earnings	\$ 134.8	\$ 31.8	\$ 8.4	\$ 175.0	\$ 156.5	\$ 28.1	\$ 13.8	\$ 198.4	\$ 115.1	\$ 22.0	\$ 14.7	\$ 151.8
(-) Realized net performance revenues	35.5	11.3	1.4	48.2	64.2	3.0	3.7	70.9	37.6	-	2.3	39.9
(-) Realized principal investment income (loss)	10.2	5.1	0.6	15.9	16.3	5.3	0.5	22.1	7.5	4.5	0.8	12.8
(+) Net interest	12.1	3.9	1.9	17.9	15.3	4.3	2.3	21.9	13.4	4.0	2.2	19.6
Fee Related Earnings	\$ 101.2	\$ 19.3	\$ 8.3	\$ 128.8	\$ 91.3	\$ 24.1	\$ 11.9	\$ 127.3	\$ 83.4	\$ 21.5	\$ 13.8	\$ 118.7

Recast Performance Metrics

(\$ in billions)	Total AUM			FEAUM		
	2018	2019	YTD 3Q'20	2018	2019	YTD 3Q'20
Total	\$ 216.5	\$ 224.4	\$ 230.0	\$ 159.6	\$ 161.1	\$ 166.6
Global Private Equity*	126.4	129.8	125.3	95.3	94.8	89.2
Corporate Private Equity	80.8	86.4	85.3	62.4	61.7	57.6
Real Estate	18.6	18.4	18.6	11.8	11.5	12.1
Natural Resources	23.0	22.4	20.4	17.8	19.1	18.2
Global Credit	44.5	49.4	53.0	35.2	37.9	42.4
Investment Solutions	45.7	45.2	51.7	29.1	28.4	35.0

(\$ in billions)	Fundraising			Invested Capital Carry Funds			Realized Proceeds Carry Funds		
	2018	2019	YTD 3Q'20	2018	2019	YTD 3Q'20	2018	2019	YTD 3Q'20
Total	\$ 33.1	\$ 19.3	\$ 17.8	\$ 22.5	\$ 21.3	\$ 9.6	\$ 24.0	\$ 19.8	\$ 14.1
Global Private Equity*	22.6	10.6	2.4	16.6	13.4	4.9	13.9	10.7	8.4
Corporate Private Equity	16.9	7.4	0.5	11.3	8.2	2.7	8.8	5.0	5.7
Real Estate	2.0	0.6	0.9	2.0	2.3	1.2	3.1	2.7	1.6
Natural Resources	3.7	2.6	1.0	3.3	2.9	1.0	0.9	2.1	0.2
Global Credit	6.3	5.7	6.8	1.2	2.6	1.9	0.8	1.8	1.2
Investment Solutions	4.2	3.0	8.6	4.7	5.3	2.8	9.4	7.3	4.5

Segments may not sum due to rounding. Total AUM and Fee-earning AUM are as of period end.

*The Legacy Energy funds are included in the Global Private Equity total, but excluded from the strategy breakouts.

Reconciliation of Non-GAAP to U.S. GAAP

<i>(in millions)</i>	FY 2018	FY 2019	YTD 3Q 2020
INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES	\$ 360.2	\$ 1,233.4	\$ (117.1)
Adjustments:			
Net unrealized performance revenues	50.2	(42.3)	(238.8)
Unrealized principal investment (income) loss	(48.8)	(590.9)	643.2
Adjusted unrealized principal investment (income) loss from investment in Fortitude Re	(11.7)	(140.9)	104.4
Equity-based compensation	252.2	151.5	87.4
Acquisition related charges, including amortization of intangibles and impairment	22.3	52.0	28.6
Other non-operating expense (income)	1.1	1.3	1.3
Tax (expense) benefit associated with performance revenues	(1.5)	(14.3)	4.1
Net (income) loss attributable to non-controlling interests in consolidated entities	(33.9)	(36.6)	1.2
Lease assignment and termination costs	66.9	-	-
Debt extinguishment costs	7.8	0.1	-
Corporate conversion costs, severance and other adjustments	9.1	33.3	10.9
DISTRIBUTABLE EARNINGS	\$ 673.9	\$ 646.6	\$ 525.2
Realized performance revenues, net of related compensation	319.7	164.1	159.0
Realized principal investment income	48.1	87.0	50.8
Net interest	44.3	57.3	59.4
FEE RELATED EARNINGS	\$ 350.4	\$ 452.8	\$ 374.8

Reconciliation of Non-GAAP to U.S. GAAP

<i>(in millions)</i>	IQ 2020	2Q 2020	3Q 2020
INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES	\$ (789.0)	\$ 256.8	\$ 415.1
Adjustments:			
Net unrealized performance revenues	528.9	(587.4)	(180.3)
Unrealized principal investment (income) loss	264.7	459.5	(81.0)
Adjusted unrealized principal investment (income) loss from investment in Fortitude Re	22.8	81.6	-
Equity-based compensation	31.7	34.6	21.1
Acquisition related charges, including amortization of intangibles and impairment	3.0	7.1	18.5
Other non-operating expense (income)	0.2	0.5	0.6
Tax (expense) benefit associated with performance revenues	11.2	0.7	(7.8)
Net (income) loss attributable to non-controlling interests in consolidated entities	97.0	(58.6)	(37.2)
Lease assignment and termination costs	-	-	0.5
Corporate conversion costs, severance and other adjustments	4.5	3.6	2.4
DISTRIBUTABLE EARNINGS	\$ 175.0	\$ 198.4	\$ 151.8
Realized performance revenues, net of related compensation	48.2	70.9	39.9
Realized principal investment income	15.9	22.1	12.8
Net interest	17.9	21.9	19.6
FEE RELATED EARNINGS	\$ 128.8	\$ 127.3	\$ 118.7