

APOLLO INVESTMENT CORP
Form 10-Q
August 08, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Quarter Ended June 30, 2013

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
Commission File Number: 814-00646

APOLLO INVESTMENT CORPORATION

(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of incorporation or organization)

52-2439556
(I.R.S. Employer Identification No.)

9 West 57th Street

37th Floor

New York, N.Y.
(Address of principal executive office)

10019
(Zip Code)

(212) 515-3450

(Registrant's telephone number, including area code)

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 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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller Reporting Company
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares of the registrant's Common Stock, \$.001 par value, outstanding as of August 7, 2013 was 224,741,351.

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APOLLO INVESTMENT CORPORATION
FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2013

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Table of Contents**PART I. FINANCIAL INFORMATION**

In this Quarterly Report, Apollo Investment, the Company, AIC, we, us and our refer to Apollo Investment Corporation unless the context otherwise states.

Item 1. Financial Statements**APOLLO INVESTMENT CORPORATION****STATEMENTS OF ASSETS AND LIABILITIES**

(in thousands, except per share amounts)

| | June 30, 2013 (unaudited) | March 31, 2013 |
|--|---------------------------------|---------------------|
| Assets | | |
| Non-controlled/non-affiliated investments, at fair value (cost \$2,634,689 and \$2,550,091, respectively) | \$ 2,571,788 | \$ 2,414,307 |
| Non-controlled /affiliated investments, at fair value (cost \$29,340 and \$0, respectively) | 16,582 | |
| Controlled investments, at fair value (cost \$487,447 and \$469,210, respectively) | 451,411 | 436,092 |
| Derivatives, net at fair value (proceeds \$(4,156) and \$0, respectively) | 2,699 | |
| Cash | 10,053 | 3,902 |
| Foreign currency (cost \$7,164 and \$2,293, respectively) | 7,031 | 2,295 |
| Restricted cash (see note 12) | 5,180 | |
| Receivable for investments sold | 8,128 | 5,713 |
| Interest receivable | 44,449 | 51,990 |
| Dividends receivable | 4,850 | 2,703 |
| Deferred financing costs | 30,512 | 26,990 |
| Prepaid expenses and other assets | 995 | 320 |
| Total assets | \$ 3,153,678 | \$ 2,944,312 |
| Liabilities | | |
| Debt (see note 9 & 15) | \$ 1,125,491 | \$ 1,156,067 |
| Payable for investments purchased | 101,559 | 26,021 |
| Dividends payable | 44,948 | 40,578 |
| Management and performance-based incentive fees payable (see note 3) | 29,167 | 26,509 |
| Interest payable | 12,681 | 12,012 |
| Accrued administrative expenses | 2,452 | 2,219 |
| Other liabilities and accrued expenses | 4,212 | 3,517 |
| Total liabilities | \$ 1,320,510 | \$ 1,266,923 |
| Net Assets | | |
| Common stock, par value \$.001 per share, 400,000 and 400,000 common shares authorized, respectively, and 224,741 and 202,891 issued and outstanding, respectively | \$ 225 | \$ 203 |
| Paid-in capital in excess of par (see note 2f) | 3,115,537 | 2,933,636 |
| Over-distributed net investment income (see note 2f) | (36,764) | (44,183) |
| Accumulated net realized loss (see note 2f) | (1,149,014) | (1,053,080) |
| Net unrealized depreciation | (96,816) | (159,187) |
| Total net assets | \$ 1,833,168 | \$ 1,677,389 |

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| | | |
|----------------------------------|--------------|--------------|
| Total liabilities and net assets | \$ 3,153,678 | \$ 2,944,312 |
| Net asset value per share | \$ 8.16 | \$ 8.27 |

See notes to financial statements.

Table of Contents**APOLLO INVESTMENT CORPORATION****STATEMENTS OF OPERATIONS (unaudited)**

(in thousands, except per share amounts)

| | Three months ended | |
|--|---------------------------|-----------------|
| | June 30, | June 30, |
| | 2013 | 2012 |
| INVESTMENT INCOME: | | |
| From non-controlled/non-affiliated investments: | | |
| Interest | \$ 75,561 | \$ 72,637 |
| Dividends | 4,264 | 1,006 |
| Other income | 4,476 | 4,044 |
| From non-controlled/affiliated investments: | | |
| Interest | 440 | |
| From controlled investments: | | |
| Interest | 5,172 | 1,278 |
| Dividends | 6,722 | 1,368 |
| Other income | 38 | |
| Total investment income | \$ 96,673 | \$ 80,333 |
| EXPENSES: | | |
| Management fees (see note 3) | \$ 14,757 | \$ 13,820 |
| Performance-based incentive fees (see note 3) | 12,449 | 9,516 |
| Interest and other debt expenses | 15,845 | 15,577 |
| Administrative services expense | 1,097 | 750 |
| Other general and administrative expenses | 2,132 | 2,603 |
| Total expenses | 46,280 | 42,266 |
| Management and performance-based incentive fees waived (see note 3) | (1,974) | (665) |
| Net expenses | 44,306 | 41,601 |
| Net investment income | \$ 52,367 | \$ 38,732 |
| REALIZED AND UNREALIZED GAIN (LOSS) FROM INVESTMENTS, CASH EQUIVALENTS, DERIVATIVES AND FOREIGN CURRENCIES: | | |
| Net realized loss: | | |
| Investments and cash equivalents | \$ (97,910) | \$ (18,241) |
| Foreign currencies | 1,976 | (603) |
| Net realized loss | (95,934) | (18,844) |
| Net change in unrealized appreciation/depreciation: | | |
| Investments and cash equivalents | 57,194 | (39,392) |
| Foreign currencies | (1,678) | 7,862 |
| Derivatives | 6,855 | |
| Net change in unrealized appreciation/depreciation | 62,371 | (31,530) |

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| | | |
|--|-----------|-------------|
| Net realized and unrealized gain (loss) from investments, cash equivalents, derivatives and foreign currencies | (33,563) | (50,374) |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS | \$ 18,804 | \$ (11,642) |
| EARNINGS (LOSS) PER SHARE BASIC AND DILUTED (see note 5) | \$ 0.09 | \$ (0.06) |

See notes to financial statements.

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APOLLO INVESTMENT CORPORATION
STATEMENTS OF CHANGES IN NET ASSETS

(in thousands, except shares)

| | Three months ended June 30, 2013 (unaudited) | Year ended March 31, 2013 |
|---|---|------------------------------|
| Increase (decrease) in net assets from operations: | | |
| Net investment income | \$ 52,367 | \$ 167,360 |
| Net realized loss | (95,934) | (74,673) |
| Net change in unrealized appreciation/depreciation | 62,371 | 11,784 |
| Net increase (decrease) in net assets resulting from operations | 18,804 | 104,471 |
| Dividends and distributions to stockholders: | | |
| From net investment income | (44,948) | (159,629) |
| Return of capital | | (2,684) |
| Total dividends and distributions to stockholders | (44,948) | (162,313) |
| Capital share transactions: | | |
| Proceeds from shares sold | 182,273 | 50,000 |
| Less offering costs | (350) | |
| Net increase in net assets from capital share transactions | 181,923 | 50,000 |
| Total increase (decrease) in net assets: | 155,779 | (7,842) |
| Net assets at beginning of period | 1,677,389 | 1,685,231 |
| Net assets at end of period | \$ 1,833,168 | \$ 1,677,389 |
| Capital share activity: | | |
| Shares sold | 21,850,000 | 5,847,953 |
| Net increase in capital share activity | 21,850,000 | 5,847,953 |

See notes to financial statements.

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APOLLO INVESTMENT CORPORATION
STATEMENTS OF CASH FLOWS (unaudited)
(in thousands)

| | Three months ended June 30, | |
|---|------------------------------------|-------------------|
| | 2013 | 2012 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net increase (decrease) in net assets resulting from operations | \$ 18,804 | \$ (11,642) |
| <i>Adjustments to reconcile net increase (decrease):</i> | | |
| PIK interest and dividends | (12,098) | (9,751) |
| Net amortization on investments | (10,124) | (6,756) |
| Amortization of deferred financing costs | 1,821 | 3,481 |
| Increase (decrease) from foreign currency transactions | 2,123 | (470) |
| Net change in unrealized appreciation/depreciation on investments, cash equivalents, derivatives and foreign currencies | (62,371) | 31,530 |
| Net realized loss on investments, cash equivalents and foreign currencies | 95,934 | 18,844 |
| <i>Changes in operating assets and liabilities:</i> | | |
| Restricted cash | (5,180) | |
| Purchase of investments | (788,349) | (198,613) |
| Proceeds from derivatives | 4,156 | |
| Proceeds from disposition of investments and cash equivalents | 580,561 | 254,936 |
| Decrease in interest and dividends receivable | 5,394 | 7,735 |
| Increase (decrease) in prepaid expenses and other assets | (675) | 92 |
| Increase (decrease) in management and performance-based incentive fees payable | 2,658 | (1,731) |
| Increase (decrease) in interest payable | 669 | (250) |
| Increase in accrued expenses and other liabilities | 928 | 331 |
| Increase in payable for investments purchased | 75,538 | 102,581 |
| Increase in receivable for investments sold | (2,415) | (106,412) |
| Net cash provided by (used in) operating activities | \$ (92,626) | \$ 83,905 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from the issuance of common stock | \$ 182,273 | \$ 50,000 |
| Offering costs from the issuance of common stock | (350) | |
| Dividends paid in cash | (40,578) | (39,409) |
| Proceeds from debt | 681,559 | 205,210 |
| Payments on debt | (713,912) | (187,203) |
| Deferred financing costs paid | (5,344) | (12,709) |
| Net cash provided by financing activities | \$ 103,648 | \$ 15,889 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | \$ 11,022 | \$ 99,794 |
| Effect of exchange rates on cash balances | (135) | 318 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | \$ 6,197 | \$ 2,678 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | \$ 17,084 | \$ 102,790 |

See notes to financial statements.

Table of Contents**APOLLO INVESTMENT CORPORATION****SCHEDULE OF INVESTMENTS (unaudited)****June 30, 2013****(in thousands)**

| INVESTMENTS IN NON-CONTROLLED/NON-AFFILIATED INVESTMENTS 140.3% | Industry | Par Amount* | Cost | Fair Value (1) |
|--|------------------------------|--------------------|-------------------|-----------------------|
| <u>CORPORATE DEBT 133.8%</u> | | | | |
| <u>SECURED DEBT 71.0%</u> | | | | |
| <u>1st Lien Secured Debt 28.8%</u> | | | | |
| Amaya Gaming Group, Inc., L+775 11/05/15 | Consumer Products | \$ 14,625 | \$ 14,448 | \$ 14,625 |
| Avaya, Inc., 9.00%, 04/01/19 " | Telecommunications | 20,500 | 21,116 | 19,543 |
| Aveta, Inc., L+825, 12/12/17 | Healthcare | 67,854 | 66,002 | 68,448 |
| Caza Petroleum Inc., L+1000, 5/23/17 | Energy | 20,000 | 19,345 | 19,069 |
| Dark Castle Holdings, LLC, L+225, 3/25/13 | Media | 33,715 | 10,489 | 12,604 |
| Delta Educational Systems, Inc., 16.00% (8.00% Cash/8.00% PIK), 12/11/2016 | Education | 5,118 | 5,118 | 5,118 |
| Endeavour International Corp., 12.00%, 03/01/18 | Oil & Gas | 17,665 | 17,046 | 16,958 |
| Endeavour International Corp., L + 13.00%, 6/30/14 | Oil & Gas | 30,000 | 30,650 | 30,450 |
| Evergreen Tank Solutions, Inc., L+800, 9/28/18 | Manufacturing | 31,200 | 30,632 | 31,044 |
| Evergreen Tank Solutions, Inc., L+800, 9/28/18 | Manufacturing | 5,548 | 5,548 | 5,521 |
| Garden Fresh Restaurant Corp., P+675 (P+425 Cash/0.5% PIK/2.0% default rate), 08/09/13 | Retail | 2,508 | 2,508 | 2,508 |
| Garden Fresh Restaurant Corp., P+775 (P+525 Cash/0.5% PIK/2.0% default rate), 08/09/13 | Retail | 2,508 | 2,434 | 2,508 |
| Magnetation, LLC, 11% 05/15/18 " | Mining | 32,750 | 32,967 | 32,259 |
| Maxus Capital Carbon SPE I, LLC (Skyonic Corp.), 13.00%, 9/18/19 | Chemicals | 60,000 | 60,000 | 60,000 |
| Miller Energy Resources, Inc., 18.00% (15.00% Cash/3.00% PIK Option), 6/29/17 | Energy | 55,307 | 55,307 | 55,307 |
| Nara Cable Funding Limited, 8.875%, 12/01/18 " | Broadcasting & Entertainment | 6,284 | 5,451 | 6,457 |
| New Publishing Holdings (F&W Media), L+650, 06/30/18 | Printing & Publishing | 16,000 | 14,720 | 15,600 |
| Osage Exploration & Development, Inc., L+1500, 4/27/2015 | Energy | 13,000 | 12,775 | 13,000 |
| Panda Sherman Power, LLC, L+750, 9/14/18 | Power | 15,000 | 14,798 | 15,337 |
| Panda Temple Power, LLC, L+1000, 7/18/18 | Power | 25,500 | 25,047 | 25,946 |
| Pelican Energy, LLC, 10.00% (7% Cash / 3% PIK), 12/31/18 | Energy | 11,627 | 11,271 | 11,859 |
| Spotted Hawk Development LLC, 14.00% (13.00% Cash/ 1.00% PIK), 6/30/16 | Energy | 24,063 | 23,310 | 23,101 |
| Sunrun Solar Owner IX, LLC, 9.079%, 12/31/24 | Energy | 3,353 | 3,203 | 3,202 |
| Texas Competitive Electric Holdings, 11.50%, 10/01/20 " | Utilities | 50,000 | 49,699 | 37,542 |
| Total 1st Lien Secured Debt | | | \$ 533,884 | \$ 528,006 |
| <u>2nd Lien Secured Debt 42.2%</u> | | | | |
| AI Chem & Cy US AcquiCo, Inc. (Monarch), L +700, 03/20/20 | Chemicals | \$ 5,000 | \$ 4,976 | \$ 5,025 |
| Allied Security Holdings, LLC, L+825, 2/2/18 | Business Services | 31,000 | 30,773 | 31,388 |
| Amor Holdings, Inc. (American Stock Transfer and Trust Company), L+900, 12/22/20 | Financial Services | 8,000 | 7,840 | 7,980 |
| Ardent Medical Services, Inc., L+950 01/02/19 | Healthcare | 20,000 | 19,530 | 20,325 |
| Arysta Lifescience Corporation, L+700 11/22/20 | Chemicals | 17,133 | 16,963 | 16,994 |
| Avaya, Inc., 10.5% Cash 03/01/21 " | Telecommunications | 16,577 | 15,850 | 12,571 |

See notes to financial statements.

Table of Contents**APOLLO INVESTMENT CORPORATION****SCHEDULE OF INVESTMENTS (unaudited) (continued)****June 30, 2013****(in thousands)**

| INVESTMENTS IN NON-CONTROLLED/NON-AFFILIATED INVESTMENTS 140.3% | Industry | Par Amount* | Cost | Fair Value (1) |
|--|---|--------------------|---------------------|-----------------------|
| 2nd Lien Secured Debt (continued) | | | | |
| Brock Holdings III, Inc., L+825, 3/16/18 | Environmental & Facilities Services | \$ 25,000 | \$ 24,625 | \$ 25,406 |
| Clean Earth, Inc., 13.00%, 8/1/14 | Environmental & Facilities Services | 25,000 | 25,000 | 25,000 |
| Confie Seguros II, L+900 05/08/19 | Consumer Products | 14,844 | 14,566 | 14,881 |
| Deltek, Inc., 8.75%, 6/30/20 | Business Services | 27,273 | 27,000 | 27,375 |
| EZE Software Group, LLC., L +750, 03/14/21 | Business Services | 6,132 | 6,072 | 6,209 |
| Garden Fresh Restaurant Corp., L+1175 PIK, 12/11/13 | Retail | 47,310 | 48,107 | 33,117 |
| GCA Services Group, Inc., L+800, 10/31/20 | Environmental & Facilities Services | 28,547 | 28,602 | 29,100 |
| GETCO Financing Escrow LLC, (Knight Capital Group), 8.25% 06/15/18 " | Financial Services | 39,033 | 38,296 | 37,081 |
| Grocery Outlet Inc., L+925 06/17/19 | Grocery | 8,674 | 8,510 | 8,869 |
| HD Vest Inc., L+225, 6/17/18 | Financial Services | 9,396 | 9,279 | 9,302 |
| Healogics, Inc., L+800, 02/05/20 | Healthcare | 10,000 | 10,120 | 10,250 |
| Insight Pharmaceuticals, LLC, L+1175, 8/25/17 | Consumer Products | 15,448 | 15,210 | 15,796 |
| ION Trading Technologies S.A.R.L., L+700 05/22/21 | Financial Services | 7,707 | 7,648 | 7,705 |
| IPC Systems, Inc., L+525, 05/31/15 | Telecommunications | 44,250 | 42,908 | 35,621 |
| Kronos, Inc., L+850, 04/26/20 | Electronics | 61,358 | 60,533 | 63,506 |
| PH Holdings LLC, 9.75%, 12/31/17 | Homebuilding | 20,000 | 19,645 | 21,275 |
| Ranpak Corp., L+725, 04/23/20 | Packaging | 22,000 | 21,784 | 22,330 |
| Sedgwick Holdings, Inc., L+700, 12/12/18 | Business Services | 15,225 | 15,149 | 15,377 |
| SESAC Holdco II LLC, L+875, 08/08/19 | Broadcasting & Entertainment | 10,750 | 10,891 | 11,073 |
| Smart & Final Stores LLC, L+925 11/08/20 | Grocery | 12,392 | 12,038 | 12,562 |
| Sprint Industrial Holdings, LLC, L+1000 11/14/19 | Packaging | 13,500 | 13,234 | 13,584 |
| SquareTwo Financial Corp. (Collect America), 11.625%, 04/01/17 | Financial Services | 51,079 | 49,523 | 52,867 |
| Transfirst Holdings Inc., L+9.75%, 06/20/18 | Financial Services | 64,750 | 63,134 | 66,126 |
| U.S. Renal Care, Inc., L+900, 01/03/20 | Healthcare | 9,910 | 9,920 | 10,108 |
| Valerus Compression Services, LP, 11.50%, 3/26/18 | Manufacturing | 40,000 | 40,000 | 41,200 |
| Venoco, Inc., 8.875%, 02/15/19 | Energy | 13,050 | 13,298 | 12,796 |
| Vertafore, Inc., L+825, 10/29/17 | Business Services | 49,260 | 48,917 | 50,307 |
| Total 2nd Lien Secured Debt | | | \$ 779,941 | \$ 773,106 |
| TOTAL SECURED DEBT | | | \$ 1,313,825 | \$ 1,301,112 |
| UNSECURED DEBT 62.8% | | | | |
| Allied Nevada Gold Corp., 8.75%, 06/02/19 " | Diversified Natural Resources, Precious Metals and Minerals | CAD 39,000 | \$ 35,744 | \$ 32,301 |
| Altegrity Inc., 0.00%, 8/2/16 " | Diversified Service | \$ 3,545 | 2,431 | 1,666 |
| Altegrity Inc., 11.75%, 5/1/16 " | Diversified Service | 14,639 | 12,086 | 11,565 |

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|--|---------------------|--------|--------|--------|
| Altegrity Inc., 12.00%, 11/1/15 " | Diversified Service | 79,000 | 79,000 | 72,285 |
| American Tire Distributors, Inc., 11.50%, 6/1/18 " | Distribution | 25,000 | 25,000 | 25,620 |

See notes to financial statements.

Table of Contents**APOLLO INVESTMENT CORPORATION****SCHEDULE OF INVESTMENTS (unaudited) (continued)****June 30, 2013****(in thousands)**

| INVESTMENTS IN NON-CONTROLLED/NON-AFFILIATED INVESTMENTS 140.3% | Industry | Par Amount* | Cost | Fair Value (1) |
|---|---|--------------------|---------------------|-----------------------|
| UNSECURED DEBT (continued) | | | | |
| Angelica Corporation, 15.00% (12.00% Cash / 3.00% PIK), 10/15/16 | Healthcare | \$ 46,284 | \$ 46,284 | \$ 47,210 |
| BCA Osprey II Limited (British Car Auctions), 12.50% PIK, 8/17/17 | Transportation | £ 28,810 | 45,579 | 42,932 |
| BCA Osprey II Limited (British Car Auctions), 12.50% PIK, 8/17/17 | Transportation | 17,496 | 24,113 | 22,344 |
| Casella Waste Systems Inc., 7.75%, 2/15/19 | Environmental & Facilities Services | \$ 1,500 | 1,429 | 1,433 |
| Ceridian Corp., 12.25% Cash or 13.00% PIK, 11/15/15 | Diversified Service | 14,420 | 14,411 | 14,684 |
| Ceridian Corp., 11.25%, 11/15/15 | Diversified Service | 35,800 | 35,808 | 36,471 |
| Ceridian Corp., 11.00%, 03/15/21 " | Diversified Service | 67,500 | 67,500 | 75,178 |
| Delta Educational Systems, Inc., 16.00% (10.00% Cash/ 6% PIK), 05/12/17 | Education | 20,729 | 20,340 | 19,485 |
| Denver Parent (Venoco), 18.00% (variable increases for PIK elections), 10/03/15 " | Energy | 21,668 | 21,668 | 24,485 |
| Energy & Exploration Partners, Inc., 15.00%, 04/08/18 | Oil & Gas | 25,000 | 22,103 | 22,099 |
| Exova Limited, 10.50%, 10/15/18 " | Business Services | £ 18,000 | 27,086 | 29,280 |
| Exova Limited, 10.50%, 10/15/18 | Business Services | 4,655 | 6,115 | 7,572 |
| First Data Corp., 11.25%, 01/15/21 " | Financial Services | \$ 67,000 | 66,976 | 67,056 |
| First Data Corp., 10.625%, 06/15/21 " | Financial Services | 10,000 | 10,000 | 9,900 |
| First Data Corp., 11.75% 8/15/21 " | Financial Services | 45,000 | 45,031 | 40,950 |
| First Data Corp., 11.25%, 03/31/16 | Financial Services | 41,862 | 38,746 | 41,051 |
| inVentiv Health, Inc., 11.00%, 8/15/18 " | Healthcare | 150,000 | 150,000 | 126,000 |
| Lonestar Intermediate Super Holdings (Asurion), LLC, L+950, 9/2/19 | Insurance | 41,922 | 41,779 | 44,018 |
| Molycorp, Inc., 10.00%, 06/01/20 | Diversified Natural Resources, Precious Metals and Minerals | 16,458 | 16,137 | 16,026 |
| National Financial Partners, 9.00%, 7/15/21 " | Financial Services | 10,000 | 10,000 | 9,900 |
| Niacet Corporation, 13.00%, 08/28/18 | Chemicals | 12,500 | 12,500 | 12,500 |
| Penn Virginia Corp., 8.50%, 05/01/20 " | Oil & Gas | 43,038 | 43,308 | 42,204 |
| PetroBakken Energy Ltd. (Lightstream Resources Ltd), 8.625%, 02/01/20 " | Oil & Gas | 61,581 | 62,668 | 58,656 |
| U.S. Security Associates Holdings, Inc., 11.00%, 7/28/18 | Business Services | 135,000 | 135,000 | 137,970 |
| Univar Inc., 10.50% 06/30/18 | Distribution | 20,000 | 20,000 | 19,480 |
| Varietal Distribution, 10.75%, 6/30/17 " | Distribution | 11,574 | 15,109 | 15,450 |
| Varietal Distribution, 10.75%, 6/30/17 " | Distribution | \$ 22,204 | 21,854 | 22,804 |
| Whistler Energy II, LLC, 14.00%, 01/3/13 | Oil & Gas | 128 | 128 | 128 |
| TOTAL UNSECURED DEBT | | | \$ 1,175,933 | \$ 1,150,703 |
| TOTAL CORPORATE DEBT | | | \$ 2,489,758 | \$ 2,451,815 |
| STRUCTURED PRODUCTS 2.2% | | | | |
| SLM Student Loan Trust 2006-2, Certificates | Diversified Investment Vehicle | \$ 33 | \$ 36,736 | \$ 31,300 |

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| | | | | |
|---|-----------------------------------|--------|------------------|------------------|
| Westbrook CLO Ltd., Series 2006-1A, Class E L+370, 12/20/20 " | Diversified Investment Vehicle | 11,000 | 7,436 | 9,845 |
| TOTAL STRUCTURED PRODUCTS | | | \$ 44,172 | \$ 41,145 |

See notes to financial statements.

Table of Contents**APOLLO INVESTMENT CORPORATION****SCHEDULE OF INVESTMENTS (unaudited) (continued)****June 30, 2013****(in thousands, except shares)**

| INVESTMENTS IN NON-CONTROLLED/NON-AFFILIATED INVESTMENTS 140.3% | Industry | Shares | Cost | Fair Value (1) |
|---|-----------------------|---------------|------------------|-----------------------|
| <u>PREFERRED EQUITY 0.7%</u> | | | | |
| CA Holding, Inc. (Collect America, Ltd.) Series A ** | Financial Services | 7,961 | \$ 788 | \$ 1,592 |
| Gryphon Colleges Corporation (Delta Educational Systems, Inc.), 13.50% PIK, 5/12/14 *** | Education | 12,360 | 27,686 | 8,535 |
| Gryphon Colleges Corporation (Delta Educational Systems, Inc.), 12.50% PIK *** | Education | 332,500 | 6,863 | |
| Varietal Distribution Holdings, LLC, Class A 8.00% PIK | Distribution | 3,097 | 4,982 | 2,667 |
| TOTAL PREFERRED EQUITY | | | \$ 40,319 | \$ 12,794 |
| <u>EQUITY 3.6%</u> | | | | |
| <u>Common Equity/Interests 3.0%</u> | | | | |
| Accelerate Parent Corp. (American Tire Distributors) ** | Distribution | 3,125,000 | \$ 3,125 | \$ 3,560 |
| AHC Mezzanine LLC (Advanstar) ** | Media | | 1,063 | 643 |
| Altegrity Holding Corp. ** | Diversified Service | 353,399 | 13,797 | 1,214 |
| CA Holding, Inc. (Collect America, Ltd.) Series A ** | Financial Services | 25,000 | 2,500 | 2,498 |
| CA Holding, Inc. (Collect America, Ltd.) Series AA ** | Financial Services | 4,294 | 429 | 859 |
| Caza Petroleum, Inc., Net Profits Interest ** | Energy | | 525 | 771 |
| Caza Petroleum, Inc., Overriding Royalty Interest ** | Energy | | 148 | 160 |
| Clothesline Holdings, Inc. (Angelica Corporation) ** | Healthcare | 6,000 | 6,000 | 3,608 |
| Explorer Coinvest LLC (Booz Allen) ** | Consulting Services | 430 | 3,322 | 6,950 |
| Garden Fresh Restaurant Holding, LLC ** | Retail | 50,000 | 5,000 | |
| Gryphon Colleges Corporation (Delta Educational Systems, Inc.) ** | Education | 17,500 | 175 | |
| GS Prysmian Co-Invest L.P. (Prysmian Cables & Systems) (2,3) ** | Manufacturing | | | 141 |
| JV Note Holdco LLC (DSI Renal Inc.) ** | Healthcare | 9,303 | 85 | |
| Pelican Energy, LLC, Net Profits Interest ** | Energy | | 306 | 257 |
| Penton Business Media Holdings, LLC ** | Printing & Publishing | 124 | 4,950 | 17,050 |
| RC Coinvestment, LLC (Ranpak Corp.) ** | Packaging | 50,000 | 5,000 | 5,923 |
| Sorenson Communications Holdings, LLC Class A ** | Consumer Products | 454,828 | 45 | 1,700 |
| Univar Inc. ** | Distribution | 900,000 | 9,000 | 9,600 |
| Varietal Distribution Holdings, LLC Class A ** | Distribution | 28,028 | 28 | |
| Total Common Equity/Interests | | | \$ 55,498 | \$ 54,934 |

See notes to financial statements.

Table of Contents**APOLLO INVESTMENT CORPORATION****SCHEDULE OF INVESTMENTS (unaudited) (continued)****June 30, 2013****(in thousands, except shares and warrants)**

| INVESTMENTS IN NON-CONTROLLED/ NON-AFFILIATED INVESTMENTS 140.3% | Industry | Warrants | Cost | Fair Value (1) |
|--|--------------------|-----------------|---------------------|-----------------------|
| Warrants 0.6% | | | | |
| CA Holding, Inc. (Collect America, Ltd.), Common ** | Financial Services | 7,961 | \$ 8 | \$ |
| Energy & Exploration Partners, Inc., Common ** | Oil & Gas | 48,077 | 2,232 | 2,232 |
| Fidji Luxco (BC) S.C.A., Common (FCI) (2) ** | Electronics | 24,862 | 250 | 5,859 |
| Gryphon Colleges Corporation (Delta Educational Systems, Inc.), Common ** | Education | 9,820 | 98 | |
| Gryphon Colleges Corporation (Delta Educational Systems, Inc.), Class A-1 Preferred ** | Education | 45,947 | 459 | |
| Gryphon Colleges Corporation (Delta Educational Systems, Inc.), Class B-1 Preferred ** | Education | 104,314 | 1,043 | |
| Osage Exploration & Development, Inc., Common ** | Energy | 1,496,843 | | 1,242 |
| Spotted Hawk Development LLC, Common ** | Energy | 54,545 | 852 | 1,767 |
| Total Warrants | | | \$ 4,942 | \$ 11,100 |
| TOTAL EQUITY | | | \$ 60,440 | \$ 66,034 |
| Total Investments in Non-Controlled/ Non-Affiliated Investments | | | \$ 2,634,689 | \$ 2,571,788 |

See notes to financial statements.

Table of Contents**APOLLO INVESTMENT CORPORATION****SCHEDULE OF INVESTMENTS (unaudited) (continued)**

June 30, 2013

(in thousands, except shares and warrants)

| INVESTMENTS IN NON-CONTROLLED/ AFFILIATED INVESTMENTS 0.9% (4) | Industry | Par Amount | Cost | Fair Value (1) |
|--|-----------|-------------|-------------------|-------------------|
| <u>CORPORATE DEBT 0.8%</u> | | | | |
| <u>SECURED DEBT 0.8%</u> | | | | |
| <u>1st Lien Secured Debt 0.8%</u> | | | | |
| Aventine Renewable Energy Holdings, Inc., 15.00% (12% Cash/3% PIK), 9/24/16 | Chemicals | \$ 3,969 | \$ 3,853 | \$ 3,334 |
| Aventine Renewable Energy Holdings, Inc., 10.50% Cash or 15.00% PIK, 9/24/17 | Chemicals | 12,566 | 16,280 | 7,163 |
| Aventine Renewable Energy Holdings, Inc., 25.00% PIK, 9/24/16 | Chemicals | 4,523 | 4,523 | 4,523 |
| Total 1st Lien Secured Debt | | | \$ 24,656 | \$ 15,020 |
| TOTAL CORPORATE DEBT | | | \$ 24,656 | \$ 15,020 |
| | | | Shares | |
| <u>EQUITY 0.1%</u> | | | | |
| <u>Common Equity/Interests 0.0%</u> | | | | |
| Aventine Renewable Energy Holdings, Inc. ** | Chemicals | 262,036 | \$ 688 | \$ 229 |
| Total Common Equity/Interests | | | \$ 688 | \$ 229 |
| | | | Warrants | |
| <u>Warrants 0.1%</u> | | | | |
| Aventine Renewable Energy Holdings, Inc. ** | Chemicals | 1,521,193 | \$ 3,996 | \$ 1,333 |
| Total Warrants | | | \$ 3,996 | \$ 1,333 |
| TOTAL EQUITY | | | \$ 4,684 | \$ 1,562 |
| Total Investments in Non-Controlled/Affiliated Investments | | | \$ 29,340 | \$ 16,582 |
| | | | | |
| INVESTMENTS IN CONTROLLED INVESTMENTS 24.7% (5) | Industry | Par Amount* | Cost | Fair Value (1) |
| <u>CORPORATE DEBT 9.3%</u> | | | | |
| <u>SECURED DEBT 6.9%</u> | | | | |
| <u>1st Lien Secured Debt 6.3%</u> | | | | |
| Merx Aviation Finance Holdings, LLC, 12.00%, 01/09/21 | Aviation | \$ 91,072 | \$ 91,072 | \$ 91,072 |
| Merx Aviation Finance Holdings, LLC, 12.00%, 02/01/21 | Aviation | 5,303 | 5,303 | 5,303 |
| Merx Aviation Finance Holdings, LLC, 12.00%, 03/28/21 | Aviation | 4,684 | 4,684 | 4,684 |
| Merx Aviation Finance Holdings, LLC, 12.00%, 06/25/21 | Aviation | 13,500 | 13,500 | 13,500 |
| Total 1st Lien Secured Debt | | | \$ 114,559 | \$ 114,559 |

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2nd Lien Secured Debt 0.6%

| | | | | | | | |
|--------------------------------------|-------------------------------------|----|--------|----|-------|----|--------|
| LVI Services, Inc., 12.50%, 03/06/18 | Environmental & Facilities Services | \$ | 10,000 | \$ | 9,821 | \$ | 10,000 |
|--------------------------------------|-------------------------------------|----|--------|----|-------|----|--------|

Total 2nd Lien Secured Debt **\$ 9,821** **\$ 10,000**

TOTAL SECURED DEBT **\$ 124,380** **\$ 124,559**

UNSECURED DEBT 2.4%

| | | | | | | | |
|--|-------------------|---|--------|----|--------|----|--------|
| Playpower Holdings, Inc., 14.00% PIK (EUR), 12/15/15 | Leisure Equipment | | 19,729 | \$ | 26,150 | \$ | 25,324 |
| Playpower, Inc., 12.50% PIK (GBP), 12/31/15 | Leisure Equipment | £ | 12,693 | | 19,478 | | 19,012 |

TOTAL UNSECURED DEBT **\$ 45,628** **\$ 44,336**

TOTAL CORPORATE DEBT **\$ 170,008** **\$ 168,895**

See notes to financial statements.

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APOLLO INVESTMENT CORPORATION

SCHEDULE OF INVESTMENTS (unaudited) (continued)

June 30, 2013

(in thousands)

| | Industry | Par Amount* | Cost | Fair Value (1) |
|---|--|-------------|---------------------|---------------------|
| INVESTMENTS IN CONTROLLED INVESTMENTS 24.7% (5) | | | | |
| STRUCTURED PRODUCTS 7.7% | | | | |
| AIC Credit Opportunity Fund LLC (9) | Diversified Investment Vehicle | \$ | \$ 26,630 | \$ 17,339 |
| Highbridge Loan Ltd. Preference Shares ** | Diversified Investment Vehicle | 8,018 | 8,018 | 8,252 |
| Jamestown CLO I LTD, Class D, L+550, 11/05/24 | Diversified Investment Vehicle | 3,800 | 3,379 | 3,488 |
| Jamestown CLO I LTD, Class C, L+400, 11/05/24 | Diversified Investment Vehicle | 1,120 | 1,025 | 1,095 |
| Jamestown CLO I LTD, Subordinated Notes 11/05/24 | Diversified Investment Vehicle | 15,075 | 13,124 | 12,365 |
| Kirkwood Fund II LLC, Common Interests | Diversified Investment Vehicle | | 38,572 | 40,977 |
| MCF CLO I LLC, Class E Notes, L+575, 4/20/23 | Diversified Investment Vehicle | 13,000 | 12,291 | 12,610 |
| MCF CLO I LLC, Membership Interests | Diversified Investment Vehicle | 38,918 | 38,918 | 38,492 |
| Slater Mill Loan Fund LP, Certificates | Diversified Investment Vehicle | 8,375 | 6,704 | 6,599 |
| TOTAL STRUCTURED PRODUCTS | | | \$ 148,661 | \$ 141,217 |
| | Shares | | | |
| EQUITY 7.7% | | | | |
| Common Equity/Interests 7.7% | | | | |
| Generation Brands Holdings, Inc. (Quality Home Brands) ** | Consumer Products | 9,007 | \$ 1 | \$ 811 |
| Generation Brands Holdings, Inc. Series H (Quality Home Brands) ** | Consumer Products | 7,500 | 2,297 | 675 |
| Generation Brands Holdings, Inc. Series 2L (Quality Home Brands) ** | Consumer Products | 36,700 | 11,242 | 3,303 |
| LVI Parent Corp. (LVI Services, Inc.) ** | Environmental & Facilities Services | 14,981 | 16,096 | 32,745 |
| Merx Aviation Finance Holdings, LLC ** | Aviation | 614 | 61,420 | 61,420 |
| Playpower Holdings, Inc. ** | Leisure Equipment | 1,000 | 77,722 | 42,345 |
| Total Common Equity/Interests | | | \$ 168,778 | \$ 141,299 |
| TOTAL EQUITY | | | \$ 168,778 | \$ 141,299 |
| Total Investments in Controlled Investments | | | \$ 487,447 | \$ 451,411 |
| Total Investments 165.9% (6,7) | | | \$ 3,151,476 | \$ 3,039,781 |

See notes to financial statements.

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APOLLO INVESTMENT CORPORATION
SCHEDULE OF INVESTMENTS (unaudited) (continued)

June 30, 2013

(in thousands, except shares and warrants)

| DERIVATIVES 0.1% | | | | | | |
|--|------------------------------|--------------------------|---------------|--------------------|-----------------|---------------------|
| Type | Pay/Receive Floating Rate | Fixed Rate / Proceeds | Floating Rate | Notional Amount | Expiration Date | Fair Value (1) |
| Interest rate swap | Receive | 0.50% | 3 month LIBOR | \$ 100,000 | April 11, 2016 | \$ 596 |
| Interest rate swap | Receive | 0.90% | 3 month LIBOR | 100,000 | April 11, 2018 | 2,570 |
| Interest rate swap | Receive | 1.38% | 3 month LIBOR | 67,000 | April 11, 2020 | 2,878 |
| Interest rate swap | Receive | 1.94% | 3 month LIBOR | 67,000 | April 11, 2023 | 4,044 |
| Interest rate cap | Pay | \$ (185) | 3 month LIBOR | 100,000 | July 25, 2016 | (539) |
| Interest rate cap | Pay | (847) | 3 month LIBOR | 100,000 | July 25, 2018 | (1,890) |
| Interest rate cap | Pay | (1,099) | 3 month LIBOR | 67,000 | July 25, 2020 | (1,969) |
| Interest rate cap | Pay | (2,025) | 3 month LIBOR | 67,000 | July 25, 2023 | (2,991) |
| TOTAL DERIVATIVES 0.1% | | | | | | \$ 2,699 |
| Liabilities in Excess of Other Assets (66.0%) | | | | | | (1,209,312) |
| Net Assets 100.0% | | | | | | \$ 1,833,168 |

- (1) Fair value is determined in good faith by or under the direction of the Board of Directors of the Company (see Note 2).
(2) Denominated in foreign currency as indicated.
(3) The Company is the sole Limited Partner in GS Prysmian Co-Invest L.P.
(4) Denotes investments in which we are an Affiliated Person, as defined in the 1940 Act, due to owning, controlling, or holding the power to vote, 5% or more of the outstanding voting securities of the investment. Transactions during the three months ended June 30, 2013 in these Affiliated investments are as follows:

| Name of Issuer | Fair Value at March 31, 2013 | Gross Additions | Gross Reductions | Interest/Dividend/ Other Income | Fair Value at June 30, 2013 |
|---|---------------------------------|--------------------|---------------------|---------------------------------------|-----------------------------------|
| Aventine Renewable Energy Holdings, Inc., 15.00% (12% Cash/3% PIK), 9/24/16 | \$ 3,866 | \$ 3 | \$ | \$ 124 | \$ 3,334 |
| Aventine Renewable Energy Holdings, Inc., 10.50% Cash or 15.00% PIK, 9/24/17 | 9,682 | 464 | | 275 | 7,163 |
| Aventine Renewable Energy Holdings, Inc., 25.00% PIK, 9/24/16 | N/A | 4,523 | | 41 | 4,523 |
| Aventine Renewable Energy Holdings, Inc Common Equity | 2,347 | | (3,996) | | 229 |
| Aventine Renewable Energy Holdings, Inc., Warrants for Common Equity | N/A | 3,996 | | | 1,333 |
| | \$ 15,895 | \$ 8,986 | \$ (3,996) | \$ 440 | \$ 16,582 |

See notes to financial statements.

Table of Contents**APOLLO INVESTMENT CORPORATION****SCHEDULE OF INVESTMENTS (unaudited) (continued)****June 30, 2013****(in thousands)**

- (5) Denotes investments in which we are deemed to exercise a controlling influence over the management or policies of a company, as defined in the 1940 Act, due to beneficially owning, either directly or through one or more controlled companies, more than 25% of the outstanding voting securities of the investment. Transactions during the three months ended June 30, 2013 in these Controlled investments are as follows:

| Name of Issuer | Fair Value at March 31, 2013 | Gross Additions | Gross Reductions | Interest/Dividend/ Other Income | Fair Value at June 30, 2013 |
|---|---|----------------------------|-----------------------------|--|--|
| Merx Aviation Finance Holdings, LLC, 12.00%, 1/09/21 | \$ 92,000 | \$ | \$ (928) | \$ 2,749 | \$ 91,072 |
| Merx Aviation Finance Holdings, LLC, 12.00%, 2/01/21 | 5,303 | | | 159 | 5,303 |
| Merx Aviation Finance Holdings, LLC, 12.00%, 3/28/21 | 4,684 | | | 140 | 4,684 |
| Merx Aviation Finance Holdings, LLC, 12.00%, 6/25/21 | N/A | 13,500 | | 27 | 13,500 |
| LVI Services, Inc., 12.50%, 03/06/2018 | 10,000 | | | 318 | 10,000 |
| Playpower Holdings, Inc., 14.00% PIK, 12/15/15 | 24,173 | 865 | | 869 | 25,324 |
| Playpower, Inc., 12.50% PIK, 12/31/15 | 18,458 | 582 | | 648 | 19,012 |
| AIC Credit Opportunity Fund LLC Common Equity | 50,696 | 20,386 | (49,824) | 1,896 | 17,339 |
| Highbridge Loan, Ltd., Preference Shares ** | 6,174 | 1,844 | | | 8,252 |
| Jamestown CLO I LTD, Subordinated Notes, 11/5/24 | 13,568 | | (896) | 512 | 12,365 |
| Jamestown CLO I LTD, Class D L+550, 11/05/24 | 3,537 | | | 62 | 3,488 |
| Jamestown CLO I LTD, Class C L+400, 11/05/24 | 1,109 | | | 14 | 1,095 |
| Kirkwood Fund II LLC, Common Interest | 43,144 | | (2,494) | 1,820 | 40,977 |
| MCF CLO I LLC, Membership Interests | 38,918 | | | 2,169 | 38,492 |
| MCF CLO I LLC, Class E Notes L+575, 4/20/23 | 12,273 | | | 220 | 12,610 |
| Slater Mill Loan Fund LP, Certificates | 6,951 | | (415) | 291 | 6,599 |
| Generation Brands Holdings, Inc. (Quality Home Brands) Common Equity** | 432 | | | | 811 |
| Generation Brands Holdings, Inc. (Quality Home Brands) Series H Common Equity** | 360 | | | | 675 |
| Generation Brands Holdings, Inc. (Quality Home Brands) Series 2L Common Equity** | 1,760 | | | | 3,303 |
| LVI Parent Corp. Common Equity** | 30,575 | | | 38 | 32,745 |
| Merx Aviation Finance Holdings, LLC Equity Interest** | 33,820 | 27,600 | | | 61,420 |
| Playpower Holdings, Inc. Common Equity** | 38,157 | | | | 42,345 |
| | \$ 436,092 | \$ 64,777 | \$ (54,557) | \$ 11,932 | \$ 451,411 |

As of June 30, 2013, the Company has a 100%, 32%, 32%, 100%, 100%, 32%, 31%, 98%, 97%, and 26% equity ownership interest in AIC Credit Opportunity Fund LLC, Generation Brands Holdings, Inc., LVI Parent Corp., Playpower Holdings Inc., Merx Aviation Financing Holdings LLC, Highbridge Loan, Ltd, Jamestown CLO I Ltd, Kirkwood Fund II LLC, MCF CLO I LLC, and Slater Mill Loan Fund LP, respectively.

- (6) Aggregate gross unrealized appreciation for federal income tax purposes is \$107,241; aggregate gross unrealized depreciation for federal income tax purposes is \$219,009. Net unrealized depreciation is \$111,768 based on a tax cost of \$3,151,548.
- (7) Substantially all securities are pledged as collateral to our multicurrency revolving credit facility (the Facility). As such these securities are not available as collateral to our general creditors.

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- (8) Denominated in USD unless otherwise noted.
- (9) See Note 6.
- .. These securities are exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions that are exempt from registration, normally to qualified institutional buyers.
- * Denominated in USD unless otherwise noted.
- ** Non-income producing security
- *** Non-accrual status (see Note 2d)

See notes to financial statements.

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APOLLO INVESTMENT CORPORATION
SCHEDULE OF INVESTMENTS (unaudited) (continued)

June 30, 2013

(in thousands)

Denotes debt securities where the Company owns multiple tranches of the same broad asset type but whose security characteristics differ. Such differences may include level of subordination, call protection and pricing, and differing interest rate characteristics, among other factors. Such factors are usually considered in the determination of fair values.

Investments that the Company has determined are not qualifying assets under Section 55(a) of the 1940 Act. Under the 1940 Act, we may not acquire any non-qualifying asset unless, at the time such acquisition is made, qualifying assets represent at least 70% of our total assets. The status of these assets under the 1940 Act are subject to change. The Company monitors the status of these assets on an ongoing basis.

See notes to financial statements.

Table of Contents**APOLLO INVESTMENT CORPORATION****SCHEDULE OF INVESTMENTS (unaudited) (continued)**

| | Percentage of Total Investments (at fair value) as of June 30, 2013 |
|---|--|
| Industry Classification | |
| Financial Services | 11.7% |
| Business Services | 10.0% |
| Healthcare | 9.4% |
| Diversified Service | 7.0% |
| Diversified Investment Vehicle | 6.0% |
| Aviation | 5.8% |
| Oil and Gas | 5.7% |
| Energy | 5.5% |
| Environmental & Facilities Services | 4.1% |
| Chemicals | 3.6% |
| Distribution | 3.3% |
| Leisure Equipment | 2.9% |
| Manufacturing | 2.5% |
| Electronics | 2.3% |
| Telecommunications | 2.2% |
| Transportation | 2.1% |
| Consumer Products | 1.7% |
| Diversified Natural Resources, Precious Metals and Minerals | 1.6% |
| Insurance | 1.4% |
| Packaging | 1.4% |
| Power | 1.4% |
| Retail | 1.3% |
| Utilities | 1.2% |
| Education | 1.1% |
| Printing and Publishing | 1.1% |
| Mining | 1.1% |
| Grocery | 0.7% |
| Homebuilding | 0.7% |
| Broadcasting and Entertainment | 0.6% |
| Media | 0.4% |
| Consulting Services | 0.2% |
| Total Investments | 100.0% |

See notes to financial statements.

Table of Contents**APOLLO INVESTMENT CORPORATION****SCHEDULE OF INVESTMENTS****March 31, 2013****(in thousands)**

| INVESTMENTS IN NON-CONTROLLED/NON- AFFILIATED INVESTMENTS 143.9% | Industry | Par Amount* | Cost | Fair Value (1) |
|---|------------------------------|--------------------|-------------------|-----------------------|
| <u>CORPORATE DEBT 138.7%</u> | | | | |
| <u>SECURED DEBT 68.5%</u> | | | | |
| <u>1st Lien Secured Debt 21.9%</u> | | | | |
| Amaya Gaming Group, Inc., L+775, 11/05/15 | Consumer Products | \$ 14,813 | \$ 14,617 | \$ 14,813 |
| ATI Acquisition Company, P+1400 (P+10.00% Cash/4.00% PIK), 6/30/12 *** | Education | 4,676 | 3,895 | 500 |
| ATI Acquisition Company, P+900 (P+5.00% Cash/4.00% PIK), 12/30/14 *** | Education | 15,491 | 12,596 | |
| Aventine Renewable Energy Holdings, Inc., 12.00%, 9/24/16 | Chemicals | 3,966 | 3,850 | 3,866 |
| Aventine Renewable Energy Holdings, Inc., 10.50% Cash or 15.00% PIK, 9/24/17 | Chemicals | 12,102 | 16,007 | 9,682 |
| Aveta, Inc., L+825, 12/12/17 | Healthcare | 69,594 | 67,607 | 69,985 |
| Dark Castle Holdings, LLC, L+225, 3/25/13 | Media | 34,777 | 11,061 | 13,260 |
| Delta Educational Systems, Inc., 16.00% (8.00% Cash/8.00% PIK), 12/11/16 | Education | 5,018 | 5,018 | 5,018 |
| Endeavour International, 12.00%, 3/01/18 | Oil and Gas | 14,993 | 14,471 | 14,421 |
| Evergreen Tank Solutions, Inc., L+800, 9/28/18 | Manufacturing | 31,600 | 31,004 | 31,580 |
| Garden Fresh Restaurant Corp., L+525 (L+475 Cash/0.5% PIK), 6/11/13 | Retail | 2,503 | 2,503 | 2,503 |
| Garden Fresh Restaurant Corp., L+625 (L+575 Cash/0.5% PIK), 6/11/13 | Retail | 2,503 | 2,481 | 2,503 |
| Miller Energy Resources, Inc., 18.00% (15.00% Cash/3.00% PIK Option), 6/29/17 | Energy | 45,307 | 45,307 | 45,307 |
| Nara Cable Funding Limited, 8.875%, 12/01/18 " | Broadcasting & Entertainment | 6,284 | 5,424 | 6,497 |
| Osage Exploration & Development, Inc., L+1500, 4/27/15 | Energy | 7,000 | 6,872 | 7,000 |
| Panda Sherman Power, LLC, L+750, 9/14/18 | Power | 15,000 | 14,790 | 15,338 |
| Panda Temple Power, LLC, L+1000, 7/18/18 | Power | 25,500 | 25,031 | 26,233 |
| Pelican Energy, LLC, 10.00% (7% Cash/3% PIK), 12/31/18 | Energy | 8,371 | 8,176 | 8,539 |
| Penton Media, Inc., L+400 (L+300 Cash/2.00% PIK), 8/01/14 | Printing & Publishing | 29,923 | 27,404 | 28,876 |
| Spotted Hawk Development LLC, 14.00% (13.00% Cash/ 1.00% PIK), 6/30/16 | Energy | 24,003 | 23,200 | 22,983 |
| Sunrun Solar Owner IX, LLC, 9.079%, 12/31/24 Financial Services | Energy | 1,103 | 1,053 | 1,103 |
| Texas Competitive Electric Holdings, 11.50%, 10/01/20 " | Utilities | 50,000 | 49,693 | 37,656 |
| Total 1st Lien Secured Debt | | | \$ 392,060 | \$ 367,663 |

See notes to financial statements.

Table of Contents**APOLLO INVESTMENT CORPORATION****SCHEDULE OF INVESTMENTS (continued)****March 31, 2013****(in thousands)**

| INVESTMENTS IN NON-CONTROLLED/NON-AFFILIATED INVESTMENTS 143.9% | Industry | Par Amount* | Cost | Fair Value (1) |
|--|-------------------------------------|--------------------|---------------------|-----------------------|
| 2nd Lien Secured Debt 46.6% | | | | |
| AI Chem & Cy US AcquiCo, Inc. (Monarch) L+700, 3/20/20 × | Chemicals | \$ 10,000 | \$ 9,950 | \$ 10,263 |
| Allied Security Holdings, LLC, L+825, 2/02/18 | Business Services | 31,000 | 30,764 | 31,194 |
| Ardent Medical Services, Inc, L+950, 7/02/19 | Healthcare | 20,000 | 19,515 | 20,500 |
| Avaya Inc., 10.5% Cash, 3/01/21 " | Telecommunications | 16,577 | 15,835 | 15,824 |
| Brock Holdings III, Inc., L+825, 3/16/18 | Environmental & Facilities Services | 27,000 | 26,579 | 27,439 |
| Cengage Learning Acquisitions Inc., 12.00%, 6/30/19 *** | Education | 69,597 | 59,918 | 15,659 |
| Clean Earth, Inc., 13.00%, 8/1/14 | Environmental & Facilities Services | 25,000 | 25,000 | 25,000 |
| Confie Seguros II, L+900, 5/8/19 | Consumer Products | 15,000 | 14,711 | 15,375 |
| EZE Software Group LLC, L+750 3/14/21 × | Business Services | 6,132 | 6,071 | 6,270 |
| Garden Fresh Restaurant Corp., L+1175 (L+975 Cash/2.00% PIK), 12/11/13 | Retail | 47,075 | 47,790 | 32,952 |
| GCA Services Group, Inc., L+800, 10/31/20 | Environmental & Facilities Services | 19,547 | 19,358 | 19,596 |
| Grocery Outlet Inc., L+925, 6/17/19 | Grocery | 10,500 | 10,296 | 10,539 |
| Healogics Inc., L+800, 2/05/20 | Healthcare | 5,000 | 4,951 | 5,181 |
| Insight Pharmaceuticals, LLC., L+1175, 8/25/17 | Consumer Products | 15,448 | 15,199 | 15,603 |
| IPC Systems, Inc., L+525, 5/31/15 | Telecommunications | 44,250 | 42,752 | 39,604 |
| Kronos, Inc., L+850, 4/26/20 | Electronics | 56,358 | 55,269 | 59,035 |
| Ozburn-Hessey Holding Company LLC, L+950, 10/11/16 | Transportation | 25,333 | 25,309 | 24,320 |
| PH Holdings LLC, 9.75%, 12/31/17 | Homebuilding | 20,000 | 19,631 | 20,800 |
| Ranpak Corp., L+750, 10/20/17 | Packaging | 85,000 | 85,000 | 85,000 |
| Ranpak Corp., E+775, 10/20/17 | Packaging | 40,000 | 58,042 | 51,364 |
| Sedgwick Holdings, Inc., L+750, 5/28/17 | Business Services | \$ 15,225 | 15,072 | 15,453 |
| SESAC International LLC, L+875, 8/08/19 | Broadcasting & Entertainment | 4,500 | 4,433 | 4,613 |
| Smart & Final Stores LLC, L+925, 11/08/20 | Grocery | 17,260 | 16,756 | 17,929 |
| SquareTwo Financial Corp. (Collect America, Ltd.), 11.625%, 4/01/17 | Financial Services | 51,079 | 49,432 | 52,037 |
| TransFirst Holdings Inc., L+9.75%, 6/27/18 | Financial Services | 61,250 | 59,476 | 62,858 |
| U.S. Renal Care, Inc., L+900, 1/03/20 | Healthcare | 4,910 | 4,818 | 5,008 |
| Valerus Compression Services, LP, 11.50%, 3/26/18 | Manufacturing | 40,000 | 40,000 | 41,200 |
| Vertafore, Inc., L+825, 10/29/17 | Business Services | 49,260 | 48,901 | 50,615 |
| Total 2nd Lien Secured Debt | | | \$ 830,828 | \$ 781,231 |
| TOTAL SECURED DEBT | | | \$ 1,222,888 | \$ 1,148,894 |

See notes to financial statements.

Table of Contents**APOLLO INVESTMENT CORPORATION****SCHEDULE OF INVESTMENTS (continued)****March 31, 2013****(in thousands)**

| INVESTMENTS IN NON-CONTROLLED/NON- AFFILIATED INVESTMENTS 143.9% | Industry | Par Amount* | Cost | Fair Value (1) |
|---|------------------------------|--------------------|-------------|-----------------------|
| UNSECURED DEBT 70.2% | | | | |
| Advantage Sales & Marketing, Inc., 13.00%, 12/31/18 | Grocery | \$ 25,000 | \$ 25,000 | \$ 25,000 |
| Altegrity, Inc., 0.00%, 8/02/16 " | Diversified Service | 3,545 | 2,358 | 1,524 |
| Altegrity, Inc., 11.75%, 5/01/16 " | Diversified Service | 14,639 | 11,885 | 10,394 |
| Altegrity, Inc., 12.00%, 11/01/15 " | Diversified Service | 100,000 | 100,000 | 89,000 |
| American Tire Distributors, Inc., 11.50%, 06/01/18 " | Distribution | 25,000 | 25,000 | 26,300 |
| Angelica Corporation, 15.00% (12.00% Cash/3.00% PIK), 10/15/16 | Healthcare | 46,284 | 46,284 | 47,210 |
| ATI Acquisition Company, P+1400 (P+10.00% Cash/4.00% PIK), 12/30/15 *** | Education | 45,153 | 37,867 | |
| BCA Osprey II Limited (British Car Auctions), 12.50% PIK, 8/17/17 | Transportation | £ 25,609 | 40,643 | 36,359 |
| BCA Osprey II Limited (British Car Auctions), 12.50% PIK, 8/17/17 | Transportation | 15,528 | 21,507 | 18,643 |
| Ceridian Corp., 12.25% Cash or 13.00% PIK, 11/15/15 | Diversified Service | \$ 80,950 | 80,892 | 83,803 |
| Ceridian Corp., 11.25%, 11/15/15 | Diversified Service | 35,800 | 35,812 | 37,023 |
| Ceridian Corp., 11.00%, 3/15/21 " | Diversified Service | 67,500 | 67,500 | 72,731 |
| Delta Educational Systems, Inc., 16.00% (10.00% Cash/ 6% PIK), 5/12/17 | Education | 20,430 | 20,024 | 19,143 |
| Denver Parent (Venoco, Inc.), 18.00%, 10/03/15 " | Energy | 20,000 | 20,000 | 23,400 |
| Exova Limited, 10.50%, 10/15/18 " | Business Services | £ 10,000 | 16,013 | 16,627 |
| Exova Limited, 10.50%, 10/15/18 | Business Services | £ 12,655 | 17,116 | 21,041 |
| First Data Corporation, 11.25%, 1/15/21 " | Financial Services | \$ 67,000 | 66,975 | 69,868 |
| First Data Corporation, 10.625% 06/15/21 × | Financial Services | 10,000 | 10,000 | 10,150 |
| Intelsat Bermuda Ltd., 11.25%, 2/04/17 | Broadcasting & Entertainment | 44,000 | 45,153 | 46,877 |
| Intelsat Bermuda Ltd., 11.50% Cash or 12.50% PIK, 2/04/17 " | Broadcasting & Entertainment | 20,000 | 20,035 | 21,250 |
| Inventive Health, Inc., 11.00%, 8/15/18 " | Healthcare | 160,000 | 160,000 | 139,200 |
| Laureate Education, Inc., 12.75%, 8/15/17 " | Education | 53,540 | 55,012 | 57,823 |
| Lonestar Intermediate Super Holdings (Asurion), LLC, L+950, 9/02/19 | Insurance | 41,922 | 41,776 | 45,223 |

See notes to financial statements.

Table of Contents**APOLLO INVESTMENT CORPORATION****SCHEDULE OF INVESTMENTS (continued)****March 31, 2013****(in thousands, except shares and warrants)**

| INVESTMENTS IN NON-CONTROLLED/NON-AFFILIATED INVESTMENTS 143.9% | Industry | Par Amount* | Cost | Fair Value (1) |
|---|---|--------------------|---------------------|-----------------------|
| UNSECURED DEBT (continued) | | | | |
| Molycorp Inc., 10.00%, 6/01/20 | Diversified Natural Resources, Precious Metals & Minerals | \$ 5,158 | \$ 4,990 | \$ 5,123 |
| Niacet Corp., 13.00%, 8/28/18 | Chemicals | 12,500 | 12,500 | 12,500 |
| SeaCube Container Leasing Ltd., 11.00%, 4/28/16 | Transportation | 50,000 | 50,000 | 51,500 |
| Univar Inc., 10.50%, 6/30/18 | Distribution | 20,000 | 20,000 | 20,000 |
| U.S. Security Associates Holdings, Inc., 11.00%, 7/28/18 | Business Services | 135,000 | 135,000 | 139,455 |
| Varietal Distribution, 10.75%, 6/30/17 | Distribution | 5,187 | 6,385 | 6,994 |
| Varietal Distribution, 10.75%, 6/30/17 | Distribution | \$ 22,204 | 21,837 | 23,328 |
| TOTAL UNSECURED DEBT | | | \$ 1,217,564 | \$ 1,177,489 |
| TOTAL CORPORATE DEBT | | | \$ 2,440,452 | \$ 2,326,383 |
| STRUCTURED PRODUCTS 0.6% | | | | |
| Westbrook CLO Ltd., Series 2006-1A Class E, L+370, 12/20/20 | Diversified Investment Vehicle | 11,000 | \$ 7,367 | \$ 9,625 |
| TOTAL STRUCTURED PRODUCTS | | | \$ 7,367 | \$ 9,625 |
| PREFERRED EQUITY 0.7% | | | | |
| | | Shares | | |
| CA Holding, Inc. (Collect America, Ltd.), Series A ** | Financial Services | 7,961 | \$ 788 | \$ 1,592 |
| Gryphon Colleges Corporation (Delta Educational Systems, Inc.), 13.50% PIK, 05/12/14 *** | Education | 12,360 | 27,685 | 7,208 |
| Gryphon Colleges Corporation (Delta Educational Systems, Inc.), 12.50% PIK, (Convertible) *** | Education | 332,500 | 6,863 | |
| Varietal Distribution Holdings, LLC, Class A, 8.00% PIK | Distribution | 3,097 | 4,885 | 2,750 |
| TOTAL PREFERRED EQUITY | | | \$ 40,221 | \$ 11,550 |
| EQUITY 3.9% | | | | |
| Common Equity/Interests 3.4% | | | | |
| Accelerate Parent Corp. (American Tire Distributors) ** | Distribution | 3,125,000 | \$ 3,125 | \$ 4,160 |
| AHC Mezzanine LLC (Advanstar) ** | Media | | 1,063 | 242 |
| Altegrity Holding Corp. ** | Diversified Service | 353,399 | 13,797 | 1,111 |
| Aventine Renewable Energy Holdings, Inc. ** | Chemicals | 262,036 | 4,684 | 2,347 |

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| | | | | |
|---|--------------------|--------|-------|-------|
| CA Holding, Inc. (Collect America, Ltd.) Series A ** | Financial Services | 25,000 | 2,500 | 2,498 |
| CA Holding, Inc. (Collect America, Ltd.) Series AA ** | Financial Services | 4,294 | 429 | 859 |

See notes to financial statements.

Table of Contents**APOLLO INVESTMENT CORPORATION****SCHEDULE OF INVESTMENTS (continued)****March 31, 2013****(in thousands, except shares and warrants)**

| INVESTMENTS IN NON-CONTROLLED/NON-AFFILIATED INVESTMENTS 143.9% | Industry | Shares | Cost | Fair Value (1) |
|--|-----------------------|-----------|---------------------|---------------------|
| Common Equity/Interests (continued) | | | | |
| Clothesline Holdings, Inc. (Angelica Corporation) ** | Healthcare | 6,000 | \$ 6,000 | \$ 3,059 |
| Explorer Coinvest LLC (Booz Allen) ** | Consulting Services | 430 | 3,322 | 5,319 |
| Garden Fresh Restaurant Holding, LLC ** | Retail | 50,000 | 5,000 | |
| Gryphon Colleges Corporation (Delta Educational Systems, Inc.) ** | Education | 17,500 | 175 | |
| GS Prysmian Co-Invest L.P. (Prysmian Cables & Systems) (2,3) ** | Manufacturing | | | 123 |
| JV Note Holdco LLC (DSI Renal Inc.) ** | Healthcare | 9,303 | 85 | 91 |
| Pelican Energy, LLC ** | Energy | | 138 | 146 |
| Penton Business Media Holdings, LLC ** | Printing & Publishing | 124 | 4,950 | 15,778 |
| RC Coinvestment, LLC (Ranpak Corp.) ** | Packaging | 50,000 | 5,000 | 8,233 |
| Sorenson Communications Holdings, LLC Class A ** | Consumer Products | 454,828 | 45 | 1,990 |
| Univar Inc.** | Distribution | 900,000 | 9,000 | 11,520 |
| Varietal Distribution Holdings, LLC Class A ** | Distribution | 28,028 | 28 | |
| Total Common Equity/Interests | | | \$ 59,341 | \$ 57,476 |
| Warrants | | | | |
| Warrants 0.5% | | | | |
| CA Holding, Inc. (Collect America, Ltd.), Common ** | Financial Services | 7,961 | \$ 8 | |
| Fidji Luxco (BC) S.C.A., Common (FCI)(2) ** | Electronics | 24,862 | 250 | \$ 5,788 |
| Gryphon Colleges Corporation (Delta Educational Systems, Inc.), Common ** | Education | 9,820 | 98 | |
| Gryphon Colleges Corporation (Delta Educational Systems, Inc.), Class A-1 Preferred ** | Education | 45,947 | 459 | |
| Gryphon Colleges Corporation (Delta Educational Systems, Inc.), Class B-1 Preferred ** | Education | 104,314 | 1,043 | |
| Osage Exploration & Development, Inc. ** | Energy | 1,496,843 | | 1,841 |
| Spotted Hawk Development LLC, Common ** | Energy | 54,545 | 852 | 1,644 |
| Total Warrants | | | \$ 2,710 | \$ 9,273 |
| TOTAL EQUITY | | | \$ 62,051 | \$ 66,749 |
| Total Investments in Non-Controlled/ Non-Affiliated Investments | | | \$ 2,550,091 | \$ 2,414,307 |

See notes to financial statements.

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APOLLO INVESTMENT CORPORATION

SCHEDULE OF INVESTMENTS (continued)

March 31, 2013

(in thousands)

| | Industry | Par Amount* | Cost | Fair Value (1) |
|--|-------------------------------------|-------------|-------------------|-------------------|
| INVESTMENTS IN CONTROLLED INVESTMENTS 26.0% (4) | | | | |
| CORPORATE DEBT 9.2% | | | | |
| SECURED DEBT 6.7% | | | | |
| 1st Lien Secured Debt 6.1% | | | | |
| Merx Aviation Finance Holdings, LLC, 12.00%, 1/09/21 | Aviation | \$ 92,000 | \$ 92,000 | \$ 92,000 |
| Merx Aviation Finance Holdings, LLC, 12.00%, 2/01/21 | Aviation | 5,303 | 5,303 | 5,303 |
| Merx Aviation Finance Holdings, LLC, 12.00% 3/28/21 | Aviation | 4,684 | 4,684 | 4,684 |
| Total 1st Lien Secured Debt | | | \$ 101,987 | \$ 101,987 |
| 2nd Lien Secured Debt 0.6% | | | | |
| LVI Services, Inc., 12.50%, 3/06/2018 | Environmental & Facilities Services | \$ 10,000 | \$ 9,815 | \$ 10,000 |
| Total 2nd Lien Secured Debt | | | \$ 9,815 | \$ 10,000 |
| TOTAL SECURED DEBT | | | \$ 111,802 | \$ 111,987 |
| UNSECURED DEBT 2.5% | | | | |
| Playpower Holdings Inc., 14.00% PIK, 12/15/15 | Leisure Equipment | 19,064 | \$ 25,285 | \$ 24,173 |
| Playpower, Inc., 12.50% PIK, 12/31/15 | Leisure Equipment | £ 12,310 | 18,838 | 18,458 |
| TOTAL UNSECURED DEBT | | | \$ 44,123 | \$ 42,631 |
| TOTAL CORPORATE DEBT | | | \$ 155,925 | \$ 154,618 |
| STRUCTURED PRODUCTS 10.5% | | | | |
| AIC Credit Opportunity Fund LLC (5) | Diversified Investment Vehicle | | \$ 48,102 | \$ 50,696 |
| Highbridge Loan, Ltd., Preference Shares ** | Diversified Investment Vehicle | \$ 6,174 | 6,174 | 6,174 |
| Jamestown CLO I LTD, Subordinated Notes, 11/5/24 | Diversified Investment Vehicle | 15,075 | 14,053 | 13,568 |
| Jamestown CLO I LTD, Class D L+550, 11/05/24 | Diversified Investment Vehicle | 3,800 | 3,373 | 3,537 |
| Jamestown CLO I LTD, Class C L+400, 11/05/24 | Diversified Investment Vehicle | 1,120 | 1,024 | 1,109 |
| Kirkwood Fund II LLC, Common Interest | Diversified Investment Vehicle | | 41,067 | 43,144 |
| MCF CLO I LLC, Membership Interests | Diversified Investment Vehicle | 38,918 | 38,918 | 38,918 |
| MCF CLO I LLC, Class E Notes L+575, 4/20/23 | Diversified Investment Vehicle | 13,000 | 12,278 | 12,273 |

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| | | | | |
|--|-----------------------------------|-------|-------------------|-------------------|
| Slater Mill Loan Fund LP, Common Stock | Diversified Investment Vehicle | 8,375 | 7,119 | 6,951 |
| TOTAL STRUCTURED PRODUCTS | | | \$ 172,108 | \$ 176,370 |

See notes to financial statements.

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APOLLO INVESTMENT CORPORATION
SCHEDULE OF INVESTMENTS (continued)
March 31, 2013
(in thousands, except shares and warrants)

| INVESTMENTS IN CONTROLLED INVESTMENTS 26.0%(4) | Industry | Shares | Cost | Fair Value (1) |
|---|-------------------------------------|--------|---------------------|---------------------|
| EQUITY 6.3% | | | | |
| Common Equity/Interests 6.3% | | | | |
| Generation Brands Holdings, Inc. (Quality Home Brands) ** | Consumer Products | 9,007 | | \$ 432 |
| Generation Brands Holdings, Inc. Series H (Quality Home Brands) ** | Consumer Products | 7,500 | \$ 2,297 | 360 |
| Generation Brands Holdings, Inc. Series 2L (Quality Home Brands) ** | Consumer Products | 36,700 | 11,242 | 1,760 |
| LVI Parent Corp. (LVI Services, Inc.) ** | Environmental & Facilities Services | 14,981 | 16,096 | 30,575 |
| Merx Aviation Finance Holdings, LLC ** | Aviation | | 33,820 | 33,820 |
| Playpower Holdings Inc. ** | Leisure Equipment | 1,000 | 77,722 | 38,157 |
| Total Common Equity/Interests | | | \$ 141,177 | \$ 105,104 |
| TOTAL EQUITY | | | \$ 141,177 | \$ 105,104 |
| Total Investments in Controlled Investments | | | \$ 469,210 | \$ 436,092 |
| Total Investments 169.9%(6,7) | | | \$ 3,019,301 | \$ 2,850,399 |
| Liabilities in Excess of Other Assets (69.9%) | | | | (1,173,010) |
| Net Assets 100.0% | | | | \$ 1,677,389 |

See notes to financial statements.

Table of Contents**APOLLO INVESTMENT CORPORATION****SCHEDULE OF INVESTMENTS (continued)****March 31, 2013****(in thousands)**

- (1) Fair value is determined in good faith by or under the direction of the Board of Directors of the Company (see Note 2).
(2) Denominated in foreign currency as indicated.
(3) The Company is the sole Limited Partner in GS Prysmian Co-Invest L.P.
(4) Denotes investments in which we are deemed to exercise a controlling influence over the management or policies of a company, as defined in the 1940 Act, due to beneficially owning, either directly or through one or more controlled companies, more than 25% of the outstanding voting securities of the investment. Transactions during the fiscal year ended March 31, 2013 in these Controlled investments are as follows:

| Name of Issuer | Fair Value at March 31, 2012 | Gross Additions | Gross Reductions | Interest/Dividend/ Other Income | Fair Value at March 31, 2013 |
|---|---|----------------------------|-----------------------------|--|---|
| Merx Aviation Finance Holdings, LLC, 12.00%, 1/09/21 | N/A | \$ 92,000 | \$ | \$ 2,480 | \$ 92,000 |
| Merx Aviation Finance Holdings, LLC, 12.00%, 2/01/21 | N/A | 5,303 | | 103 | 5,303 |
| Merx Aviation Finance Holdings, LLC, 12.00% 3/28/21 | N/A | 4,684 | | 6 | 4,684 |
| LVI Services, Inc., 12.50%, 03/06/2018 | N/A | 9,800 | | 916 | 10,000 |
| Playpower Holdings, Inc., 14.00% PIK | \$ 21,576 | 3,155 | | 3,154 | 24,173 |
| Playpower, Inc., 12.50% PIK | 16,960 | 2,250 | | 2,469 | 18,458 |
| AIC Credit Opportunity Fund LLC Common Equity | 56,034 | 575 | (18,466) | 7,422 | 50,696 |
| Highbridge Loan, Ltd., Preference Shares ** | N/A | 4,410 | | | 6,174 |
| Jamestown CLO I LTD, Subordinated Notes, 11/5/24 | N/A | 14,020 | | 34 | 13,568 |
| Jamestown CLO I LTD, Class D L+550, 11/05/24 | N/A | 3,364 | | 101 | 3,537 |
| Jamestown CLO I LTD, Class C L+400, 11/05/24 | N/A | 1,021 | | 23 | 1,109 |
| Kirkwood Fund II LLC, Common Interest | N/A | 41,067 | | | 43,144 |
| MCF CLO I LLC, Membership Interests | N/A | 40,385 | (1,467) | 5,896 | 38,918 |
| MCF CLO I LLC, Class E Notes L+575, 4/20/23 | N/A | 12,273 | | 84 | 12,273 |
| Slater Mill Loan Fund LP, Common Stock | N/A | 7,370 | (251) | 929 | 6,951 |
| Generation Brands Holdings, Inc. (Quality Home Brands) Common Equity | 130 | | | | 432 |
| Generation Brands Holdings, Inc. (Quality Home Brands) Series H Common Equity | 1,300 | | | | 360 |
| Generation Brands Holdings, Inc. (Quality Home Brands) Series 2L Common Equity | 7,793 | | | | 1,760 |
| LVI Parent Corp. Common Equity | 21,504 | | | | 30,575 |
| Merx Aviation Finance Holdings, LLC Equity Interest | N/A | 33,820 | | | 33,820 |
| Playpower Holdings Inc. Common Equity | 61,111 | | | | 38,157 |
| | \$ 186,408 | \$ 275,497 | \$ (20,184) | \$ 23,617 | \$ 436,092 |

As of March 31, 2013, the Company has a 100%, 32%, 32%, 100%, 100%, 32%, 31%, 98%, 97%, and 26% equity ownership interest in AIC Credit Opportunity Fund LLC, Generation Brands Holdings, Inc., LVI Parent Corp., Playpower Holdings Inc., Merx Aviation Financing Holdings LLC, Highbridge Loan, Ltd, Jamestown CLO I Ltd, Kirkwood Fund II LLC, MCF CLO I LLC, and Slater Mill Loan Fund LP, respectively.

See notes to financial statements.

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APOLLO INVESTMENT CORPORATION

SCHEDULE OF INVESTMENTS (continued)

March 31, 2013

(in thousands)

- (5) See Note 6.
- (6) Aggregate gross unrealized appreciation for federal income tax purposes is \$127,303; aggregate gross unrealized depreciation for federal income tax purposes is \$396,790. Net unrealized depreciation is \$269,487 based on a tax cost of \$3,119,886.
- (7) Substantially all securities are pledged as collateral to our multicurrency revolving credit facility (the Facility). As such these securities are not available as collateral to our general creditors.
- .. These securities are exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions that are exempt from registration, normally to qualified institutional buyers.
- * Denominated in USD unless otherwise noted.
- ** Non-income producing security
- *** Non-accrual status (see Note 2d)

Denotes debt securities where the Company owns multiple tranches of the same broad asset type but whose security characteristics differ. Such differences may include level of subordination, call protection and pricing, and differing interest rate characteristics, among other factors. Such factors are usually considered in the determination of fair values.

Investments that the Company has determined are not qualifying assets under Section 55(a) of the 1940 Act. Under the 1940 Act, we may not acquire any non-qualifying asset unless, at the time such acquisition is made, qualifying assets represent at least 70% of our total assets. The status of these assets under the 1940 Act are subject to change. The Company monitors the status of these assets on an ongoing basis.

- x Denotes a when issued security that settled after March 31, 2013.

See notes to financial statements.

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APOLLO INVESTMENT CORPORATION
SCHEDULE OF INVESTMENTS (continued)

| Industry Classification | Percentage of Total Investments (at fair value) as of March 31, 2013 |
|-------------------------------------|---|
| Diversified Service | 10.4% |
| Healthcare | 10.2% |
| Business Services | 9.8% |
| Financial Services | 7.0% |
| Diversified Investment Vehicle | 6.5% |
| Packaging | 5.1% |
| Aviation | 4.8% |
| Transportation | 4.6% |
| Environmental & Facilities Services | 4.0% |
| Energy | 3.9% |
| Education | 3.7% |
| Distribution | 3.3% |
| Leisure Equipment | 2.8% |
| Broadcasting & Entertainment | 2.8% |
| Manufacturing | 2.5% |
| Electronics | 2.3% |
| Telecommunications | 1.9% |
| Grocery | 1.9% |
| Consumer Products | 1.8% |
| Insurance | 1.6% |
| Printing & Publishing | 1.6% |
| Power | 1.4% |
| Chemicals | 1.4% |
| Retail | 1.3% |
| Utilities | 1.3% |
| Homebuilding | 0.7% |
| Oil and Gas | 0.5% |
| Media | 0.5% |
| Consulting Services | 0.2% |
| Precious Metals and Minerals | 0.2% |
| Total Investments | 100.0% |

See notes to financial statements.

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APOLLO INVESTMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (unaudited)

(in thousands except share and per share amounts)

Note 1. Organization

Apollo Investment Corporation (Apollo Investment , the Company , AIC , we , us , or our), a Maryland corporation organized on February 2, 2004, is a closed-end, externally managed, non-diversified management investment company that has elected to be treated as a business development company (BDC) under the Investment Company Act of 1940 (the 1940 Act). In addition, for tax purposes we have elected to be treated as a regulated investment company (RIC) under the Internal Revenue Code of 1986, as amended (the Code). Our investment objective is to generate current income and capital appreciation. We invest primarily in various forms of debt investments, including secured and unsecured loan investments and/or equity in private middle-market companies. We may also invest in the securities of public companies and structured products such as collateralized loan obligations. Our portfolio is comprised primarily of investments in debt, including secured and unsecured debt of private-middle market companies that, in the case of senior secured loans, generally are not broadly syndicated and whose aggregate tranche size is typically less than \$250 million. Our portfolio also includes equity interests such as common stock, preferred stock, warrants or options.

Apollo Investment commenced operations on April 8, 2004 receiving net proceeds of \$870,000 from its initial public offering by selling 62 million shares of common stock at a price of \$15.00 per share. Since then, and through June 30, 2013, we have raised approximately \$2.1 billion in net proceeds from additional offerings of common stock.

Note 2. Significant Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reported periods. Changes in the economic environment, financial markets and any other parameters used in determining these estimates could cause actual results to differ materially.

Interim financial statements are prepared in accordance with GAAP for interim financial information and pursuant to the requirements for reporting on Form 10-Q and Article 6 or 10 of Regulation S-X, as appropriate. In the opinion of management, all adjustments, which are of a normal recurring nature, considered necessary for the fair statement of financial statements for the interim period, have been included. These financial statements should be read in conjunction with the audited financial statements and accompanying notes included in the Annual Report on Form 10-K for the year ended March 31, 2013. Certain industries were reclassified on the Schedule of Investments for March 31, 2013 to conform to the current period presentation. Certain amounts have been reclassified on the Statement of Operations and the Statement of Changes in Net Assets to conform to the current period presentation.

The significant accounting policies consistently followed by Apollo Investment are:

- (a) Security transactions are accounted for on the trade date;
- (b) Under procedures established by our board of directors, we value investments, including certain secured debt, unsecured debt and other debt securities with maturities greater than 60 days, for which market quotations are readily available, at such market quotations (unless they are deemed not to represent fair value). We attempt to obtain market quotations from at least two brokers or dealers (if available, otherwise from a principal market maker or a primary market dealer or other independent pricing service). We utilize mid-market pricing as a practical expedient for fair value unless a different point within the range is more representative. If and when market quotations are deemed not to represent fair value, we typically utilize independent third party valuation firms to assist us in determining fair value. Accordingly, such investments go through our multi-step valuation process as described below. In each case, our independent valuation firms consider observable market inputs together with significant unobservable inputs in arriving at their valuation recommendations for such Level 3 categorized assets. Debt investments with remaining maturities of 60 days or less shall each be valued at cost with interest accrued or discount amortized to the

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APOLLO INVESTMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (unaudited) (continued)

(in thousands except share and per share amounts)

date of maturity, unless such valuation, in the judgment of our investment adviser, does not represent fair value, in which case such investments shall be valued at fair value as determined in good faith by or under the direction of our board of directors. Investments that are not publicly traded or whose market quotations are not readily available are valued at fair value as determined in good faith by or under the direction of our board of directors. Such determination of fair values may involve subjective judgments and estimates.

With respect to investments for which market quotations are not readily available or when such market quotations are deemed not to represent fair value, our board of directors has approved a multi-step valuation process each quarter, as described below:

- (1) our quarterly valuation process begins with each portfolio company or investment being initially valued by the investment professionals of our investment adviser responsible for the portfolio investment;
- (2) preliminary valuation conclusions are then documented and discussed with senior management of our investment adviser;
- (3) independent valuation firms are engaged by our board of directors to conduct independent appraisals by reviewing our investment adviser's preliminary valuations and then making their own independent assessment;
- (4) the audit committee of the board of directors reviews the preliminary valuation of our investment adviser and the valuation prepared by the independent valuation firm and responds to the valuation recommendation of the independent valuation firm to reflect any comments; and
- (5) the board of directors discusses valuations and determines in good faith the fair value of each investment in our portfolio based on the input of our investment adviser, the applicable independent valuation firm, third party pricing services and the audit committee.

Investments in all asset classes are valued utilizing a market approach, an income approach, or both approaches, as appropriate. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities (including a business). The income approach uses valuation techniques to convert future amounts (for example, cash flows or earnings) to a single present amount (discounted). The measurement is based on the value indicated by current market expectations about those future amounts. In following these approaches, the types of factors that we may take into account in fair value pricing our investments include, as relevant: available current market data, including relevant and applicable market trading and transaction comparables, applicable market yields and multiples, security covenants, call protection provisions, information rights, the nature and realizable value of any collateral, the portfolio company's ability to make payments, its earnings and discounted cash flows, the markets in which the portfolio company does business, comparisons of financial ratios of peer companies that are public, M&A comparables, our principal market (as the reporting entity) and enterprise values, among other factors. When readily available, broker quotations and/or quotations provided by pricing services are considered as an input in the valuation process. For the quarter ended June 30, 2013, there has been no change to the Company's valuation techniques and related inputs considered in the valuation process.

Accounting Standards Codification (ASC) 820 classifies the inputs used to measure these fair values into the following hierarchy:

Level 1: Quoted prices in active markets for identical assets or liabilities, accessible by the Company at the measurement date.

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APOLLO INVESTMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (unaudited) (continued)

(in thousands except share and per share amounts)

Level 2: Quoted prices for similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active, or other observable inputs other than quoted prices.

Level 3: Unobservable inputs for the asset or liability.

In all cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to each investment.

(c) Gains or losses on investments are calculated by using the specific identification method.

(d) The Company records interest and dividend income, adjusted for amortization of premium and accretion of discount, on an accrual basis. Some of our loans and other investments, including certain preferred equity investments, may have contractual payment-in-kind (PIK) interest or dividends. PIK interest and dividends computed at the contractual rate are accrued into income and reflected as receivable up to the capitalization date. PIK investments offer issuers the option at each payment date of making payments in cash or in additional securities. When additional securities are received, they typically have the same terms, including maturity dates and interest rates as the original securities issued. On these payment dates, the Company capitalizes the accrued interest or dividends receivable (reflecting such amounts as the basis in the additional securities received). PIK generally becomes due at maturity of the investment or upon the investment being called by the issuer. At the point the Company believes PIK is not expected to be realized, the PIK investment will be placed on non-accrual status. When a PIK investment is placed on non-accrual status, the accrued, uncapitalized interest or dividends are reversed from the related receivable through interest or dividend income, respectively. The Company does not reverse previously capitalized PIK interest or dividends. Upon capitalization, PIK is subject to the fair value estimates associated with their related investments. PIK investments on non-accrual status are restored to accrual status if the Company believes that PIK is expected to be realized. For the three months ended June 30, 2013, accrued PIK totaled \$6,429 on total investment income of \$96,673. Loan origination fees, original issue discount, and market discounts are capitalized and amortized into income using the interest method or straight-line, as applicable. Upon the prepayment of a loan, any unamortized loan origination fees are recorded as interest income. We record prepayment premiums on loans and other investments as interest income when we receive such amounts. Structuring and other lending related fees are recorded as other income when earned. Investments that are expected to pay regularly scheduled interest and/or dividends in cash are generally placed on non-accrual status when principal or interest/dividend cash payments are past due 30 days or more and/or when it is no longer probable that principal or interest/dividend cash payments will be collected. Such non-accrual investments are restored to accrual status if past due principal and interest or dividends are paid in cash, and in management's judgment, are likely to continue timely payment of their remaining interest or dividend obligations. Interest or dividend cash payments received on non-accrual designated investments may be recognized as income or applied to principal depending upon management's judgment.

(e) The Company intends to comply with the applicable provisions of the Code pertaining to regulated investment companies to make distributions of taxable income sufficient to relieve it of substantially all Federal income taxes. The Company, at its discretion, may carry forward taxable income in excess of calendar year distributions and pay a 4% excise tax on this income. The Company will accrue excise tax on estimated excess taxable income, if any, as required.

(f) Book and tax basis differences relating to stockholder dividends and distributions and other permanent book and tax differences are reclassified among the Company's capital accounts. In addition, the character of income and gains to be distributed is determined in accordance with income tax regulations that may differ from accounting principles generally accepted in the United States of America.

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APOLLO INVESTMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (unaudited) (continued)

(in thousands except share and per share amounts)

(g) Dividends and distributions to common stockholders are recorded as of the record date. The amount to be paid out as a dividend is determined by the board of directors each quarter. Net realized capital gains, if any, are generally distributed or deemed distributed at least annually.

(h) Securities that have been called by the issuer are recorded at the call price on the call effective date.

(i) In accordance with Regulation S-X, the Company generally will not consolidate its interest in any company other than in investment company subsidiaries and controlled operating companies substantially all of whose business consists of providing services to the Company. Consequently, the Company has not consolidated special purpose entities through which the special purpose entity acquired and holds investments subject to financing with third parties. At June 30, 2013, the Company did not have any subsidiaries or controlled operating companies that were consolidated. See additional information within note 6.

(j) The accounting records of the Company are maintained in U.S. dollars. All assets and liabilities denominated in foreign currencies are translated into U.S. dollars based on the rate of exchange of such currencies against U.S. dollars on the date of valuation. The Company does not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held. Such fluctuations are included with the net realized gains or losses and unrealized depreciation or appreciation from investments. The Company's investments in foreign securities may involve certain risks, including without limitation: foreign exchange restrictions, expropriation, taxation or other political, social or economic risks, all of which could affect the market and/or credit risk of the investment. In addition, changes in the relationship of foreign currencies to the U.S. dollar can significantly affect the value of these investments and therefore the earnings of the Company.

(k) The Company may enter into forward exchange contracts in order to hedge against foreign currency risk. These contracts are marked-to-market by recognizing the difference between the contract exchange rate and the current market rate as unrealized appreciation or depreciation. Realized gains or losses are recognized when contracts are settled.

(l) The Company records origination and other expenses related to its debt obligations as deferred financing costs in the Statement of Assets and Liabilities. These expenses are deferred and amortized using the straight-line method over the stated life of the obligation which closely approximates the effective yield method.

(m) The Company records expenses related to shelf filings and applicable offering costs as deferred financing costs in the Statement of Assets and Liabilities. These expenses are charged as a reduction of capital upon utilization, in accordance with ASC 946-20-25.

(n) The Company defines cash equivalents as securities that are readily convertible into known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only securities with a maturity of three months or less from the date of purchase would qualify, with limited exceptions. The Company deems that certain U.S. Treasury bills, repurchase agreements and other high-quality, short-term debt securities would qualify as cash equivalents.

(o) The Company records as dividend income the accretable yield from its beneficial interests in structured products such as CLOs based upon a number of cash flow assumptions that are subject to uncertainties and contingencies. Such assumptions include the rate and timing of principal and interest receipts (which may be subject to prepayments and defaults). These assumptions are updated on at least a quarterly basis to reflect changes related to a particular security, actual historical data, and market changes.

(p) The Company has investments in derivative instruments. The derivative instruments are marked-to-market with changes in fair value reflected in net unrealized appreciation/depreciation during the reporting

Table of Contents**APOLLO INVESTMENT CORPORATION****NOTES TO FINANCIAL STATEMENTS (unaudited) (continued)****(in thousands except share and per share amounts)**

period. The accrual of periodic interest settlements is recorded in net unrealized appreciation/depreciation and subsequently recorded as net realized gain or loss on the interest settlement date.

Recent Accounting Pronouncements

In June 2013, the FASB issued guidance to change the assessment of whether an entity is an investment company by developing a new two-tiered approach that requires an entity to possess certain fundamental characteristics while allowing judgment in assessing certain typical characteristics. The fundamental characteristics that an investment company is required to have include the following: (1) it obtains funds from one or more investors and provides the investor(s) with investment management services; (2) it commits to its investor(s) that its business purpose and only substantive activities are investing the funds solely for returns from capital appreciation, investment income or both; and (3) it does not obtain returns or benefits from an investee or its affiliates that are not normally attributable to ownership interests. The typical characteristics of an investment company that an entity should consider before concluding whether it is an investment company include the following: (1) it has more than one investment; (2) it has more than one investor; (3) it has investors that are not related parties of the parent or the investment manager; (4) it has ownership interests in the form of equity or partnership interests; and (5) it manages substantially all of its investments on a fair value basis. The new approach requires an entity to assess all of the characteristics of an investment company and consider its purpose and design to determine whether it is an investment company. The guidance includes disclosure requirements about an entity's status as an investment company and financial support provided or contractually required to be provided by an investment company to its investees. The guidance is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2013. Earlier application is prohibited. The Company is in the process of evaluating the impact that this guidance will have on its consolidated financial statements, but does not believe that this guidance will have a material impact on the Company's financial statements.

Note 3. Agreements

The Company has an Investment Advisory and Management Agreement (the "Investment Advisory Agreement") with Apollo Investment Management, L.P. (the "Investment Adviser" or "AIM"), under which the Investment Adviser, subject to the overall supervision of our board of directors, manages the day-to-day operations of, and provides investment advisory services to the Company. For providing these services, the Investment Adviser receives a fee from the Company, consisting of two components—a base management fee and a performance-based incentive fee. The base management fee is determined by taking the average value of our gross assets, net of payable for cash equivalents purchased at the end of the two most recently completed calendar quarters calculated at an annual rate of 2.00%. The incentive fee has two parts, as follows: one part is calculated and payable quarterly in arrears based on our pre-incentive fee net investment income for the immediately preceding calendar quarter. For this purpose, pre-incentive fee net investment income means interest income, dividend income and any other income including any other fees (other than fees for providing managerial assistance), such as commitment, origination, structuring, diligence and consulting fees or other fees that we receive from portfolio companies accrued during the calendar quarter, minus our operating expenses for the quarter (including the base management fee, any expenses payable under an administration agreement (the "Administration Agreement") between the Company and Apollo Investment Administration, LLC (the "Administrator"), and any interest expense and dividends paid on any issued and outstanding preferred stock, but excluding the incentive fee). Pre-incentive fee net investment income does not include any realized capital gains computed net of all realized capital losses and unrealized capital depreciation. Pre-incentive fee net investment income, expressed as a rate of return on the value of our net assets at the end of the immediately preceding calendar quarter, is compared to the rate of 1.75% per quarter (7% annualized). Our net investment income used to calculate this part of the incentive fee is also included in the amount of our gross assets used to calculate the 2% base management fee. For the time

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APOLLO INVESTMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (unaudited) (continued)

(in thousands except share and per share amounts)

period between April 2, 2012 and March 31, 2014, AIM has agreed to voluntarily waive the management and incentive fees associated with the incremental common shares issued on April 2, 2012 and May 20, 2013.

The Company pays the Investment Adviser an incentive fee with respect to our pre-incentive fee net investment income in each calendar quarter as follows: (1) no incentive fee in any calendar quarter in which our pre-incentive fee net investment income does not exceed 1.75%, which we commonly refer to as the performance threshold; (2) 100% of our pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds 1.75% but does not exceed 2.1875% in any calendar quarter; and (3) 20% of the amount of our pre-incentive fee net investment income, if any, that exceeds 2.1875% in any calendar quarter. These calculations are appropriately prorated for any period of less than three months. The effect of the fee calculation described above is that if pre-incentive fee net investment income is equal to or exceeds 2.1875%, the Investment Adviser will receive a fee of 20% of our pre-incentive fee net investment income for the quarter. The second part of the incentive fee is determined and payable in arrears as of the end of each calendar year (or upon termination of the Investment Advisory Agreement, as of the termination date) and will equal 20% of our cumulative realized capital gains less cumulative realized capital losses, unrealized capital depreciation (unrealized depreciation on a gross investment-by-investment basis at the end of each calendar year) and all capital gains upon which prior performance-based capital gains incentive fee payments were previously made to the Investment Adviser. For accounting purposes only, we are required under GAAP to accrue a theoretical capital gains incentive fee based upon net realized capital gains and unrealized capital appreciation and depreciation on investments held at the end of each period.

The accrual of this theoretical capital gains incentive fee assumes all unrealized capital appreciation and depreciation is realized in order to reflect a theoretical capital gains incentive fee that would be payable to the Investment Adviser at each measurement date. There was no such accrual for the three months ended June 30, 2013 and 2012. It should be noted that a fee so calculated and accrued would not be payable under the Investment Advisers Act of 1940 (Advisers Act) or the Investment Advisory Agreement, and would not be paid based upon such computation of capital gains incentive fees in subsequent periods. Amounts actually paid to the Investment Adviser will be consistent with the Advisers Act and formula reflected in the Investment Advisory Agreement which specifically excludes consideration of unrealized capital appreciation.

For the time period between April 1, 2012 and March 31, 2014, AIM will not be paid the portion of the performance-based incentive fee that is attributable to deferred interest, such as PIK, until the Company receives such interest in cash. The accrual of incentive fees shall be reversed if such interest is reversed in connection with any write off or similar treatment of the investment. Upon payment of the deferred incentive fee, AIM will also receive interest on the deferred interest for the period between the date in which the incentive fee is earned and the date of payment.

For the three months ended June 30, 2013, the Company expensed \$14,757 in base management fees and \$12,449 in performance-based incentive fees. For the three months ended June 30, 2012, the Company expensed \$13,820 in base management fees and \$9,516 in performance-based incentive fees. For the three months ended June 30, 2013 and June 30, 2012, total management fees waived were \$1,074 and \$394, respectively. For the three months ended June 30, 2013 and 2012, total incentive fees waived were \$900 and \$271, respectively. The amount of the deferred incentive fees for the three months ended June 30, 2013 and 2012 is \$1,193 and \$831, respectively. The unpaid deferred fee balance included in the management and performance-based incentive fees payable line of the Statement of Assets and Liabilities at June 30, 2013 and March 31, 2013 is \$5,061 and \$3,935, respectively.

The Company has also entered into an Administration Agreement with the Administrator under which the Administrator provides administrative services for the Company. For providing these services, facilities and

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personnel, the Company reimburses the Administrator for the allocable portion of overhead and other expenses incurred by the Administrator and requested to be reimbursed for performing its obligations under the Administration Agreement, including rent and the Company's allocable portion of its chief financial officer and chief compliance officer and their respective staffs. The Administrator will also provide, on our behalf, managerial assistance to those portfolio companies to which the Company is required to provide such assistance. For the three months ended June 30, 2013 and June 30, 2012, the Company recognized expenses under the Administration Agreement of \$1,097, and \$750, respectively.

Note 4. Net Asset Value Per Share

At June 30, 2013, the Company's net assets and net asset value per share were \$1,833,168 and \$8.16, respectively. This compares to net assets and net asset value per share at March 31, 2013 of \$1,677,389 and \$8.27, respectively.

Note 5. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings (loss) per share, pursuant to ASC 260-10, for the three months ended June 30, 2013 and June 30, 2012, respectively:

| | Three months ended June 30, | |
|--|------------------------------------|-------------|
| | 2013 | 2012 |
| Earnings per share - basic | | |
| Numerator for increase (decrease) in net assets per share: | \$ 18,804 | \$ (11,642) |
| Denominator for basic weighted average shares: | 212,975,966 | 202,827,088 |
| Basic earnings (loss) per share: | 0.09 | (0.06) |
| Earnings per share - diluted | | |
| Numerator for increase (decrease) in net assets per share: | \$ 18,804 | \$ (11,642) |
| Adjustment for interest on convertible notes and for incentive fees, net: | 3,895 | 2,594 |
| Numerator for increase (decrease) in net assets per share, as adjusted: | \$ 22,699 | \$ (9,048) |
| Denominator for weighted average shares, as adjusted for dilutive effect of convertible notes: | 227,524,066 | 217,375,188 |
| Diluted earnings (loss) per share: | 0.09* | (0.06)* |

* In applying the if-converted method, conversion shall not be assumed for purposes of computing diluted EPS if the effect would be anti-dilutive. For the three months ended June 30, 2013 and June 30, 2012, anti-dilution would total \$0.01 and \$0.02, respectively.

Note 6. Investments

AIC Credit Opportunity Fund LLC We own all of the common member interests in AIC Credit Opportunity Fund LLC (AIC Holdco). AIC Holdco was formed for the purpose of holding various financed investments. AIC Holdco wholly owned three special purpose entities, each of which in 2008 acquired directly or indirectly an investment in a particular security from an unaffiliated entity that provided leverage for the investment as part of the sale. During the quarter ended June 30, 2013, one of the entities was dissolved so that at June 30, 2013, AIC Holdco wholly owns two special purpose entities. Each of these transactions is described in more detail below together with summary financial information.

In the first of these investments, in June 2008 we invested through AIC Holdco \$39,500 in AIC (FDC) Holdings LLC (Apollo FDC). Apollo FDC used the proceeds to purchase a Junior Profit-Participating Note due 2013 in

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principal amount of \$39,500 (the Junior Note) issued by Apollo I Trust (the Trust). The Trust also issued a Senior Floating Rate Note due 2013 (the Senior Note) to an unaffiliated third party in principal amount of \$39,500 paying interest at the London Interbank Offered Rate (LIBOR) plus 1.50%, increasing over time to LIBOR plus 2.0%. The Trust used the aggregate \$79,000 proceeds to acquire \$100,000 face value of a senior subordinated loan of First Data Corporation (the FDC Loan) due 2016. The FDC Loan pays interest at 11.25% per year. The Junior Note of the Trust owned by Apollo FDC pays to Apollo FDC all of the interest and other proceeds received by the Trust on the FDC Loan after satisfying the Trust's obligations on the Senior Note. The holder of the Senior Note has no recourse to Apollo FDC, AIC Holdco or us with respect to any interest on, or principal of, the Senior Note. However, if the value of the FDC Loan held by the Trust declines sufficiently, the investment would be unwound unless Apollo FDC posts additional collateral for the benefit of the Senior Note. During the fiscal year ended March 31, 2012, we sold \$47,145 face value of the FDC Loan. During the quarter ended June 30, 2013, we unwound the transaction by investing \$20,386 into the Trust which then repaid the Senior Note. Subsequent to the repayment of the Senior Note, \$10,993 of face value of the FDC Loan was prepaid by First Data Corporation resulting in a distribution of \$11,556 to the Company. Prior to June 30, 2013, the remaining FDC Loan, which consisted of \$41,862 of face value, was transferred to the Company at an accreted cost of \$38,728 with a fair value of \$40,397 on the transfer date and the Trust was closed. As a result of this transaction, as of June 30, 2013, Apollo FDC holds no investments.

In the second of these investments, in June 2008 we invested through AIC Holdco \$11,375 in AIC (TXU) Holdings LLC (Apollo TXU). Apollo TXU acquired exposure to \$50,000 notional amount of a LIBOR plus 3.5% senior secured delayed draw term loan of Texas Competitive Electric Holdings (TXU) due 2014 through a non-recourse total return swap (the TRS) with an unaffiliated third party expiring on October 10, 2013. Pursuant to such delayed draw term loan, Apollo TXU pays an unaffiliated third-party interest at LIBOR plus 1.5% and generally receives all proceeds due under the delayed draw term loan of TXU (the TXU Term Loan). Like Apollo FDC, Apollo TXU is entitled to 100% of any realized appreciation in the TXU Term Loan and, since the TRS is a non-recourse arrangement, Apollo TXU is exposed only up to the amount of its investment in the TRS, plus any additional margin we decide to post, if any, during the term of the financing. The TRS does not constitute a senior security or a borrowing of Apollo TXU. In connection with the amendment and extension of the TXU Term Loan in April 2011, for which Apollo TXU received a consent fee along with an increase in the rate of the TXU Term Loan to LIBOR plus 4.5%, Apollo TXU extended its TRS to 2016 at a rate of LIBOR plus 2.0%. As of June 30, 2013, Apollo TXU's notional exposure to the TXU term loan is \$47,471.

In the third of these investments, in September 2008 we invested through AIC Holdco \$10,022 in AIC (Boots) Holdings, LLC (Apollo Boots). Apollo Boots acquired 23,383 and £12,465 principal amount of senior term loans of AB Acquisitions Topco 2 Limited, a holding company for the Alliance Boots group of companies (the Boots Term Loans), out of the proceeds of our investment and a multicurrency \$40,876 equivalent non-recourse loan to Apollo Boots (the Acquisition Loan) by an unaffiliated third party that was scheduled to mature in September 2013 and paid interest at LIBOR plus 1.25% or, in certain cases, the higher of the Federal Funds Rate plus 0.50% or the lender's prime-rate. The Boots Term Loans paid interest at the rate of LIBOR plus 3% per year and are scheduled to mature in June 2015. During the fiscal year ended March 31, 2013, Apollo Boots sold the entire position of the Boots Term Loans in the amount of 23,383 and £12,465 of principal. At March 31, 2013, Apollo Boots held no investments. During the quarter ended June 30, 2013 Apollo Boots was dissolved.

We do not consolidate AIC Holdco or its wholly owned subsidiaries and accordingly only the value of our investment in AIC Holdco is included on our statement of assets and liabilities. Our investment in AIC Holdco is valued in accordance with our normal valuation procedures and is based on the values of the underlying assets held by each of Apollo FDC and Apollo TXU net of associated liabilities.

Table of Contents**APOLLO INVESTMENT CORPORATION****NOTES TO FINANCIAL STATEMENTS (unaudited) (continued)****(in thousands except share and per share amounts)**

The Senior Note and TRS are non-recourse to AIC Holdco, its subsidiaries and us and have standard events of default including failure to pay contractual amounts when due and failure by each of the underlying Apollo special purpose entities to provide additional credit support, sell assets or prepay a portion of its obligations if the value of the FDC Term Loan, or the TXU Term Loan, as applicable, declines below specified levels. We may unwind any of these transactions at any time without penalty. From time to time we may provide additional capital to AIC Holdco for purposes of reserving for or funding margin calls under one or more of the transactions described above among other reasons. The TRS is a performing asset as of the date of these financial statements.

Below is summarized financial information for AIC Holdco as of June 30, 2013 and March 31, 2013 and for the three months ended June 30, 2013 and 2012.

| | June 30, 2013 (unaudited) | March 31, 2013 |
|---------------------------|--|-----------------------|
| Assets | | |
| Cash | \$ 20 | \$ 10 |
| Apollo FDC ⁽¹⁾ | | 32,981 |
| Apollo TXU ⁽²⁾ | 26,641 | 26,641 |
| Other Assets | | 2,702 |
| Total Assets | \$ 26,661 | \$ 62,334 |
| Liabilities | | |
| Apollo FDC ⁽³⁾ | \$ | \$ |
| Apollo TXU ⁽⁴⁾ | 9,322 | 8,936 |
| Other Liabilities | | 2,702 |
| Total Liabilities | \$ 9,322 | \$ 11,638 |
| Net Assets | | |
| Apollo FDC | \$ | \$ 32,981 |
| Apollo TXU | 17,319 | 17,705 |
| Other | 20 | 10 |
| Total Net Assets | \$ 17,339 | \$ 50,696 |

Table of Contents**APOLLO INVESTMENT CORPORATION****NOTES TO FINANCIAL STATEMENTS (unaudited) (continued)**

(in thousands except share and per share amounts)

| | Three months ended June 30, 2013 (unaudited) | Three months ended June 30, 2012 (unaudited) |
|--|---|---|
| Net Operating Income (Loss) | | |
| Apollo FDC ⁽⁵⁾ | \$ 1,559 | \$ |
| Apollo TXU ⁽⁵⁾ | 329 | 344 |
| Apollo Boots ⁽⁵⁾ | 8 | 274 |
| Other | 10 | (5) |
| Total Operating Income | \$ 1,906 | \$ 613 |
| Net Realized Gain (Loss) | | |
| Apollo FDC | \$ 9,634 | \$ |
| Apollo Boots | | (439) |
| Total Net Realized Gain (Loss) | \$ 9,634 | \$ (439) |
| Net Change in Unrealized Appreciation / Depreciation | | |
| Apollo FDC | \$ (11,509) | \$ 1,894 |
| Apollo TXU | (386) | 1,867 |
| Apollo Boots | | 727 |
| Total Net Change in Unrealized Appreciation / Depreciation | \$ (11,895) | \$ 4,488 |
| Net Income (Loss) ⁽⁶⁾ | | |
| Apollo FDC | \$ (316) | \$ 1,894 |
| Apollo TXU | (57) | 2,211 |
| Apollo Boots | 8 | 562 |
| Other | 10 | (5) |
| Total Net Income (Loss) | \$ (355) | \$ 4,662 |

- (1) Represents fair value of the Junior Note held by Apollo FDC with a cost of \$21,472 as of March 31, 2013. The Junior Note was repaid by transferring the proceeds from the prepayment by First Data Corporation and by transferring the residual FDC Note to the Company during the quarter ended June 30, 2013 at accreted cost.
- (2) Represents fair value of collateral posted in relation to the TRS held by Apollo TXU. Cost: \$26,641 and \$26,641 at June 30, 2013 and March 31, 2013, respectively.
- (3) Apollo FDC's interest was subject to a senior note of a separate entity of \$20,283 at March 31, 2013, however, Apollo FDC had no liability for such senior note. The senior note was repaid during the quarter ended June 30, 2013.
- (4) Represents liability on the TRS held by Apollo TXU.
- (5) In the case of Apollo FDC, net operating income consists of interest income on the Junior Note less interest paid on the senior note together with immaterial administrative expenses. In the case of Apollo TXU, net operating income consists of net payments from (to) the swap counterparty of Apollo TXU's obligation to pay interest and its right to receive the proceeds in respect of the reference asset, together with immaterial administrative expenses. In the case of AIC Boots, net operating income consists of interest income on the Boots Term Loans, less interest payments on the Acquisition Loan together with immaterial administrative expenses. There are no management or

incentive fees.

- (6) Net income is the sum of operating income, realized gain (loss) and net change in unrealized appreciation / depreciation.

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(in thousands except share and per share amounts)

Investments and derivatives for the Company

Investments and derivatives for the Company consisted of the following as of June 30, 2013 and March 31, 2013:

| | June 30, 2013 | | March 31, 2013 | |
|-------------------------|---------------|--------------|----------------|--------------|
| | Cost | Fair Value | Cost | Fair Value |
| Secured Debt | \$ 1,462,861 | \$ 1,440,691 | \$ 1,334,690 | \$ 1,260,881 |
| Unsecured Debt | 1,221,561 | 1,195,039 | 1,261,687 | 1,220,120 |
| Structured Products | 192,833 | 182,362 | 179,475 | 185,995 |
| Preferred Equity | 40,319 | 12,794 | 40,221 | 11,550 |
| Common Equity/Interests | 224,964 | 196,462 | 200,518 | 162,580 |
| Warrants | 8,938 | 12,433 | 2,710 | 9,273 |
| Derivatives, net | (4,156) | 2,699 | | |
| Total | \$ 3,147,320 | \$ 3,042,480 | \$ 3,019,301 | \$ 2,850,399 |

At June 30, 2013, our investments and derivatives that were measured at fair value were categorized as follows in the fair value hierarchy for ASC 820 purposes:

| Description | June 30, 2013 | Fair Value Measurement at Reporting Date Using: Quoted Prices in Active Markets for Identical Assets (Level 1) | | |
|-------------------------|------------------|--|--|--|
| | | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | |
| Secured Debt | \$ 1,440,691 | \$ 769,200 | \$ 671,491 | |
| Unsecured Debt | 1,195,039 | 704,229 | 490,810 | |
| Structured Products | 182,362 | | 182,362 | |
| Preferred Equity | 12,794 | | 12,794 | |
| Common Equity/Interests | 196,462 | | 196,462 | |
| Warrants | 12,433 | | 12,433 | |
| Derivatives, net | 2,699 | 2,699 | | |
| Total | \$ 3,042,480 | \$ 1,476,128 | \$ 1,566,352 | |

At March 31, 2013, our investments were categorized as follows in the fair value hierarchy for ASC 820 purposes:

| Description | Fair Value Measurement at Reporting Date Using: | | |
|-------------|---|--|--|
|-------------|---|--|--|

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| | March 31, 2013 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|-------------------------|---------------------|---|---|--|
| Secured Debt | \$ 1,260,881 | \$ | \$ 620,072 | \$ 640,809 |
| Unsecured Debt | 1,220,120 | | 589,073 | 631,047 |
| Structured Products | 185,995 | | | 185,995 |
| Preferred Equity | 11,550 | | | 11,550 |
| Common Equity/Interests | 162,580 | | | 162,580 |
| Warrants | 9,273 | | | 9,273 |
| Total | \$ 2,850,399 | \$ | \$ 1,209,145 | \$ 1,641,254 |

Table of Contents**APOLLO INVESTMENT CORPORATION****NOTES TO FINANCIAL STATEMENTS (unaudited) (continued)**

(in thousands except share and per share amounts)

The following chart shows the components of change in our investments categorized as Level 3 for the three months ended June 30, 2013:

| | Fair Value Measurements Using Significant Unobservable Inputs (Level 3)* | | | | | | Total |
|---|--|----------------|---------------------|------------------|--------------------------|-----------|--------------|
| | Secured Debt | Unsecured Debt | Structured Products | Preferred Equity | Common Equity/ Interests | Warrants | |
| Beginning Balance, March 31, 2013 | \$ 640,809 | \$ 631,047 | \$ 185,995 | \$ 11,550 | \$ 162,580 | \$ 9,273 | \$ 1,641,254 |
| Total realized gains (losses) included in earnings | (23,089) | (39,126) | 7,966 | | | | (54,249) |
| Total change in unrealized depreciation / appreciation included in earnings | 17,302 | 36,239 | (16,992) | 1,147 | 9,436 | (3,068) | 44,064 |
| Net amortization on investments | 1,174 | 1,721 | 55 | | | | 2,950 |
| Purchases, including capitalized PIK | 202,340 | 77,449 | 61,231 | 97 | 28,441 | 6,228 | 375,786 |
| Sales | (179,630) | (95,817) | (17,165) | | (3,995) | | (296,607) |
| Transfers out of Level 3 (1) | (55,946) | (120,703) | (38,728) | | | | (215,377) |
| Transfers into Level 3 (1) | 68,531 | | | | | | 68,531 |
| Ending Balance, June 30, 2013 | \$ 671,491 | \$ 490,810 | \$ 182,362 | \$ 12,794 | \$ 196,462 | \$ 12,433 | \$ 1,566,352 |

The amount of total gains or losses for the period included in earnings attributable to the change in unrealized depreciation / appreciation relating to our Level 3 assets still held at the reporting date and reported within the net change in unrealized depreciation / appreciation on investments in our Statement of Operations.

| | | | | | | | |
|--|------------|------------|-------------|----------|----------|------------|-------------|
| | \$ (4,765) | \$ (2,442) | \$ (16,991) | \$ 1,146 | \$ 9,438 | \$ (3,067) | \$ (16,681) |
|--|------------|------------|-------------|----------|----------|------------|-------------|

(1) Investments were transferred in and out of Level 3 and in and out of Level 2 due to changes in the quantity and quality of information obtained to support the fair value of each investment as assessed by the Adviser. Transfers are assumed to have occurred at the end of the period. There were no transfers between Level 1 and Level 2 fair value measurements during the period shown.

* Pursuant to fair value measurement and disclosure guidance, the Company currently categorizes investments by class as shown above. Accumulated PIK income activity for the three months ended June 30, 2013:

| | Three Months Ended June 30, 2013 |
|-------------------------------------|-------------------------------------|
| PIK balance at beginning of period | \$ 45,658 |
| Gross PIK income capitalized | 12,098 |
| Adjustments due to investment exits | (26) |
| PIK income received in cash | (818) |

| | | |
|------------------------------|----|--------|
| PIK balance at end of period | \$ | 56,912 |
|------------------------------|----|--------|

Table of Contents**APOLLO INVESTMENT CORPORATION****NOTES TO FINANCIAL STATEMENTS (unaudited) (continued)**

(in thousands except share and per share amounts)

The following chart shows the components of change in our investments categorized as Level 3 for the three months ended June 30, 2012:

| | Fair Value Measurements Using Significant Unobservable Inputs (Level 3)* | | | | | | Total |
|---|--|----------------|---------------------|------------------|--------------------------|-----------|--------------|
| | Secured Debt | Unsecured Debt | Structured Products | Preferred Equity | Common Equity/ Interests | Warrants | |
| Beginning Balance, March 31, 2012 | \$ 864,485 | \$ 1,520,152 | \$ 63,725 | \$ 34,648 | \$ 184,341 | \$ 9,729 | \$ 2,677,080 |
| Total realized gains (losses) included in earnings | 980 | (19,317) | | | 51 | | (18,286) |
| Total change in unrealized depreciation / appreciation included in earnings | (6,732) | (10,138) | 3,998 | (4,018) | (24,368) | 1,866 | (39,392) |
| Net amortization on investments | 1,168 | 5,536 | 71 | 48 | | | 6,823 |
| Purchases, including capitalized PIK | 70,268 | 88,796 | 48,330 | 970 | | | 208,364 |
| Sales | (56,089) | (196,865) | | | (2,051) | | (255,005) |
| Ending Balance, June 30, 2012 | \$ 874,080 | \$ 1,388,164 | \$ 116,124 | \$ 31,648 | \$ 157,973 | \$ 11,595 | \$ 2,579,584 |

| | | | | | | | |
|--|----------|-------------|----------|------------|-------------|----------|-------------|
| The amount of total gains or losses for the period included in earnings attributable to the change in unrealized depreciation / appreciation relating to our Level 3 assets still held at the reporting date and reported within the net change in unrealized depreciation / appreciation on investments in our Statement of Operations. | \$ (957) | \$ (23,644) | \$ 4,008 | \$ (4,018) | \$ (23,327) | \$ 1,865 | \$ (46,073) |
|--|----------|-------------|----------|------------|-------------|----------|-------------|

* Pursuant to fair value measurement and disclosure guidance, the Company currently categorizes investments by class as shown above. Accumulated PIK interest activity for the three months ended June 30, 2012:

| | Fiscal Year End June 30, 2012 |
|-------------------------------------|----------------------------------|
| PIK balance at beginning of period | \$ 32,963 |
| Gross PIK income capitalized | 9,751 |
| Adjustments due to investment exits | |
| PIK income received in cash | (937) |
| PIK balance at end of period | \$ 41,777 |

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APOLLO INVESTMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (unaudited) (continued)

(in thousands except share and per share amounts)

The following tables summarize the significant unobservable inputs the Company used to value the majority of its investments categorized within Level 3 as of June 30, 2013 and March 31, 2013. In addition to the techniques and inputs noted in the tables below, according to our valuation policy we may also use other valuation techniques and methodologies when determining our fair value measurements. The below tables are not intended to be all-inclusive, but rather provides information on the significant unobservable inputs as they relate to the Company's determination of fair values.

| | Quantitative Information about Level 3 Fair Value Measurements | | | | |
|------------------------------|--|--|---|-----------------------------|---------------|
| | Fair Value as of June 30, 2013 | Valuation Techniques/ Methodologies | Unobservable Input | Range (Weighted Average) | |
| Secured Debt | \$ 33,117 | Market Comparable Yield Analysis | Comparable Multiple Discount Rate | 5.8x | 5.8x (5.8x) |
| | 409,532 | | | 9.5% | 27.5% (13.9%) |
| Unsecured Debt | 25,620 | Discount to Call Yield Analysis | Discount Rate Discount Rate | 1.5% | 1.5% (1.5%) |
| | 408,275 | | | 10.3% | 23.0% (13.4%) |
| Structured Products | 129,733 | Discounted Cash Flow Net Asset Value | Discount Rate Underlying Assets / Liabilities | 9.0% | 19.0% (13.7%) |
| | 17,339 | | | n/a | |
| Preferred Equity | 12,794 | Market Comparable | Comparable Multiple | 2.0x | 10.0x (5.5x) |
| | | Approach | | | |
| Common Equity / Interests | 187,953 | Market Comparable | Comparable Multiple Illiquidity / Restrictive Discount Discount Rate | 1.0x | 10.8x (5.6x) |
| | 6,950 | Approach Other | | 7.0% | 7.0% (7.0%) |
| | 1,187 | Yield Analysis | | 20.0% | 30.0% (26.5%) |
| Warrants | 9,858 | Market Comparable | Comparable Multiple | 2.2x | 6.3x (4.8x) |
| | | Approach | | | |

Table of Contents**APOLLO INVESTMENT CORPORATION****NOTES TO FINANCIAL STATEMENTS (unaudited) (continued)**

(in thousands except share and per share amounts)

| Quantitative Information about Level 3 Fair Value Measurements | | | | | |
|---|--|--|---------------------------------------|-------------------------------------|---------------|
| | Fair Value as of March 31, 2013 | Valuation Techniques/ Methodologies | Unobservable Input | Range (Weighted Average) | |
| Secured Debt | \$ 32,952 | Market Comparable Approach | Comparable Multiple | 6.0x | 6.0x (6.0x) |
| | 422,766 | Yield Analysis | Discount Rate | 8.0% | 18.0% (12.1%) |
| Unsecured Debt | 504,263 | Yield Analysis | Discount Rate | 10.1% | 25.0% (13.8%) |
| | 43,144 | Discounted Cash Flow | Discount Rate | 13.0% | 13.0% (13.0%) |
| Structured Products | 6,174 | Recent Transactions | Recent Transactions | n/a | |
| | 50,697 | Net Asset Value | Underlying Assets / Liabilities | n/a | |
| Preferred Equity | 11,550 | Market Comparable Approach | Comparable Multiple | 4.3x | 10.4x (6.5x) |
| | 33,911 | Discounted Cash Flow | Discount Rate | 8.0% | 12.5% (12.5%) |
| Common Equity / Interests | 123,081 | Market Comparable Approach | Comparable Multiple | 2.0x | 10.8x (8.0x) |
| | 123 | Net Asset Value | Underlying Assets / Liabilities | n/a | |
| | 146 | Yield Analysis | Discount Rate | 20.0% | 20.0% (20.0%) |
| | 5,319 | Other | Illiquidity / Restrictive discount | 7.0% | 7.0% (7.0%) |
| Warrants | 7,432 | Market Comparable Approach | Comparable Multiple | 4.3x | 5.9x (5.4x) |
| | 1,841 | Other | Illiquidity / Restrictive discount | 20.0% | 20.0% (20.0%) |

The significant unobservable inputs used in the fair value measurement of the Company's debt and equity securities are primarily earnings before interest, taxes, depreciation and amortization (EBITDA) comparable multiples and market discount rates. The Company uses EBITDA comparable multiples on its equity securities to determine the fair value of investments. The Company uses market discount rates for debt securities to determine if the effective yield on a debt security is commensurate with the market yields for that type of debt security. If a debt security's effective yield is significantly less than the market yield for a similar debt security with a similar credit profile, then the resulting fair value of the debt security may be lower. Significant increases or decreases in either of these inputs in isolation would result in a significantly lower or higher fair value measurement. The significant unobservable inputs used in the fair value measurement of the structured products include the discount rate applied in the valuation models in addition to default and recovery rates applied to projected cash flows in the valuation models. Specifically, when a discounted cash flow model is used to determine fair value, the significant input used in the valuation model is the discount rate applied to present value the projected cash flows. Increases in the discount rate can significantly lower the fair value of an investment; conversely decreases in the discount rate can significantly increase the fair value of an investment. The discount rate is determined based on the market rates an investor would expect for a similar investment with similar risks.

Table of Contents**APOLLO INVESTMENT CORPORATION****NOTES TO FINANCIAL STATEMENTS (unaudited) (continued)**

(in thousands except share and per share amounts)

Note 7. Derivative Instruments*Derivative Assets (Liabilities), at Fair Value*

We entered into interest rate swap and interest rate cap agreements to manage interest rate risk associated with certain of our structured product investments. We do not hold or issue derivative contracts for speculative purposes. We fair value our derivatives in accordance with the 1940 Act and ASC 820 as determined in good faith by our Board of Directors. The fair value of our derivative agreements is based on an income approach using a discounted cash flow methodology. The significant input to the discounted future cash flow methodology is the forward interest rate yield curve in effect as of the end of the measurement period. All derivative financial instruments are recorded at fair value with changes in value reflected in net unrealized appreciation or depreciation during the reporting period. We record the accrual of periodic interest settlements in net unrealized appreciation/depreciation and subsequently record the cash payments as a net realized gain or loss on the interest settlement date and are classified under operating activities in our consolidated statement of cash flows.

The table below summarizes fair value information about derivative assets and liabilities as of June 30, 2013:

| Derivative Instruments | Cost | Fair Value |
|-------------------------------------|-------------------|-------------------|
| Interest rate swaps | \$ | \$ 10,088 |
| Interest rate caps | (4,156) | (7,389) |
| Total Derivative Instruments | \$ (4,156) | \$ 2,699 |

The following tables detail our derivative agreements outstanding as of June 30, 2013:

| Interest Rate Swaps Maturity Date | Notional Amount | Pay Rate | Receive Rate | Fair Value | Maturity (Years) |
|--|------------------------|-----------------|---------------------|-------------------|-------------------------|
| April 11, 2016 | \$ 100,000 | 0.50% | 3 month LIBOR | \$ 596 | 2.8 |
| April 11, 2018 | 100,000 | 0.90% | 3 month LIBOR | 2,570 | 4.8 |
| April 11, 2020 | 67,000 | 1.38% | 3 month LIBOR | 2,878 | 6.8 |
| April 11, 2023 | 67,000 | 1.94% | 3 month LIBOR | 4,044 | 9.8 |
| Total / Weighted average | \$ 334,000 | 1.09% | | \$ 10,088 | 5.6 |

| Interest Rate Caps Maturity Date | Notional Amount | Initial Cost | Cap Rate | Pay Rate | Fair Value | Maturity (Years) |
|---|------------------------|---------------------|-----------------|-----------------|-------------------|-------------------------|
| July 25, 2016 | \$ 100,000 | \$ (185) | 2.00% | 3 month LIBOR | \$ (539) | 3.1 |
| July 25, 2018 | 100,000 | (847) | 3.00% | 3 month LIBOR | (1,890) | 5.1 |
| July 25, 2020 | 67,000 | (1,099) | 4.00% | 3 month LIBOR | (1,969) | 7.1 |
| July 25, 2023 | 67,000 | (2,025) | 4.75% | 3 month LIBOR | (2,991) | 10.1 |
| Total / Weighted average | \$ 334,000 | \$ (4,156) | 3.25% | | \$ (7,389) | 5.9 |

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The table below summarizes the effect of derivative instruments on our statement of operations for the three months ended June 30, 2013:

| Derivative Instruments | Unrealized Gain/(Loss) | Realized Gain/(Loss) | Total Gain (Loss) |
|-------------------------------|-----------------------------------|---------------------------------|--------------------------|
| Interest rate swaps | \$ 10,088 | \$ | \$ 10,088 |
| Interest rate caps | (3,233) | | (3,233) |
| Total | \$ 6,855 | \$ | \$ 6,855 |

Table of Contents**APOLLO INVESTMENT CORPORATION****NOTES TO FINANCIAL STATEMENTS (unaudited) (continued)****(in thousands except share and per share amounts)**

The interest income and interest expense on derivatives is shown in the statement of operations within net realized and unrealized gain/loss from investments, cash equivalents and foreign currencies. For purposes of the performance-based incentive fee, interest income and interest expense derived from the derivative instruments are included in the calculation of pre-incentive fee net investment income. The interest income and interest expense on derivatives is excluded from the cumulative realized capital gains and cumulative realized capital losses for purposes of the capital gains incentive fee calculation.

Credit Risk-Related Contingent Features

The use of derivatives creates exposure to counterparty credit risk that may result in potential losses in the event that the counterparties to these instruments fail to perform their obligations under the agreements governing such derivatives. The Company seeks to minimize this risk by limiting the Company's counterparties to major financial institutions with acceptable credit ratings and monitoring positions with individual counterparties. In addition, the Company may be required under the terms of its derivatives agreements to pledge assets as collateral to secure its obligations under the derivatives. The amount of collateral varies over time based on the mark-to-market value, notional amount and remaining term of the derivatives, and may exceed the amount owed by the Company on a mark-to-market basis. In the event of a default by a counterparty, the Company would be an unsecured creditor to the extent of any such overcollateralization. The cash pledged as collateral under the Company's derivatives instruments is included in restricted cash on the Statement of Assets and Liabilities.

The International Swaps and Derivatives Association (ISDA) Master Agreement that the Company has in place contains customary default provisions including a cross default provision relating to third-party indebtedness in excess of a specified threshold. Following an event of default, the Company could be required to settle its obligations under the ISDA Master Agreement at their termination values. Additionally, under the Company's ISDA Master Agreement, the Company could be required to settle its obligations under the ISDA Master Agreement at their termination values if the Company fails to maintain certain minimum shareholders' equity thresholds or if the Company fails to comply with certain specified financial covenants.

Note 8. Offsetting Assets and Liabilities

The Company's derivative transactions are governed by underlying agreements that generally provide for a right of offset under master netting arrangements (or similar agreements), including in the event of default or in the event of bankruptcy of either party to the transactions. The Company presents its assets and liabilities subject to such arrangements on a net basis in the statement of financial position. The following table presents information about the Company's derivative positions that are subject to such arrangements and are offset in the statement of assets and liabilities as of June 30, 2013:

Offsetting of Financial Assets and Derivative Assets:

| Counterparty | Gross Amounts of Derivative Assets | Gross Amounts of Derivative Liabilities | Net Amounts of Derivative Assets Presented in the Statement of Assets and Liabilities |
|----------------------------|--|---|--|
| JP Morgan Chase Bank, N.A. | \$ 10,088 | \$ (7,389) | \$ 2,699 |
| Total | \$ 10,088 | \$ (7,389) | \$ 2,699 |

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The Company had restricted cash of \$5.2 million pledged as collateral against these derivative positions with one counterparty as of June 30, 2013.

Table of Contents**APOLLO INVESTMENT CORPORATION****NOTES TO FINANCIAL STATEMENTS (unaudited) (continued)**

(in thousands except share and per share amounts)

Note 9. Foreign Currency Transactions and Translations

At June 30, 2013, the Company had outstanding non-USD borrowings on its Senior Secured Facility (as defined herein) denominated in Euros, British Pounds and Canadian Dollars. Unrealized appreciation on these outstanding borrowings is indicated in the table below:

| Foreign Currency | Local Currency | Original Borrowing Cost | Current Value | Reset Date | Unrealized Appreciation (Depreciation) |
|------------------|-------------------|-------------------------------|------------------|------------|--|
| British Pound | £ 5,300 | \$ 8,409 | \$ 8,038 | 07/22/2013 | \$ 371 |
| British Pound | £ 61,000 | 97,489 | 92,519 | 07/31/2013 | 4,970 |
| Euro | 28,500 | 38,325 | 37,046 | 07/31/2013 | 1,279 |
| Euro | 15,000 | 20,021 | 19,498 | 07/17/2013 | 523 |
| Canadian Dollar | \$ 15,500 | 15,076 | 14,693 | 08/19/2013 | 383 |
| Canadian Dollar | \$ 25,000 | 24,368 | 23,698 | 08/23/2013 | 670 |
| | | \$ 203,688 | \$ 195,492 | | \$ 8,196 |

At March 31, 2013, the Company had outstanding non-USD borrowings on its Senior Secured Facility (as defined herein) denominated in Euros and British Pounds. Unrealized appreciation on these outstanding borrowings is indicated in the table below:

| Foreign Currency | Local Currency | Original Borrowing Cost | Current Value | Reset Date | Unrealized Appreciation (Depreciation) |
|------------------|-------------------|-------------------------------|------------------|------------|--|
| British Pound | £ 5,300 | \$ 8,409 | \$ 8,048 | 04/19/2013 | \$ 361 |
| Euro | 77,000 | 103,544 | 98,876 | 04/30/2013 | 4,668 |
| British Pound | £ 62,000 | 99,087 | 94,144 | 04/30/2013 | 4,943 |
| | | \$ 211,040 | \$ 201,068 | | \$ 9,972 |

Note 10. Expense Offset Arrangement

The Company benefits from an expense offset arrangement with JPMorgan Chase Bank, N.A. (custodian bank) whereby the Company earns credits on any uninvested US dollar cash balances held by the custodian bank. These credits are applied by the custodian bank as a reduction of the monthly custody fees charged to the Company. There were no credits earned during the periods ended June 30, 2013 and 2012.

Note 11. Cash Equivalents

The Company held cash equivalents during the year ended March 31, 2013. There were no cash equivalents held as of June 30, 2013 and March 31, 2013.

Note 12. Restricted Cash

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At June 30, 2013, the Company held restricted cash in connection with investments in certain derivative instruments. Restricted cash is held in a segregated account with the counterparty broker and is reflected in the Statement of Assets and Liabilities as restricted cash.

Table of Contents**APOLLO INVESTMENT CORPORATION****NOTES TO FINANCIAL STATEMENTS (unaudited) (continued)****(in thousands except share and per share amounts)****Note 13. Repurchase Agreements**

The Company may enter into repurchase agreements as part of its investment program. The Company's custodian bank takes possession of collateral pledged by the counterparty. The collateral is marked-to-market daily to ensure that the value, plus accrued interest, is at least equal to the repurchase price. In the event of default of the obligor to repurchase, the Company has the right to liquidate the collateral and apply the proceeds in satisfaction of the obligation. Under certain circumstances, in the event of default or bankruptcy by the counterparty to the agreement, realization and/or retention of the collateral or proceeds may be subject to legal proceedings. There were no repurchase agreements outstanding at June 30, 2013 or March 31, 2013.

Note 14. Financial Highlights

The following is a schedule of financial highlights for the three months ended June 30, 2013 and the year ended March 31, 2013:

| | Three months ended June 30, 2013 (unaudited) | Fiscal year ended March 31, 2013 |
|---|---|---|
| Per Share Data: | | |
| Net asset value, beginning of period | \$ 8.27 | \$ 8.55 |
| Net investment income | 0.25 | 0.83*** |
| Net realized and unrealized loss | (0.16) | (0.31)*** |
| Net increase/(decrease) in net assets resulting from operations | 0.09 | 0.51*** |
| Dividends to stockholders from net investment income (1) | (0.20) | (0.79) |
| Distribution of return of capital | | (0.01) |
| Effect of anti-dilution (dilution) | * | * |
| Offering costs | * | * |
| Net asset value at end of period | \$ 8.16 | \$ 8.27 |
| Per share market price at end of period | \$ 7.74 | \$ 8.36 |
| Total return (2) | (5.07)% | 28.24% |
| Shares outstanding at end of period | 224,741,351 | 202,891,351 |
| Ratio/Supplemental Data: | | |
| Net assets at end of period (in millions) | \$ 1,833.2 | \$ 1,677.4 |
| Ratio of net investment income to average net assets (3) | 11.93% | 9.87% |
| Ratio of operating expenses to average net assets (3) | 6.48%** | 6.28% |
| Ratio of interest and other debt expenses to average net assets (3) | 3.61% | 3.43% |

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| | | | | |
|---|----|-----------|----|-----------|
| Ratio of total expenses to average net assets | | 10.09%** | | 9.71% |
| Average debt outstanding | \$ | 1,181,527 | \$ | 1,036,780 |
| Average debt per share | \$ | 5.55 | \$ | 5.11 |
| Portfolio turnover ratio | | 20.0% | | 49.9% |

- (1) Per share amounts reflect total dividends paid per share for the respective periods.
- (2) Total return is not annualized and is based on the change in market price per share during the respective periods. Total return also takes into account dividends and distributions, if any, reinvested in accordance with the Company's dividend reinvestment plan.
- (3) Annualized

Table of Contents**APOLLO INVESTMENT CORPORATION****NOTES TO FINANCIAL STATEMENTS (unaudited) (continued)**

(in thousands except share and per share amounts)

* Represents less than one cent per average share.

** The ratio of operating expenses to average net assets and the ratio of total expenses to average net assets is shown net of all voluntary management and incentive fee waivers (see note 3). The ratio of annualized operating expenses to average net assets and the ratio of annualized total expenses to average net assets would be 7.00% and 3.61%, respectively, without the voluntary fee waivers.

*** Represent rounded numbers.

Information about our senior securities is shown in the following table as of each year ended March 31 since the Company commenced operations, unless otherwise noted. The indicates information which the SEC expressly does not require to be disclosed for certain types of senior securities.

| Class and Year | Total Amount Outstanding (1) | Asset Coverage Per Unit (2) | Involuntary Liquidating Preference Per Unit (3) | Estimated Market Value (4) |
|-------------------------------------|---|--|--|---------------------------------------|
| Senior Secured Facility | | | | |
| Fiscal 2014 (through June 30, 2013) | \$ 355,491 | \$ 830 | \$ | \$ 360,041 |
| Fiscal 2013 | 536,067 | 1,137 | | 551,097 |
| Fiscal 2012 | 539,337 | 1,427 | | N/A |
| Fiscal 2011 | 628,443 | 1,707 | | N/A |
| Fiscal 2010 | 1,060,616 | 2,671 | | N/A |
| Fiscal 2009 | 1,057,601 | 2,320 | | N/A |
| Fiscal 2008 | 1,639,122 | 2,158 | | N/A |
| Fiscal 2007 | 492,312 | 4,757 | | N/A |
| Fiscal 2006 | 323,852 | 4,798 | | N/A |
| Fiscal 2005 | | | | N/A |
| Senior Secured Notes | | | | |
| Fiscal 2014 (through June 30, 2013) | \$ 270,000 | \$ 631 | \$ | \$ 278,762 |
| Fiscal 2013 | 270,000 | 572 | | 282,173 |
| Fiscal 2012 | 270,000 | 714 | | N/A |
| Fiscal 2011 | 225,000 | 611 | | N/A |
| Fiscal 2010 | | | | N/A |
| Fiscal 2009 | | | | N/A |
| Fiscal 2008 | | | | N/A |
| Fiscal 2007 | | | | N/A |
| Fiscal 2006 | | | | N/A |
| Fiscal 2005 | | | | N/A |
| 2042 Notes | | | | |
| Fiscal 2014 (through June 30, 2013) | \$ 150,000 | \$ 350 | \$ | \$ 145,320 |
| Fiscal 2013 | 150,000 | 318 | | 148,920 |
| Fiscal 2012 | | | | N/A |
| Fiscal 2011 | | | | N/A |
| Fiscal 2010 | | | | N/A |
| Fiscal 2009 | | | | N/A |
| Fiscal 2008 | | | | N/A |
| Fiscal 2007 | | | | N/A |
| Fiscal 2006 | | | | N/A |
| Fiscal 2005 | | | | N/A |

Table of Contents**APOLLO INVESTMENT CORPORATION****NOTES TO FINANCIAL STATEMENTS (unaudited) (continued)**

(in thousands except share and per share amounts)

| Class and Year | Total Amount Outstanding (1) | Asset Coverage Per Unit (2) | Involuntary Liquidating Preference Per Unit (3) | Estimated Market Value (4) |
|-------------------------------------|---|--|--|---------------------------------------|
| 2043 Notes | | | | |
| Fiscal 2014 (through June 30, 2013) | \$ 150,000 | \$ 350 | \$ | \$ 147,900 |
| Fiscal 2013 | | | | N/A |
| Fiscal 2012 | | | | N/A |
| Fiscal 2011 | | | | N/A |
| Fiscal 2010 | | | | N/A |
| Fiscal 2009 | | | | N/A |
| Fiscal 2008 | | | | N/A |
| Fiscal 2007 | | | | N/A |
| Fiscal 2006 | | | | N/A |
| Fiscal 2005 | | | | N/A |
| Convertible Notes | | | | |
| Fiscal 2014 (through June 30, 2013) | \$ 200,000 | \$ 467 | \$ | \$ 212,500 |
| Fiscal 2013 | 200,000 | 424 | | 212,000 |
| Fiscal 2012 | 200,000 | 529 | | N/A |
| Fiscal 2011 | 200,000 | 544 | | N/A |
| Fiscal 2010 | | | | N/A |
| Fiscal 2009 | | | | N/A |
| Fiscal 2008 | | | | N/A |
| Fiscal 2007 | | | | N/A |
| Fiscal 2006 | | | | N/A |
| Fiscal 2005 | | | | N/A |

- (1) Total amount of each class of senior securities outstanding at the end of the period presented.
- (2) The asset coverage ratio for each class of securities representing indebtedness is calculated as our consolidated total assets, less all liabilities other than indebtedness, divided by each security representing indebtedness. This asset coverage ratio is multiplied by \$1 to determine the Asset Coverage Per Unit. In order to determine the specific Asset Coverage Per Unit for each class of debt, the total Asset Coverage Per Unit was divided based on the amount outstanding at the end of the period for each.
- (3) The amount to which such class of senior security would be entitled upon the involuntary liquidation of the issuer in preference to any security junior to it.
- (4) The estimated market value was determined based on market quotations as of period-end, if available, or by utilizing a market approach using comparable yields of similar securities.

Table of Contents**APOLLO INVESTMENT CORPORATION****NOTES TO FINANCIAL STATEMENTS (unaudited) (continued)**

(in thousands except share and per share amounts)

Note 15. Debt

The Company's outstanding debt obligations as of June 30, 2013 were as follows:

| <i>Amounts in '000s</i> | Date Issued / Amended | June 30, 2013 | | Final Maturity Date |
|---------------------------------|--------------------------|---|---------------------------------|---------------------------|
| | | Total Aggregate Principal Amount Committed | Principal Amount Outstanding | |
| Senior Secured Facility | 2012 | \$ 1,140,000 | \$ 355,491 | 2016 |
| Senior Secured Notes | 2010 | 225,000 | 225,000 | 2015 |
| Senior Secured Notes (Series A) | 2011 | 29,000 | 29,000 | 2016 |
| Senior Secured Notes (Series B) | 2011 | 16,000 | 16,000 | 2018 |
| 2042 Notes | 2012 | 150,000 | 150,000 | 2042 |
| 2043 Notes | 2013 | 150,000 | 150,000 | 2043 |
| Convertible Notes | 2011 | 200,000 | 200,000 | 2016 |
| Total Debt Obligations | | \$ 1,910,000 | \$ 1,125,491 | |

Senior Secured Facility

On May 23, 2012, the Company amended and restated its senior secured, multi-currency, revolving credit facility (the Senior Secured Facility). The Senior Secured Facility extends the lenders' commitments totaling approximately \$1.14 billion through May, 2015, and allows the Company to seek additional commitments from new and existing lenders in the future, up to an aggregate facility size not to exceed \$1.71 billion. The Senior Secured Facility is secured by substantially all of the assets in Apollo Investment's portfolio, including cash and cash equivalents. The final maturity date of the Senior Secured Facility is May 23, 2016. Commencing June 23, 2015, the Company is required to repay, in twelve consecutive monthly installments of equal size, the outstanding amount under the Senior Secured Facility as of May 23, 2015. Pricing for Alternate Base Rate (ABR) borrowings will be 125 basis points over the applicable Prime Rate and pricing for eurocurrency borrowings will be 225 basis points over the LIBOR Rate. Terms used in the foregoing sentence have the meanings set forth in the Senior Secured Facility. The Senior Secured Facility contains affirmative and restrictive covenants, including: (a) periodic financial reporting requirements, (b) maintaining minimum stockholders' equity of the greater of (i) 40% of the total assets of Apollo Investment and its consolidated subsidiaries as at the last day of any fiscal quarter and (ii) the sum of (A) \$800,000 plus (B) 25% of the net proceeds from the sale of equity interests in Apollo Investment after the closing date of the Senior Secured Facility, (c) maintaining a ratio of total assets, less total liabilities (other than indebtedness) to total indebtedness, in each case of Apollo Investment and its consolidated subsidiaries, of not less than 2.0:1.0, (d) limitations on the incurrence of additional indebtedness, including a requirement to meet a certain minimum liquidity threshold before Apollo Investment can incur such additional debt, (e) limitations on liens, (f) limitations on investments (other than in the ordinary course of Apollo Investment's business), (g) limitations on mergers and disposition of assets (other than in the normal course of Apollo Investment's business activities), (h) limitations on the creation or existence of agreements that permit liens on properties of Apollo Investment's consolidated subsidiaries and (i) limitations on the repurchase or redemption of certain unsecured debt and debt securities. In addition to the asset coverage ratio described in clause (c) of the preceding sentence, borrowings under the Senior Secured Facility (and the incurrence of certain other permitted debt) are subject to compliance with a borrowing base that applies different advance rates to different types of assets in Apollo Investment's portfolio. The remaining capacity under the Senior Secured Facility was \$784,509 at June 30, 2013.

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APOLLO INVESTMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (unaudited) (continued)

(in thousands except share and per share amounts)

Senior Secured Notes

On September 30, 2010, the Company entered into a note purchase agreement with certain institutional accredited investors providing for a private placement issuance of \$225,000 in aggregate principal amount of five-year, senior secured notes with a fixed interest rate of 6.25% and a maturity date of October 4, 2015 (the Senior Secured Notes). On October 4, 2010, the Senior Secured Notes issued by Apollo Investment were sold to certain institutional accredited investors pursuant to an exemption from registration under the Securities Act of 1933, as amended. Interest on the Senior Secured Notes is due semi-annually on April 4 and October 4, commencing on April 4, 2011.

On September 29, 2011, the Company closed a private offering of \$45,000 aggregate principal amount of senior secured notes (the Notes) consisting of two series: (1) 5.875% Senior Secured Notes, Series A, of the Company due September 29, 2016 in the aggregate principal amount of \$29,000; and (2) 6.250% Senior Secured Notes, Series B, of the Company due September 29, 2018, in the aggregate principal amount of \$16,000. The Notes were issued in a private placement only to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended.

2042 Notes

On October 9, 2012, the Company issued \$150,000 in aggregate principal amount of 6.625% senior unsecured notes due 2042 for net proceeds of \$145,275 (the 2042 Notes). Interest on the 2042 Notes is paid quarterly on January 15, April 15, July 15 and October 15, at a rate of 6.625% per year. The 2042 Notes will mature on October 15, 2042. The Company may redeem the 2042 Notes in whole or in part at any time or from time to time on or after October 15, 2017. The 2042 Notes are general, unsecured obligations and rank equal in right of payment with all of our existing and future senior, unsecured indebtedness. The 2042 Notes are listed on The New York Stock Exchange under the ticker symbol AIB.

2043 Notes

On June 17, 2013, the Company issued \$135,000 in aggregate principal amount of 6.875% senior unsecured notes due 2043 and on June 24, 2013 an additional \$15,000 in aggregate principal amount of such notes was issued pursuant to the underwriters' over-allotment option exercise. In total, \$150,000 of aggregate principal was issued for net proceeds of \$130,748 (the 2043 Notes). Interest on the 2043 Notes is paid quarterly on January 15, April 15, July 15 and October 15, at a rate of 6.875% per year, commencing on October 15, 2013. The 2043 Notes will mature on July 15, 2043. The Company may redeem the 2043 Notes in whole or in part at any time or from time to time on or after July 15, 2018. The 2043 Notes are general, unsecured obligations and rank equal in right of payment with all of our existing and future senior, unsecured indebtedness. The 2043 Notes are listed on The New York Stock Exchange under the ticker symbol AIY.

Convertible Notes

On January 25, 2011, the Company closed a private offering of \$200,000 aggregate principal amount of senior unsecured convertible notes (the Convertible Notes). The Convertible Notes were issued in a private placement only to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended. The Convertible Notes bear interest at an annual rate of 5.75%, payable semi-annually in arrears on January 15 and July 15 of each year, commencing on July 15, 2011. The Convertible Notes will mature on January 15, 2016, unless earlier converted or repurchased at the holder's option. Prior to December 15, 2015, the Convertible Notes will be convertible only upon certain corporate reorganizations, dilutive recapitalizations or dividends, or if, during specified periods our shares trade at more than 130% of the then applicable conversion price or the Convertible Notes trade at less than 97% of their conversion value and, thereafter, at any time. The Convertible

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APOLLO INVESTMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (unaudited) (continued)

(in thousands except share and per share amounts)

Notes will be convertible by the holders into shares of common stock, initially at a conversion rate of 72.7405 shares of the Company's common stock per \$1 principal amount of Convertible Notes (14,548,100 common shares) corresponding to an initial conversion price per share of approximately \$13.75, which represents a premium of 17.5% to the \$11.70 per share closing price of the Company's common stock on The NASDAQ Global Select Market on January 19, 2011. The conversion rate will be subject to adjustment upon certain events, such as stock splits and combinations, mergers, spin-offs, increases in dividends in excess of \$0.28 per share per quarter and certain changes in control. Certain of these adjustments, including adjustments for increases in dividends, are subject to a conversion price floor of \$11.70 per share. The Convertible Notes are senior unsecured obligations and rank senior in right of payment to our existing and future indebtedness that is expressly subordinated in right of payment to the Convertible Notes; equal in right of payment to our existing and future unsecured indebtedness that is not so subordinated; effectively junior in right of payment to any of our secured indebtedness (including existing unsecured indebtedness that we later secure) to the extent of the value of the assets securing such indebtedness; and structurally junior to all existing and future indebtedness (including trade payables) incurred by our subsidiaries, financing vehicles or similar facilities. As more fully reflected in Note 5, the issuance is to be considered as part of the if-converted method for calculation of diluted EPS.

The average outstanding debt balance was \$1,181,527 and \$1,036,780 for the three months ended June 30, 2013 and the fiscal year ended March 31, 2013, respectively. The weighted average annual interest cost, including commitment fees, for the three months ended June 30, 2013 was 4.75%, exclusive of 0.62% for amortization of debt issuance costs. The weighted average annual interest cost, including commitment fees, for the fiscal year ended March 31, 2013 was 4.75%, exclusive of 0.86% for amortization of debt issuance costs. This weighted average annual interest cost reflects the average interest cost for all debt. The maximum amount of debt outstanding during the three months ended June 30, 2013 and the fiscal year ended March 31, 2013 was \$1,353,063 and \$1,231,035, respectively. As of June 30, 2013, the Company is in compliance with all debt covenants.

Note 16. Commitments and Contingencies

As of June 30, 2013, the Company had outstanding commitments with banks to purchase secured term loans and unsecured bridge loans in the aggregate amount of \$150,000. AIC's commitments are subject to the consummation of the underlying corporate transactions and conditional upon receipt of all necessary shareholder, regulatory and other applicable approvals.

As of August 7, 2013 the outstanding commitments with banks to purchase secured term loans and unsecured bridge loans in the aggregate was \$111,685.

The Company had unfunded commitments on senior loans as of June 30, 2013, of \$53,838. The Company also had unfunded commitments on senior loans of \$102,667 which require the borrower to meet certain performance thresholds before the Company is obligated to fulfill the commitments and those performance thresholds were not met as of June 30, 2013.

Note 17. Subsequent Events

The Board of Directors declared a dividend of \$0.20 per share for the second fiscal quarter of 2014, payable on October 4, 2013 to stockholders of record as of September 20, 2013.

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of

Apollo Investment Corporation

We have reviewed the accompanying statement of assets and liabilities of Apollo Investment Corporation (the Company), including the schedule of investments, as of June 30, 2013 and the related statement of operations for the three month periods ended June 30, 2013 and June 30, 2012, and the statement of cash flows for the three month periods ended June 30, 2013 and June 30, 2012 and the statement of changes in net assets for the three month period ended June 30, 2013. These interim financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the statement of assets and liabilities, including the schedule of investments, as of March 31, 2013, and the related statement of operations, statement of changes in net assets and statement of cash flows for the year then ended (not presented herein), and in our report dated May 23, 2013, we expressed an unqualified opinion on those financial statements. In our opinion, the information set forth in the accompanying balance sheet information and schedule of investments information, as of March 31, 2013 is fairly stated in all material respects in relation to the statements from which it has been derived.

PricewaterhouseCoopers LLP

New York, New York

August 8, 2013

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

The following analysis of our financial condition and results of operations should be read in conjunction with our financial statements and the notes thereto contained elsewhere in this report.

Some of the statements in this report constitute forward-looking statements, which relate to future events or our future performance or financial condition. The forward-looking statements contained herein involve risks and uncertainties, including statements as to:

our future operating results;

our business prospects and the prospects of our portfolio companies;

the impact of investments that we expect to make;

our contractual arrangements and relationships with third parties;

the dependence of our future success on the general economy and its impact on the industries in which we invest;

the ability of our portfolio companies to achieve their objectives;

our expected financings and investments;

the adequacy of our cash resources and working capital; and

the timing of cash flows, if any, from the operations of our portfolio companies.

We generally use words such as anticipates, believes, expects, intends and similar expressions to identify forward-looking statements. Our actual results could differ materially from those projected in the forward-looking statements for any reason, including any factors set forth in Risk Factors and elsewhere in this report.

We have based the forward-looking statements included in this report on information available to us on the date of this report, and we assume no obligation to update any such forward-looking statements. Although we undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise, you are advised to consult any additional disclosures that we may make directly to you or through reports that we in the future may file with the SEC, including any annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K.

OVERVIEW

Apollo Investment was incorporated under the Maryland General Corporation Law in February 2004. We have elected to be treated as a BDC under the 1940 Act. As such, we are required to comply with certain regulatory requirements. For instance, we generally have to invest at least 70% of our total assets in qualifying assets, including securities of private or thinly traded public U.S. companies, cash equivalents, U.S. government securities and high-quality debt investments that mature in one year or less. In addition, for federal income tax purposes we have elected to be treated as a RIC under Subchapter M of the Code. Pursuant to this election and assuming we qualify as a RIC, we generally do not have to pay corporate-level federal income taxes on any income we distribute to our stockholders. Apollo Investment commenced operations on

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April 8, 2004 upon completion of its initial public offering that raised \$870 million in net proceeds selling 62 million shares of its common stock at a price of \$15.00 per share. Since then, and through June 30, 2013, we have raised approximately \$2.1 billion in net proceeds from additional offerings of common stock.

Investments

Our level of investment activity can and does vary substantially from period to period depending on many factors, including the amount of debt and equity capital available to middle market companies, the level of merger and acquisition activity for such companies, the general economic environment and the competitive

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environment for the types of investments we make. As a business development company, we must not acquire any assets other than qualifying assets specified in the 1940 Act unless, at the time the acquisition is made, at least 70% of our total assets are qualifying assets (with certain limited exceptions).

Revenue

We generate revenue primarily in the form of interest and dividend income from the securities we hold and capital gains, if any, on investment securities that we may acquire in portfolio companies. Our debt investments, whether in the form of mezzanine or senior secured loans, generally have a stated term of five to ten years and bear interest at a fixed rate or a floating rate usually determined on the basis of a benchmark: LIBOR, Euro Interbank Offered Rate (EURIBOR), British pound sterling LIBOR (GBP LIBOR), or the prime rate. Interest on debt securities is generally payable quarterly or semiannually and while U.S. subordinated debt and corporate notes typically accrue interest at fixed rates, some of our investments may include zero coupon and/or step-up bonds that accrue income on a constant yield to call or maturity basis. In addition, some of our investments provide for PIK interest or dividends. Such amounts of accrued PIK interest or dividends are added to the cost of the investment on the respective capitalization dates and generally become due at maturity of the investment or upon the investment being called by the issuer. We may also generate revenue in the form of commitment, origination, structuring fees, fees for providing managerial assistance and, if applicable, consulting fees, etc.

Expenses

All investment professionals of the Investment Adviser and their staff, when and to the extent engaged in providing investment advisory and management services to us, and the compensation and routine overhead expenses of that personnel which is allocable to those services are provided and paid for by AIM. We bear all other costs and expenses of our operations and transactions, including those relating to:

investment advisory and management fees;

expenses incurred by AIM payable to third parties, including agents, consultants or other advisors, in monitoring our financial and legal affairs and in monitoring our investments and performing due diligence on our prospective portfolio companies;

calculation of our net asset value (including the cost and expenses of any independent valuation firm);

direct costs and expenses of administration, including independent registered public accounting and legal costs;

costs of preparing and filing reports or other documents with the SEC;

interest payable on debt, if any, incurred to finance our investments;

offerings of our common stock and other securities;

registration and listing fees;

fees payable to third parties, including agents, consultants or other advisors, relating to, or associated with, evaluating and making investments;

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transfer agent and custodial fees;

taxes;

independent directors' fees and expenses;

marketing and distribution-related expenses;

the costs of any reports, proxy statements or other notices to stockholders, including printing and postage costs;

our allocable portion of the fidelity bond, directors and officers/errors and omissions liability insurance, and any other insurance premiums;

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organizational costs; and

all other expenses incurred by us or the Administrator in connection with administering our business, such as our allocable portion of overhead under the Administration Agreement, including rent and our allocable portion of the cost of our chief financial officer and chief compliance officer and their respective staffs.

We expect our general and administrative operating expenses related to our ongoing operations to increase moderately in dollar terms. During periods of asset growth, we generally expect our general and administrative operating expenses to decline as a percentage of our total assets and increase during periods of asset declines. Incentive fees, interest expense and costs relating to future offerings of securities, among others, may also increase or reduce overall operating expenses based on portfolio performance, interest rate benchmarks, and offerings of our securities relative to comparative periods, among other factors.

Portfolio and Investment Activity

During the three months ended June 30, 2013, we invested \$788 million across 23 new and 23 existing portfolio companies, through a combination of primary and secondary market purchases. This compares to investing \$199 million in 10 new and 3 existing portfolio companies for the three months ended June 30, 2012. Investments sold or repaid during the three months ended June 30, 2013 totaled \$581 million versus \$255 million for the three months ended June 30, 2012.

At June 30, 2013, our portfolio consisted of 94 portfolio companies and was invested 48% in secured debt, 39% in unsecured debt, 6% in structured products and 7% in common equity, preferred equity and warrants measured at fair value versus 81 portfolio companies invested 44% in secured debt, 43% in unsecured debt, 7% in structured products and 6% in common equity, preferred equity and warrants, measured at fair value at March 31, 2013.

The weighted average yields on our secured debt portfolio, unsecured debt portfolio, and total debt portfolio as of June 30, 2013 at our current cost basis were 11.4%, 11.8%, and 11.6%, respectively, exclusive of securities on non-accrual status. The weighted average yields on our secured loan portfolio, unsecured debt portfolio, and total debt portfolio as of March 31, 2013 at the current cost basis were 11.2%, 12.7%, and 11.9%, respectively, exclusive of securities on non-accrual status.

Since the initial public offering of Apollo Investment in April 2004, and through June 30, 2013, invested capital totaled \$11.1 billion in 238 portfolio companies. Over the same period, Apollo Investment completed transactions with more than 100 different financial sponsors.

At June 30, 2013, 67% or \$1.8 billion of our income-bearing investment portfolio was fixed rate and 33% or \$0.9 billion was floating rate, measured at fair value. On a cost basis, 68% or \$1.8 billion of our income-bearing investment portfolio was fixed rate and 32% or \$0.9 billion is floating rate. At March 31, 2013, 64% or \$1.6 billion of our income-bearing debt investment portfolio was fixed rate debt and 36% or \$0.9 billion was floating rate debt, measured at fair value. On a cost basis, 65% or \$1.6 billion of our income-bearing investment portfolio was fixed rate debt and 35% or \$0.9 billion was floating rate debt.

CRITICAL ACCOUNTING POLICIES

Our discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Changes in the economic environment, financial markets and any other parameters used in determining such estimates could cause actual results to differ materially. In addition to the discussion below, our critical accounting policies are further described in the notes to the financial statements.

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Valuation of Portfolio Investments

Under procedures established by our board of directors, we value investments, including certain secured debt, unsecured debt, and other debt securities with maturities greater than 60 days, for which market quotations are readily available, at such market quotations (unless they are deemed not to represent fair value). We attempt to obtain market quotations from at least two brokers or dealers (if available, otherwise from a principal market maker or a primary market dealer or other independent pricing service). We utilize mid-market pricing as a practical expedient for fair value unless a different point within the range is more representative. If and when market quotations are deemed not to represent fair value, we typically utilize independent third party valuation firms to assist us in determining fair value. Accordingly, such investments go through our multi-step valuation process as described below. In each case, our independent valuation firms consider observable market inputs together with significant unobservable inputs in arriving at their valuation recommendations for such Level 3 categorized assets. Debt investments with remaining maturities of 60 days or less shall each be valued at cost with interest accrued or discount amortized to the date of maturity, unless such valuation, in the judgment of our investment adviser, does not represent fair value, in which case such investments shall be valued at fair value as determined in good faith by or under the direction of our board of directors. Investments that are not publicly traded or whose market quotations are not readily available are valued at fair value as determined in good faith by or under the direction of our board of directors. Such determination of fair values may involve subjective judgments and estimates.

With respect to investments for which market quotations are not readily available or when such market quotations are deemed not to represent fair value, our board of directors has approved a multi-step valuation process each quarter, as described below:

- (1) our quarterly valuation process begins with each portfolio company or investment being initially valued by the investment professionals of our investment adviser responsible for the portfolio investment;
- (2) preliminary valuation conclusions are then documented and discussed with senior management of our investment adviser;
- (3) independent valuation firms are engaged by our board of directors to conduct independent appraisals by reviewing our investment adviser's preliminary valuations and then making their own independent assessment;
- (4) the audit committee of the board of directors reviews the preliminary valuation of our investment adviser and the valuation prepared by the independent valuation firm and responds to the valuation recommendation of the independent valuation firm to reflect any comments; and
- (5) the board of directors discusses valuations and determines in good faith the fair value of each investment in our portfolio based on the input of our investment adviser, the applicable independent valuation firm, third party pricing services and the audit committee.

Investments in all asset classes are valued utilizing a market approach, an income approach, or both approaches, as appropriate. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities (including a business). The income approach uses valuation techniques to convert future amounts (for example, cash flows or earnings) to a single present amount (discounted). The measurement is based on the value indicated by current market expectations about those future amounts. In following these approaches, the types of factors that we may take into account in fair value pricing our investments include, as relevant: available current market data, including relevant and applicable market trading and transaction comparables, applicable market yields and multiples, security covenants, call protection provisions, information rights, the nature and realizable value of any collateral, the portfolio company's ability to make payments, its earnings and discounted cash flows, the markets in which the portfolio company does business, comparisons of financial ratios of peer companies that are public, M&A comparables, our principal market (as the reporting entity) and enterprise values, among other factors. When readily available, broker

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quotations and/or quotations provided by pricing services are considered in the valuation process of independent valuation firms. For the quarter ended June 30, 2013, there was no change to the Company's valuation techniques and related inputs considered in the valuation process.

ASC 820 classifies the inputs used to measure these fair values into the following hierarchy:

Level 1: Quoted prices in active markets for identical assets or liabilities, accessible by the Company at the measurement date.

Level 2: Quoted prices for similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active, or other observable inputs other than quoted prices.

Level 3: Unobservable inputs for the asset or liability.

In all cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to each investment.

Revenue Recognition

The Company records interest and dividend income, adjusted for amortization of premium and accretion of discount, on an accrual basis. Some of our loans and other investments, including certain preferred equity investments, may have contractual payment-in-kind (PIK) interest or dividends. PIK interest and dividends computed at the contractual rate are accrued into income and reflected as receivable up to the capitalization date. PIK investments offer issuers the option at each payment date of making payments in cash or in additional securities. When additional securities are received, they typically have the same terms, including maturity dates and interest rates as the original securities issued. On these payment dates, the Company capitalizes the accrued interest or dividends receivable (reflecting such amounts as the basis in the additional securities received). PIK generally becomes due at maturity of the investment or upon the investment being called by the issuer. At the point the Company believes PIK is not expected to be realized, the PIK investment will be placed on non-accrual status. When a PIK investment is placed on non-accrual status, the accrued, uncapitalized interest or dividends are reversed from the related receivable through interest or dividend income, respectively. The Company does not reverse previously capitalized PIK interest or dividends. Upon capitalization, PIK is subject to the fair value estimates associated with their related investments. PIK investments on non-accrual status are restored to accrual status if the Company again believes that PIK is expected to be realized. For the three months ended June 30, 2013, accrued PIK totaled \$6.4 million, on total investment income of \$96.7 million. Loan origination fees, original issue discount, and market discounts are capitalized and amortized into income using the interest method or straight-line, as applicable. Upon the prepayment of a loan, any unamortized loan origination fees are recorded as interest income. We record prepayment premiums on loans and other investments as interest income when we receive such amounts. Structuring and other lending related fees are recorded as other income when earned. Investments that are expected to pay regularly scheduled interest and/or dividends in cash are generally placed on non-accrual status when principal or interest/dividend cash payments are past due 30 days or more and/or when it is no longer probable that principal or interest/dividend cash payments will be collected. Such non-accrual investments are restored to accrual status if past due principal and interest or dividends are paid in cash, and in management's judgment, are likely to continue timely payment of their remaining interest or dividend obligations. Interest or dividend cash payments received on non-accrual designated investments may be recognized as income or applied to principal depending upon management's judgment.

Net Realized Gains or Losses and Net Change in Unrealized Appreciation or Depreciation

We measure realized gains or losses by the difference between the net proceeds from the repayment or sale and the amortized cost basis of the investment, without regard to unrealized appreciation or depreciation previously

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recognized, but considering unamortized upfront fees and prepayment penalties. Net change in unrealized appreciation or depreciation reflects the change in portfolio investment values during the reporting period, including the reversal of previously recorded unrealized appreciation or depreciation.

Within the context of these critical accounting policies, we are not currently aware of any reasonably likely events or circumstances that would result in materially different amounts being reported.

RESULTS OF OPERATIONS

Results comparisons are for the three months ended June 30, 2013 and June 30, 2012.

Investment Income

For the three months ended June 30, 2013 and 2012, gross investment income totaled \$96.7 million and \$80.3 million, respectively. The increase in gross investment income for the three months ended June 30, 2013 as compared to the three months ended June 30, 2012 was primarily due to a larger portfolio in the quarter ended June 30, 2013 with which to generate income. Also contributing to the increase in investment income was the generation of non-recurring interest income such as prepayment penalties which resulted in approximately \$8 million of additional income in the quarter-ended June 30, 2013 as compared to the quarter-ended June 30, 2012 and non-recurring dividends from portfolio companies which resulted in approximately \$3 million of incremental income in the quarter ended June 30, 2013.

Net expenses

Net expenses totaled \$44.3 million and \$41.6 million, respectively, for the three months ended June 30, 2013 and June 30, 2012, of which \$25.2 million and \$22.7 million, respectively, were base management fees and performance-based incentive fees net of amounts waived and \$15.8 million and \$15.6 million, respectively, were interest and other debt expenses. Administrative services and other general and administrative expenses totaled \$3.2 million and \$3.4 million, respectively, for the three months ended June 30, 2013 and June 30, 2012. Expenses consist of base investment advisory and management fees, insurance expenses, administrative services fees, legal fees, directors' fees, audit and tax services expenses, and other general and administrative expenses. The increase in expenses for the three months ended June 30, 2013 compared to the three months ended June 30, 2012 was primarily due to larger performance-based incentive fees due to the increased investment income generated during the period. Partially offsetting this increase was the fee waiver associated with the incremental equity issued in May 2013. Other contributors to the increase in expense were management fees which were higher due to a larger average asset base in the quarter-ended June 2013 compared to June 2012. Lastly, interest expense was up slightly in the quarter-ended June 30, 2013 mainly due to a larger average debt balance outstanding during the period.

Net Investment Income

The Company's net investment income totaled \$52.4 million and \$38.7 million, or \$0.25 and \$0.19, on a per average share basis, respectively, for the three months ended June 30, 2013 and June 30, 2012.

Net Realized Losses

The Company had investment sales, prepayments and refinancing totaling \$580.6 million and \$254.9 million respectively, for the three months ended June 30, 2013 and June 30, 2012. Net realized losses for the three months ended June 30, 2013 and June 30, 2012 were \$95.9 million and \$18.8 million, respectively. Net realized losses for the three months ended June 30, 2013 were primarily the result of the sale of two portfolio companies: Cengage Learning Acquisitions and ATI Acquisition Company, which had combined realized losses of \$99.6 million. Net realized losses for the three months ended June 30, 2012 include a foreign exchange loss of \$9.9 million derived from the sale of our investment in AB Acquisitions and losses derived from the sale of Catalina Marketing, Avaya, Ceridian and Sorenson Communications, among others.

Table of Contents**Net Unrealized Appreciation (Depreciation) on Investments, Cash Equivalents, Derivatives and Foreign Currencies**

For the three months ended June 30, 2013 and June 30, 2012, net change in unrealized appreciation/depreciation on the Company's investments, cash equivalents, derivatives and foreign currencies totaled \$62.4 million and \$(31.5) million, respectively. For the three months ended June 30, 2013, the net change in unrealized depreciation was primarily derived from the reversal of previously recognized unrealized depreciation upon the exit of Cengage Learning Acquisitions and ATI Acquisition Company investments. The remainder of the portfolio was impacted by general capital market conditions. For the three months ended June 30, 2012, the increase in unrealized depreciation was derived from a decline in some of our third party valued investments offset by improving conditions in our quoted portfolio and the recognition of realized losses which reversed unrealized depreciation.

Net Increase (Decrease) in Net Assets From Operations

For the three months ended June 30, 2013, the Company had a net increase in net assets resulting from operations of \$18.8 million. For the three months ended June 30, 2012, the Company had a net decrease in net assets resulting from operations of \$11.6 million. For the three months ended June 30, 2013 basic and diluted income per average share were \$0.09 and \$0.09, respectively. For the three months ended June 30, 2012 basic and diluted losses per average share were \$0.06 and \$0.06, respectively.

LIQUIDITY AND CAPITAL RESOURCES

The Company's liquidity and capital resources are generated and generally available through periodic follow-on equity and debt offerings, our senior secured, multi-currency \$1.14 billion Senior Secured Facility maturing on May 23, 2016 (see note 15 within the Notes to Financial Statements), our senior secured notes, our senior unsecured notes, investments in special purpose entities in which we hold and finance particular investments on a non-recourse basis, as well as from cash flows from operations, investment sales of liquid assets and prepayments of senior and subordinated loans and income earned from investments. The Company also has investments in its portfolio that contain PIK provisions. PIK investments offer issuers the option at each payment date of making payments in cash or in additional securities. When additional securities are received, they typically have the same terms, including maturity dates and interest rates as the original securities issued. On these payment dates, the Company capitalizes the accrued interest or dividends receivable (reflecting such amounts as the basis in the additional securities received). PIK generally becomes due at maturity of the investment or upon the investment being called by the issuer. In order to maintain the Company's status as a RIC, this non-cash source of income must be paid out to stockholders annually in the form of dividends, even though the Company has not yet collected the cash. For the three months ended June 30, 2013, accrued PIK totaled \$6.4 million, on total investment income of \$96.7 million. For the three months ended June 30, 2012, accrued PIK totaled \$4.3 million, on total investment income of \$80.3 million, respectively. At June 30, 2013, the Company had \$355 million in borrowings outstanding on its Senior Secured Facility and \$785 million of unused capacity. As of June 30, 2013, aggregate lender commitments under the Senior Secured Facility total \$1.14 billion.

On June 17, 2013, the Company issued \$135 million in aggregate principal amount of 6.875% senior unsecured notes due 2043 and on June 24, 2013 an additional \$15 million in aggregate principal amount of such notes was issued pursuant to the underwriters' over-allotment option exercise. In total, \$150 million of aggregate principal was issued for net proceeds of \$130.7 million (the 2043 Notes). Interest on the 2043 Notes is paid quarterly on January 15, April 15, July 15 and October 15, at a rate of 6.875% per year, commencing on October 15, 2013. The 2043 Notes mature on July 15, 2043. The Company may redeem the 2043 Notes in whole or in part at any time or from time to time on or after July 15, 2018.

On May 20, 2013, the Company issued 21.85 million shares of common stock at \$8.60 per share (or \$8.342 per share net proceeds before estimated expense) raising approximately \$181.9 million in net proceeds. AIM has

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agreed to waive the base management and incentive fees associated with this equity capital for the time period beginning May 20, 2013 through March 31, 2014.

On October 9, 2012, the Company issued \$150 million in aggregate principal amount of 6.625% senior unsecured notes due 2042 for net proceeds of \$145.3 million (the 2042 Notes). Interest on the 2042 Notes is paid quarterly on January 15, April 15, July 15 and October 15, at a rate of 6.625% per year. The 2042 Notes mature on October 15, 2042. The Company may redeem the 2042 Notes in whole or in part at any time or from time to time on or after October 15, 2017.

In April 2012, the Company announced that a subsidiary of Apollo Global Management, LLC purchased 5,847,953 newly issued shares of the Company based on the NAV as of March 31, 2012 of \$8.55 per share. AIM has agreed to waive the base management and incentive fees associated with this equity capital for the time period beginning April 2, 2012 through March 31, 2014.

On September 29, 2011, the Company closed a private offering of \$45 million aggregate principal amount of senior secured notes (the Notes) consisting of two series: (1) 5.875% Senior Secured Notes, Series A, of the Company due September 29, 2016 in the aggregate principal amount of \$29 million; and (2) 6.250% Senior Secured Notes, Series B, of the Company due September 29, 2018, in the aggregate principal amount of \$16 million. The Notes were issued in a private placement only to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended.

On January 25, 2011, we closed a private offering of \$200 million aggregate principal amount of senior unsecured convertible notes (the Convertible Notes). The Convertible Notes were issued in a private placement only to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933. The Convertible Notes bear interest at an annual rate of 5.75%, payable semi-annually in arrears on January 15 and July 15 of each year, commencing on July 15, 2011. The Convertible Notes will mature on January 15, 2016 unless earlier converted or repurchased at the holder's option. Prior to December 15, 2015, the Convertible Notes will be convertible only upon certain corporate reorganizations, dilutive recapitalizations or dividends, or if, during specified periods our shares trade at more than 130% of the then applicable conversion price or the Convertible Notes trade at less than 97% of their conversion value and, thereafter, at any time. The Convertible Notes will be convertible by the holders into shares of common stock, initially at a conversion rate of 72.7405 shares of the Company's common stock per \$1,000 principal amount of Convertible Notes (14,548,100 common shares) corresponding to an initial conversion price of approximately \$13.75, which represents a premium of 17.5% to the \$11.70 per share closing price of the Company's common stock on The NASDAQ Global Select Market on January 19, 2011. The conversion rate will be subject to adjustment upon certain events, such as stock splits and combinations, mergers, spin-offs, increases in dividends in excess of \$0.28 per share per quarter and certain changes in control. Certain of these adjustments, including adjustments for increases in dividends, are subject to a conversion price floor of \$11.70 per share. The Convertible Notes are senior unsecured obligations and rank senior in right of payment to our existing and future indebtedness that is expressly subordinated in right of payment to the Convertible Notes; equal in right of payment to our existing and future unsecured indebtedness that is not so subordinated; effectively junior in right of payment to any of our secured indebtedness (including existing unsecured indebtedness that we later secure) to the extent of the value of the assets securing such indebtedness; and structurally junior to all existing and future indebtedness (including trade payables) incurred by our subsidiaries, financing vehicles or similar facilities.

On September 30, 2010, the Company entered into a note purchase agreement, providing for a private placement issuance of \$225 million in aggregate principal amount of five-year, senior secured notes with a fixed interest rate of 6.25% and a maturity date of October 4, 2015 (the Senior Secured Notes). On October 4, 2010, the Senior Secured Notes were sold to certain institutional accredited investors pursuant to an exemption from registration under the Securities Act of 1933, as amended. Interest on the Senior Secured Notes will be due semi-annually on April 4 and October 4, commencing on April 4, 2011. The proceeds from the issuance of the Senior Secured Notes were primarily used to reduce other outstanding borrowings on the Company's Senior Secured Facility.

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On August 11, 2011, the Company adopted a plan for the purpose of repurchasing up to \$200 million of its common stock in accordance with the guidelines specified in Rule 10b-18 and Rule 10b5-1 of the Securities Exchange Act of 1934. The Company's plan was designed to allow it to repurchase its shares both during its open window periods and at times when it otherwise might be prevented from doing so under insider trading laws or because of self-imposed trading blackout periods. A broker selected by the Company will have the authority under the terms and limitations specified in the plan to repurchase shares on the Company's behalf in accordance with the terms of the plan. Repurchases are subject to SEC regulations as well as certain price, market volume and timing constraints specified in the plan. While the portion of the plan reliant on Rule 10b-18 remains in effect, the portion reliant on Rule 10b5-1 is subject to periodic renewal and is not currently in effect. As of March 31, 2013, no shares have been repurchased.

Cash Equivalents

We deem certain U.S. Treasury bills, repurchase agreements and other high-quality, short-term debt securities as cash equivalents. (See note 2(n) within the accompanying financial statements.) At the end of each fiscal quarter, we consider taking proactive steps utilizing cash equivalents with the objective of enhancing our investment flexibility during the following quarter, pursuant to Section 55 of the 1940 Act. More specifically, we may purchase U.S. Treasury bills from time-to-time on the last business day of the quarter and typically close out that position on the following business day, settling the sale transaction on a net cash basis with the purchase, subsequent to quarter end. Apollo Investment may also utilize repurchase agreements or other balance sheet transactions, including drawing down on our Senior Secured Facility, as we deem appropriate. The amount of these transactions or such drawn cash for this purpose is excluded from total assets for purposes of computing the asset base upon which the management fee is determined. There were no cash equivalents held as of June 30, 2013.

Contractual Obligations

| | Payments due by Period as of June 30, 2013 (dollars in millions) | | | | |
|---------------------------------|--|---------------------|-----------|-----------|----------------------|
| | Total | Less than 1 year | 1-3 years | 3-5 years | More than 5 years |
| Senior Secured Facility (1) | \$ 355 | \$ | \$ 355 | \$ | \$ |
| Senior Secured Notes | \$ 225 | \$ | \$ 225 | \$ | \$ |
| Senior Secured Notes (Series A) | \$ 29 | \$ | \$ | \$ 29 | \$ |
| Senior Secured Notes (Series B) | \$ 16 | \$ | \$ | \$ | \$ 16 |
| 2042 Notes | \$ 150 | \$ | \$ | \$ | \$ 150 |
| 2043 Notes | \$ 150 | \$ | \$ | \$ | \$ 150 |
| Convertible Notes | \$ 200 | \$ | \$ 200 | \$ | \$ |

(1) At June 30, 2013, the Senior Secured Facility had \$785 million of unused capacity.

We have entered into two contracts under which we have future commitments: the Investment Advisory Agreement, pursuant to which AIM has agreed to serve as our investment adviser, and the Administration Agreement, pursuant to which AIA has agreed to furnish us with the facilities and administrative services necessary to conduct our day-to-day operations and provide on our behalf managerial assistance to those portfolio companies to which we are required to provide such assistance. Payments under the Investment Advisory Agreement are equal to (1) a percentage of the value of our average gross assets and (2) a two-part incentive fee. Payments under the Administration Agreement are equal to an amount based upon our allocable portion of AIA's overhead in performing its obligations under the Administration Agreement, including rent, technology systems, insurance and our allocable portion of the costs of our chief financial officer and chief compliance officer and their respective staffs. Either party may terminate each of the Investment Advisory Agreement and Administration Agreement without penalty upon not more than 60 days' written notice to the other. Please see note 3 within our financial statements for more information.

Table of Contents**Off-Balance Sheet Arrangements (dollars in thousands)**

As of June 30, 2013, the Company had outstanding commitments with banks to purchase secured term loans and unsecured bridge loans in the aggregate amount of \$150,000. AIC's commitments are subject to the consummation of the underlying corporate transactions and conditional upon receipt of all necessary shareholder, regulatory and other applicable approvals.

As of August 7, 2013 the outstanding commitments with banks to purchase secured term loans and unsecured bridge loans in the aggregate was \$111,685.

The Company had unfunded commitments on senior loans as of June 30, 2013, of \$53,838. The Company also had unfunded commitments on senior loans of \$102,667 which require the borrower to meet certain performance thresholds before the Company is obligated to fulfill the commitments and those performance thresholds were not met as of June 30, 2013.

AIC Credit Opportunity Fund LLC (amounts in thousands)

We own all of the common member interests in AIC Credit Opportunity Fund LLC (AIC Holdco). AIC Holdco was formed for the purpose of holding various financed investments. AIC Holdco wholly owned three special purpose entities, each of which in 2008 acquired directly or indirectly an investment in a particular security from an unaffiliated entity that provided leverage for the investment as part of the sale. During the quarter ended June 30, 2013 one of the entities was dissolved so that at June 30, 2013 AIC Holdco wholly owns two special purpose entities. Each of these transactions is described in more detail below together with summary financial information.

In the first of these investments, in June 2008 we invested through AIC Holdco \$39,500 in AIC (FDC) Holdings LLC (Apollo FDC). Apollo FDC used the proceeds to purchase a Junior Profit-Participating Note due 2013 in principal amount of \$39,500 (the Junior Note) issued by Apollo I Trust (the Trust). The Trust also issued a Senior Floating Rate Note due 2013 (the Senior Note) to an unaffiliated third party in principal amount of \$39,500 paying interest at LIBOR plus 1.50%, increasing over time to LIBOR plus 2.0%. The Trust used the aggregate \$79,000 proceeds to acquire \$100,000 face value of a senior subordinated loan of First Data Corporation (the FDC Loan) due 2016. The FDC Loan pays interest at 11.25% per year. The Junior Note of the Trust owned by Apollo FDC pays to Apollo FDC all of the interest and other proceeds received by the Trust on the FDC Loan after satisfying the Trust's obligations on the Senior Note. The holder of the Senior Note had no recourse to Apollo FDC, AIC Holdco or us with respect to any interest on, or principal of, the Senior Note. However, if the value of the FDC Loan held by the Trust declines sufficiently, the investment would be unwound unless Apollo FDC posts additional collateral for the benefit of the Senior Note. During the fiscal year ended March 31, 2012, we sold \$47,145 face value of the FDC Loan. During the quarter ended June 30, 2013 we unwound the transaction by investing \$20,386 into the Trust which then repaid the Senior Note. Subsequent to the repayment of the Senior Note, \$10,993 of face value of the FDC Loan was prepaid by First Data Corporation resulting in a distribution of \$11,556 to the Company. Prior to June 30, 2013 the remaining FDC Loan, which consisted of \$41,862 of face value, was transferred to the Company at an accreted cost of \$38,728 with a fair value of \$40,397 on the transfer date and the Trust was closed. As a result of this transaction, as of June 30, 2013, Apollo FDC holds no investments.

In the second of these investments, in June 2008 we invested through AIC Holdco \$11,375 in AIC (TXU) Holdings LLC (Apollo TXU). Apollo TXU acquired exposure to \$50,000 notional amount of a LIBOR plus 3.5% senior secured delayed draw term loan of Texas Competitive Electric Holdings (TXU) due 2014 through a non-recourse total return swap (the TRS) with an unaffiliated third party expiring on October 10, 2013. Pursuant to such delayed draw term loan, Apollo TXU pays an unaffiliated third-party interest at LIBOR plus 1.5% and generally receives all proceeds due under the delayed draw term loan of TXU (the TXU Term Loan). Like Apollo FDC, Apollo TXU is entitled to 100% of any realized appreciation in the TXU Term Loan and,

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since the TRS is a non-recourse arrangement, Apollo TXU is exposed only up to the amount of its investment in the TRS, plus any additional margin we decide to post, if any, during the term of the financing. The TRS does not constitute a senior security or a borrowing of Apollo TXU. In connection with the amendment and extension of the TXU Term Loan in April 2011, for which Apollo TXU received a consent fee along with an increase in the rate of the TXU Term Loan to LIBOR plus 4.5%, Apollo TXU extended its TRS to 2016 at a rate of LIBOR plus 2.0%. As of June 30, 2013, Apollo TXU's notional exposure to the TXU term loan is \$47,471.

In the third of these investments, in September 2008 we invested through AIC Holdco \$10,022 in AIC (Boots) Holdings, LLC (Apollo Boots). Apollo Boots acquired \$23,383 and £12,465 principal amount of senior term loans of AB Acquisitions Topco 2 Limited, a holding company for the Alliance Boots group of companies (the Boots Term Loans), out of the proceeds of our investment and a multicurrency \$40,876 equivalent non-recourse loan to Apollo Boots (the Acquisition Loan) by an unaffiliated third party that was scheduled to mature in September 2013 and paid interest at LIBOR plus 1.25% or, in certain cases, the higher of the Federal Funds Rate plus 0.50% or the lender's prime-rate. The Boots Term Loans paid interest at the rate of LIBOR plus 3% per year and are scheduled to mature in June 2015. During the fiscal year ended March 31, 2013, Apollo Boots sold the entire position of the Boots Term Loans in the amount of \$23,383 and £12,465 of principal. At March 31, 2013, Apollo Boots held no investments. During the quarter ended June 30, 2013 Apollo Boots was dissolved.

We do not consolidate AIC Holdco or its wholly owned subsidiaries and accordingly only the value of our investment in AIC Holdco is included on our statement of assets and liabilities. Our investment in AIC Holdco is valued in accordance with our normal valuation procedures and is based on the values of the underlying assets held by each of Apollo FDC and Apollo TXU net of associated liabilities.

The Senior Note and TRS are non-recourse to AIC Holdco, its subsidiaries and us and have standard events of default including failure to pay contractual amounts when due and failure by each of the underlying Apollo special purpose entities to provide additional credit support, sell assets or prepay a portion of its obligations if the value of the FDC Term Loan or the TXU Term Loan, as applicable, declines below specified levels. We may unwind any of these transactions at any time without penalty. From time to time we may provide additional capital to AIC Holdco for purposes of reserving for or funding margin calls under one or more of the transactions described above among other reasons. The TRS is a performing asset as of the date of these financial statements.

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Below is summarized financial information for AIC Holdco as of June 30, 2012 and March 31, 2013 and for the three months ended June 30, 2013 and June 30, 2012.

| | June 30, 2013 (unaudited) | March 31, 2013 |
|---|---|---|
| Assets | | |
| Cash | \$ 20 | \$ 10 |
| Apollo FDC ⁽¹⁾ | | 32,981 |
| Apollo TXU ⁽²⁾ | 26,641 | 26,641 |
| Other Assets | | 2,702 |
| Total Assets | \$ 26,661 | \$ 62,334 |
| Liabilities | | |
| Apollo FDC ⁽³⁾ | \$ | \$ |
| Apollo TXU ⁽⁴⁾ | 9,322 | 8,936 |
| Other Liabilities | | 2,702 |
| Total Liabilities | \$ 9,322 | \$ 11,638 |
| Net Assets | | |
| Apollo FDC | \$ | \$ 32,981 |
| Apollo TXU | 17,319 | 17,705 |
| Other | 20 | 10 |
| Total Net Assets | \$ 17,339 | \$ 50,696 |
| | Three Months Ended June 30, 2013 (unaudited) | Three Months Ended June 30, 2012 (unaudited) |
| Net Operating Income (Loss) | | |
| Apollo FDC ⁽⁵⁾ | \$ 1,559 | \$ |
| Apollo TXU ⁽⁵⁾ | 329 | 344 |
| Apollo Boots ⁽⁵⁾ | 8 | 274 |
| Other | 10 | (5) |
| Total Operating Income | \$ 1,906 | \$ 613 |
| Net Realized Gain (Loss) | | |
| Apollo FDC | \$ 9,634 | \$ |
| Apollo Boots | | (439) |
| Total Net Realized Gain (Loss) | \$ 9,634 | \$ (439) |
| Net Change in Unrealized Appreciation / Depreciation | | |
| Apollo FDC | \$ (11,509) | \$ 1,894 |
| Apollo TXU | (386) | 1,867 |
| Apollo Boots | | 727 |
| Total Net Change in Unrealized Appreciation / Depreciation | \$ (11,895) | \$ 4,488 |

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| | | | |
|----------------------------------|----|-------|----------|
| Net Income (Loss) ⁽⁶⁾ | | | |
| Apollo FDC | \$ | (316) | \$ 1,894 |
| Apollo TXU | | (57) | 2,211 |
| Apollo Boots | | 8 | 562 |
| Other | | 10 | (5) |
| Total Net Income (Loss) | \$ | (355) | \$ 4,662 |

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- (1) Represents fair value of the Junior Note held by Apollo FDC as of March 31, 2013 with a cost of \$21,472. The Junior Note was repaid by transferring the proceeds from the prepayment by First Data Corporation and by transferring the residual FDC Note to the Company during the quarter ended June 30, 2013 at accreted cost.
- (2) Represents fair value of collateral posted in relation to the TRS held by Apollo TXU. Cost: \$26,641 and \$26,641, respectively.
- (3) Apollo FDC's interest was subject to a senior note of a separate entity of \$20,283 at March 31, 2013, however, Apollo FDC had no liability for such senior note. The senior note was repaid during the quarter ended June 30, 2013.
- (4) Represents liability on the TRS held by Apollo TXU.
- (5) In the case of Apollo FDC, net operating income consists of interest income on the Junior Note less interest paid on the senior note together with immaterial administrative expenses. In the case of Apollo TXU, net operating income consists of net payments from (to) the swap counterparty of Apollo TXU's obligation to pay interest and its right to receive the proceeds in respect of the reference asset, together with immaterial administrative expenses. In the case of AIC Boots, net operating income consists of interest income on the Boots Term Loans, less interest payments on the Acquisition Loan together with immaterial administrative expenses. There are no management or incentive fees.
- (6) Net income is the sum of operating income, realized gain (loss) and net change in unrealized appreciation / depreciation.

Dividends

Dividends to stockholders for the three months ended June 30, 2013 and June 30, 2012 totaled \$44.9 million or \$0.20 per share, and \$40.6 million or \$0.20 per share, respectively. Tax characteristics of all dividends will be reported to shareholders on Form 1099 after the end of the calendar year. Our quarterly dividends, if any, will be determined by our Board of Directors.

We have elected to be taxed as a RIC under Subchapter M of the Code. To maintain our RIC status, we must distribute at least 90% of our ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any, out of the assets legally available for distribution. In addition, although we currently intend to distribute realized net capital gains (*i.e.*, net long-term capital gains in excess of short-term capital losses), if any, at least annually, out of the assets legally available for such distributions, we may in the future decide to retain such capital gains for investment.

We maintain an opt out dividend reinvestment plan for our common stockholders. As a result, if we declare a dividend, then stockholders' cash dividends will be automatically reinvested in additional shares of our common stock, unless they specifically opt out of the dividend reinvestment plan so as to receive cash dividends.

We may not be able to achieve operating results that will allow us to make distributions at a specific level or to increase the amount of these distributions from time to time. In addition, due to the asset coverage test applicable to us as a business development company, we may in the future be limited in our ability to make distributions. Also, our Senior Secured Facility may limit our ability to declare dividends if we default under certain provisions or fail to satisfy other conditions. If we do not distribute a certain percentage of our income annually, we may suffer adverse tax consequences, including possible loss of the tax benefits available to us as a regulated investment company. In addition, in accordance with U.S. generally accepted accounting principles and tax regulations, we include in income certain amounts that we have not yet received in cash, such as contractual payment-in-kind interest, which represents contractual interest added to the loan balance that becomes due at the end of the loan term, or the accrual of original issue or market discount. Since we may recognize income before or without receiving cash representing such income, we may not be able to meet the requirement to distribute at least 90% of our investment company taxable income to obtain tax benefits as a regulated investment company.

With respect to the dividends to stockholders, income from origination, structuring, closing, commitment and other upfront fees associated with investments in portfolio companies is treated as taxable income and accordingly, distributed to stockholders.

Table of Contents**Item 3. Quantitative and Qualitative Disclosures about Market Risk**

We are subject to financial market risks, including changes in interest rates. During the three months ended June 30, 2013, many of the loans in our portfolio had floating interest rates. These loans are usually based on floating LIBOR and typically have durations of one to six months after which they reset to current market interest rates. The Company also has a Senior Secured Facility that is based on floating LIBOR rates.

Based on our June 30, 2013 balance sheet, the following table shows the approximate annual impact on net investment income of base rate changes in interest rates (considering interest rate flows for variable rate instruments) to our loan portfolio and outstanding debt assuming no changes in our investment and borrowing structure:

(in thousands except per share data)

| Basis Point Change | Net Investment Income | Net Investment Income per Share |
|---------------------------|----------------------------------|--|
| Up 300 basis points | \$ 12,176 | \$ 0.05 |
| Up 200 basis points | \$ 8,035 | \$ 0.04 |
| Up 100 basis points | \$ (2,091) | \$ (0.01) |

We may hedge against interest rate fluctuations from time-to-time by using standard hedging instruments such as futures, options and forward contracts subject to the requirements of the 1940 Act and applicable commodities laws. While hedging activities may insulate us against adverse changes in interest rates, they may also limit our ability to participate in the benefits of lower interest rates with respect to our portfolio of investments.

Item 4. Controls and Procedures***(a) Evaluation of Disclosure Controls and Procedures***

As of June 30, 2013 (the end of the period covered by this report), we, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the 1934 Act). Based on that evaluation, our management, including the Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective and provided reasonable assurance that information required to be disclosed in our periodic SEC filings 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 Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. However, in evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of such possible controls and procedures.

(b) Changes in Internal Controls Over Financial Reporting

Management has not identified any change in the Company's internal control over financing reporting that occurred during the first fiscal quarter of 2014 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we may become involved in various investigations, claims and legal proceedings that arise in the ordinary course of our business. Furthermore, third parties may try to seek to impose liability on us in connection with the activities of our portfolio companies. While we do not expect that the resolution of these matters if they arise would materially affect our business, financial condition or results of operations, resolution will be subject to various uncertainties and could result in the expenditure of significant financial and managerial resources.

On May 20, 2013 the Company was named as a defendant in a complaint by the bankruptcy trustee of DSI Renal Holdings and related companies ("DSI"). The complaint alleges, among other things, that the Company participated in a fraudulent conveyance involving a restructuring and subsequent sale of DSI in 2010 and 2011. The complaint seeks, jointly and severally from all defendants, (1) damages of approximately \$425 million, of which the Company's share would be approximately \$41 million, and the return of 9,000 shares of common stock of DSI obtained by the Company in the restructuring and sale and (2) punitive damages. At this point in time, the Company is unable to assess whether it may have any liability in this action. The Company has not made any determination that this action is or may be material to the Company and intends to vigorously defend itself.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in the "Risk Factors" section of our Form N-2 filed on July 5, 2013, which could materially affect our business, financial condition and/or operating results. These risks are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition and/or operating results.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

None.

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Item 6. Exhibits

(a) Exhibits

Listed below are the exhibits that are filed as part of this report (according to the number assigned to them in Item 601 of Regulation S-K):

- 3.1 Articles of Amendment and Restatement, as amended (1)

- 3.2 Third Amended and Restated Bylaws (2)

- 4.1 Second Supplemental Indenture, dated as of June 17, 2013, relating to the 6.875% Senior Notes due 2043, between the Registrant and U.S. Bank National Association, as Trustee (3)

- 4.2 Form of 6.875% Senior Notes due 2043 (contained in the Second Supplemental Indenture filed as Exhibit 4.1 hereto) (3)

- 22.1 Proxy Statement (Annual Meeting) (4)

- 22.2 Proxy Statement (Special Meeting) (4)

- 31.1* Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.

- 31.2* Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.

- 32.1* Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).

- 32.2* Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).

* Filed herewith.

- (1) Incorporated by reference from the Registrant's post-effective Amendment No. 1 to the Registration Statement under the Securities Act of 1933, as amended, on Form N-2, filed on August 14, 2006.
- (2) Incorporated by reference from the Registrant's Form 8-K, filed on November 6, 2009.
- (3) Incorporated by reference from the Registrant's Form 8-K, filed on June 17, 2013.
- (4) Incorporated by reference from the Registrant's 14A, filed on June 20, 2013.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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 on August 8, 2013.

APOLLO INVESTMENT CORPORATION

By: /s/ JAMES C. ZELTER

James C. Zelter
Chief Executive Officer

By: /s/ GREGORY W. HUNT

Gregory W. Hunt
Chief Financial Officer and Treasurer