



Second Quarter 2018

Earnings Presentation

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Financial and Portfolio Highlights

Financial Highlights

	Q2-18	Q1-18	Q2-17
(all per share amounts, excluding net asset value per share, are basic and diluted)			
Core EPS ⁽¹⁾	\$ 0.39	\$ 0.39	\$ 0.34
Net Investment Income Per Share	\$ 0.38	\$ 0.34	\$ 0.29
Net Realized Gains (Losses) Per Share	\$ 0.07	\$ (0.03)	\$ 0.25
Net Unrealized Gains (Losses) Per Share	\$ 0.15	\$ 0.26	\$ (0.12)
GAAP Net Income Per Share	\$ 0.60	\$ 0.57	\$ 0.42
Net Asset Value Per Share	\$ 17.05	\$ 16.84	\$ 16.54

Portfolio Highlights

	Q2-18	Q1-18	Q2-17
(dollar amounts in millions)			
Gross Commitments	\$ 1,619	\$ 1,792	\$ 1,973
Exits of Commitments ⁽²⁾	\$ 2,200	\$ 1,342	\$ 1,792
Total Fair Value of Investments	\$ 11,527	\$ 12,199	\$ 11,498
Weighted Average Yield of Debt & Other Income Producing Securities at Amortized Cost ⁽³⁾	10.4%	10.1%	9.4%
Weighted Average Yield on Total Investments at Amortized Cost ⁽⁴⁾	9.1%	8.9%	8.2%

* See page 24 hereof for reconciliations of basic and diluted Core EPS to GAAP EPS, the most directly comparable GAAP financial measure.

Note: Endnotes begin on page 26.

Selected Historical Financial Information

(dollar amounts in millions, except per share data and stock prices)

	As of and for the Three Months Ended				
	6/30/18	3/31/18	12/31/17	9/30/17	6/30/17
Core EPS – Basic and Diluted* ⁽¹⁾	\$ 0.39	\$ 0.39	\$ 0.38	\$ 0.36	\$ 0.34
Net Investment Income Per Share – Basic and Diluted	\$ 0.38	\$ 0.34	\$ 0.33	\$ 0.36	\$ 0.29
Net Realized and Unrealized Gains (Losses) Per Share – Basic and Diluted	\$ 0.22	\$ 0.23	\$ 0.21	\$ (0.03)	\$ 0.13
GAAP EPS – Basic and Diluted	\$ 0.60	\$ 0.57	\$ 0.54	\$ 0.33	\$ 0.42
Dividend Declared and Payable Per Share	\$ 0.38	\$ 0.38	\$ 0.38	\$ 0.38	\$ 0.38
Stockholders' Equity	\$ 7,270	\$ 7,178	\$ 7,098	\$ 7,028	\$ 7,051
Net Asset Value Per Share	\$ 17.05	\$ 16.84	\$ 16.65	\$ 16.49	\$ 16.54
Principal Debt/Book Equity Ratio	.64x	.73x	.70x	.67x	.70x
Principal Debt/Book Equity Ratio, Net of Available Cash ⁽⁵⁾	.57x	.69x	.66x	.64x	.64x
Unsecured Principal Debt to Total Principal Debt	91.1%	80.9%	78.7%	82.1%	64.0%
Weighted Average Stated Interest on Debt ⁽⁶⁾	4.2%	4.1%	4.1%	4.1%	3.9%
Net Interest and Dividend Margin ⁽⁷⁾	7.2%	6.9%	7.2%	7.5%	7.7%
Ratio of Earnings to Fixed Charges ⁽⁸⁾	4.0	3.8	3.8	3.7	3.5
Market Capitalization					
Principal Debt	\$ 4,632	\$ 5,212	\$ 4,943	\$ 4,733	\$ 4,928
Equity	7,013	6,765	6,701	6,987	6,983
Total Market Capitalization	<u>\$ 11,645</u>	<u>\$ 11,977</u>	<u>\$ 11,644</u>	<u>\$ 11,720</u>	<u>\$ 11,911</u>
Common Stock Data:					
High Price during the period	\$ 17.09	\$ 16.28	\$ 16.61	\$ 16.52	\$ 17.64
Low Price during the period	\$ 15.90	\$ 15.25	\$ 15.69	\$ 15.67	\$ 16.18
Closing Price	\$ 16.45	\$ 15.87	\$ 15.72	\$ 16.39	\$ 16.38

* See page 24 hereof for reconciliations of basic and diluted Core EPS to GAAP EPS, the most directly comparable GAAP financial measure.

Selected Historical Financial Information (cont'd)

(dollar amounts in millions)

	As of				
	6/30/18	3/31/18	12/31/17	9/30/17	6/30/17
Investments at Fair Value	\$ 11,527	\$ 12,199	\$ 11,841	\$ 11,456	\$ 11,498
Number of Portfolio Companies ⁽⁹⁾	346	360	314	325	319
Asset Class (at fair value):					
First Lien Senior Secured Loans	40%	42%	44%	41%	25%
Second Lien Senior Secured Loans	30%	30%	32%	35%	33%
Senior Direct Lending Program ⁽¹⁰⁾	5%	4%	4%	4%	3%
Senior Secured Loan Program ⁽¹¹⁾	—%	—%	—%	—%	17%
Senior Subordinated Loans	9%	10%	8%	8%	8%
Collateralized Loan Obligations	1%	1%	1%	1%	2%
Preferred Equity	6%	5%	4%	4%	4%
Other Equity	9%	8%	7%	7%	8%
Interest Rate Type (at fair value)					
% Floating Rate ⁽¹²⁾	78%	79%	81%	82%	81%
% Fixed Rate	8%	8%	8%	8%	8%
% Equity and Other Non-Interest Earning	14%	13%	11%	10%	11%
Yields:					
Weighted Avg. Yield on Debt and Other Income Producing Securities at Amortized Cost ⁽³⁾	10.4%	10.1%	9.7%	9.6%	9.4%
Weighted Avg. Yield on Debt and Other Income Producing Securities at Fair Value ⁽³⁾	10.5%	10.1%	9.8%	9.7%	9.5%
Weighted Average Yield on Total Investments at Amortized Cost ⁽⁴⁾	9.1%	8.9%	8.7%	8.5%	8.2%
Weighted Average Yield on Total Investments at Fair Value ⁽⁴⁾	9.0%	8.8%	8.7%	8.7%	8.3%

Selected Historical Financial Information (cont'd)

(dollar amounts in millions)

	For the Three Months Ended					
	6/30/18	3/31/18	12/31/17	9/30/2017*	6/30/17	
Commitments:						
Gross Commitments	\$ 1,619	\$ 1,792	\$ 1,506	\$ 1,546	\$ 1,973	
Exits of Commitments ⁽²⁾	(2,200)	(1,342)	(1,321)	(1,644)	(1,792)	
Net Commitments ⁽¹³⁾	\$ (581)	\$ 450	\$ 185	\$ (98)	\$ 181	
Gross Commitments Information:						
Number of Transactions	46	34	40	40	47	
Weighted Average Commitment Term in Months	75	73	74	76	81	
Average Commitment in Period	\$ 35	\$ 53	\$ 38	\$ 39	\$ 42	
Fundings:						
Gross Fundings	\$ 1,376	\$ 1,618	\$ 1,477	\$ 1,375	\$ 1,897	
Net Fundings ⁽¹³⁾	\$ (754)	\$ 240	\$ 138	\$ (154)	\$ 96	
Portfolio Turnover	0.12	0.11	0.11	0.12	0.16	

* Excludes the impact of the \$1.6 billion of first lien senior secured loans acquired by Ares Capital from the SSLP, as well as the \$1.5 billion received by Ares Capital from the SSLP liquidation distribution.

Quarterly Operating Results

(amounts in millions, except per share data)

Investment income
Expenses, net of waiver of income based fees ⁽¹⁴⁾
Net investment income before income taxes
Income tax expense, including excise tax
Net investment income
Net realized and unrealized gains (losses)
Net Income
Per Share:
Core EPS - Basic and Diluted* ⁽¹⁾
Net Income - Basic and Diluted
Dividends Declared and Payable

For the Three Months Ended

	6/30/18	3/31/18	12/31/17	9/30/17	6/30/17
	\$ 333	\$ 317	\$ 307	\$ 294	\$ 284
	165	168	162	136	153
	168	149	145	158	131
	6	5	5	5	7
	162	144	140	153	124
	92	98	92	(14)	54
	<u>\$ 254</u>	<u>\$ 242</u>	<u>\$ 232</u>	<u>\$ 139</u>	<u>\$ 178</u>
	\$ 0.39	\$ 0.39	\$ 0.38	\$ 0.36	\$ 0.34
	\$ 0.60	\$ 0.57	\$ 0.54	\$ 0.33	\$ 0.42
	\$ 0.38	\$ 0.38	\$ 0.38	\$ 0.38	\$ 0.38
	426	426	426	426	426
	426	426	426	426	426

Weighted average shares of common stock outstanding - Basic and Diluted
Common shares outstanding at end of period

(amounts in millions, except per share data)

Investment income
Expenses, net of waiver of income based fees ⁽¹⁴⁾
Net investment income before taxes
Income tax expense, including excise tax
Net investment income
Net realized and unrealized gains
Net Income

For the Six Months Ended

	6/30/18	6/30/17
	\$ 650	\$ 559
	333	332
	317	227
	11	9
	306	218
	190	78
	<u>\$ 496</u>	<u>\$ 296</u>
	\$ 0.78	\$ 0.65
	\$ 1.16	\$ 0.70
	\$ 0.76	\$ 0.76
	426	424
	426	426

Per Share:
Core EPS - Basic and Diluted* ⁽¹⁾
Net Income - Basic and Diluted
Dividends Declared and Payable

Weighted average shares of common stock outstanding - Basic and Diluted
Common shares outstanding at end of period

* See page 24 hereof for reconciliations of basic and diluted Core EPS to GAAP EPS, the most directly comparable GAAP financial measure.

Quarterly Operating Results Detail

(amounts in millions)

	For the Three Months Ended				
	6/30/18	3/31/18	12/31/17	9/30/17	6/30/17
Net Investment Income Before Income Taxes:					
Investment Income:					
Interest income from investments	\$ 262	\$ 254	\$ 251	\$ 238	\$ 231
Capital structuring service fees	25	29	32	32	29
Dividend income	24	22	18	18	16
Other income ⁽³³⁾	22	12	6	6	8
Total investment income	333	317	307	294	284
Expenses:					
Interest and credit facility fees	61	60	59	56	55
Base management fees	45	46	44	44	44
Income based fees	40	38	37	35	30
Capital gains incentive fees*	18	20	18	(3)	10
Administrative fees	4	3	3	3	3
Net professional fees and other costs related to the American Capital Acquisition ⁽¹⁵⁾	(1)	3	3	4	12
Other general and administrative	8	8	8	7	9
Total operating expenses	175	178	172	146	163
Waiver of income based fees ⁽¹⁴⁾	(10)	(10)	(10)	(10)	(10)
Total expenses, net of waiver of income based fees⁽¹⁴⁾	165	168	162	136	153
Net investment income before income taxes	168	149	145	158	131
Income tax expense, including excise tax	6	5	5	5	7
Net investment income	\$ 162	\$ 144	\$ 140	\$ 153	\$ 124

* As required by GAAP. As of June 30, 2018, Ares Capital had accrued \$117 million million of incentive fees payable related to capital gains under GAAP; however, such amount is not actually payable under Ares Capital's investment advisory and management agreement with its investment adviser, Ares Capital Management (the "Investment Advisory and Management Agreement").

Quarterly Gain/Loss Detail

(amounts in millions)

	For the Three Months Ended				
	6/30/18	3/31/18	12/31/17	9/30/17	6/30/17
Net Realized and Unrealized Gains (Losses):					
Realized gains (losses) on investments:					
Gains	\$ 31	\$ 11	\$ 44	\$ 74	\$ 150
Losses	(9)	(11)	(167)	(32)	(38)
Net realized gains (losses) on investments	22	—	(123)	42	112
Unrealized gains (losses) on investments:					
Unrealized appreciation	161	181	180	126	151
Unrealized depreciation	(107)	(97)	(104)	(138)	(119)
Net unrealized gains (losses) on investments	54	84	76	(12)	32
Net unrealized (appreciation) depreciation reversed related to net realized gains or losses on investments	6	12	140	(35)	(76)
Total net unrealized gains (losses) on investments	60	96	216	(47)	(44)
Net realized and unrealized gains (losses) on foreign currency and other transactions	10	2	(1)	(9)	(10)
Realized losses on extinguishment of debt	—	—	—	—	(4)
Net realized and unrealized gains (losses)	\$ 92	\$ 98	\$ 92	\$ (14)	\$ 54

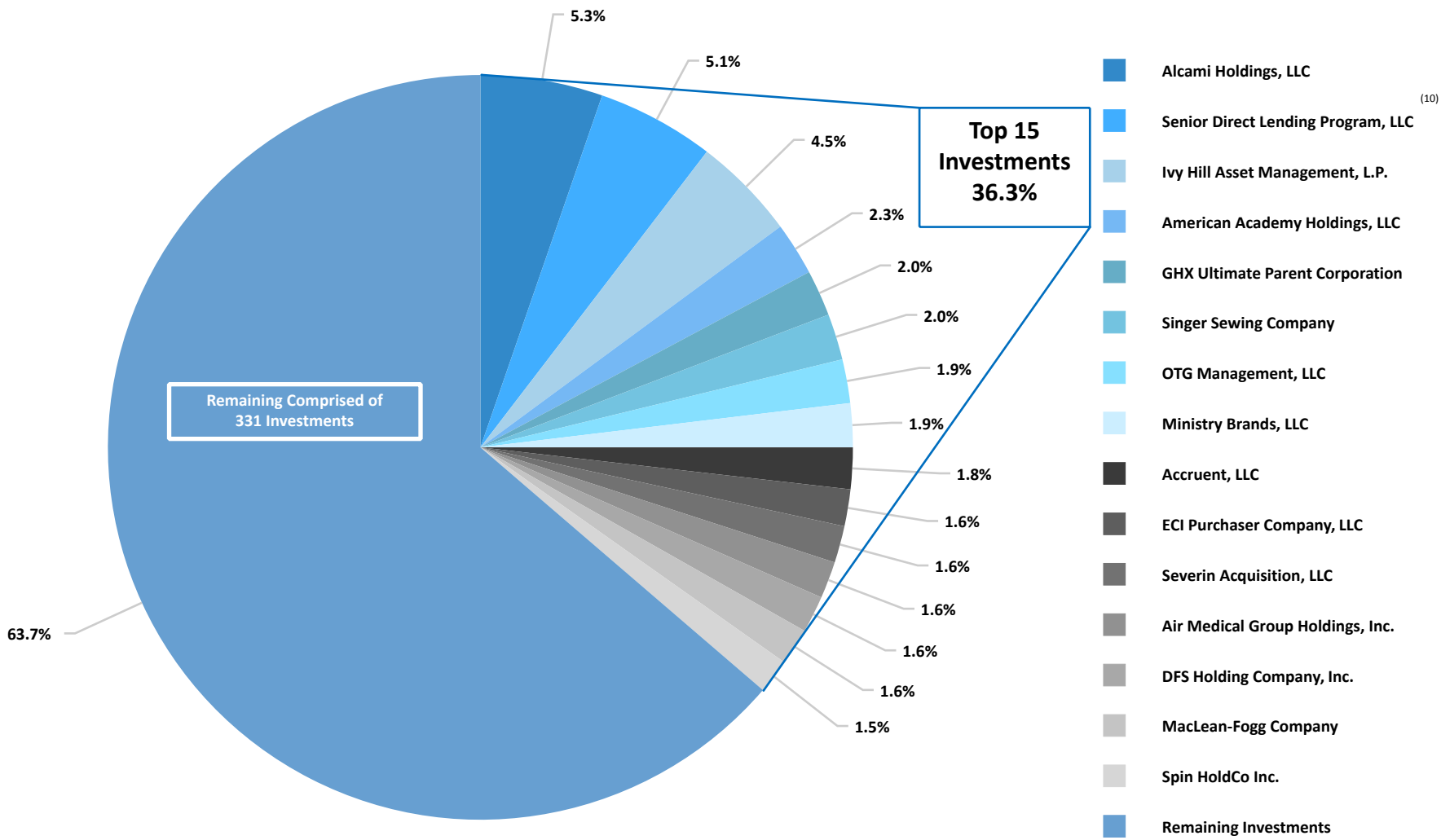
Quarterly Balance Sheets

(amounts in millions, except per share data)

	As of				
	6/30/18	3/31/18	12/31/17	9/30/17	6/30/17
ASSETS					
Investments at fair value	\$ 11,527	\$ 12,199	\$ 11,841	\$ 11,456	\$ 11,498
Cash and cash equivalents	509	302	316	341	536
Interest receivable	89	89	93	105	110
Receivable for open trades	56	4	1	34	33
Other assets	116	99	96	105	151
Total assets	<u>\$ 12,297</u>	<u>\$ 12,693</u>	<u>\$ 12,347</u>	<u>\$ 12,041</u>	<u>\$ 12,328</u>
LIABILITIES					
Debt	\$ 4,542	\$ 5,118	\$ 4,854	\$ 4,640	\$ 4,838
Base management fees payable	45	46	44	44	44
Income based fees payable	30	28	27	25	20
Capital gains incentive fees payable*	117	99	79	61	63
Accounts payable and other liabilities	140	155	181	199	194
Interest and facility fees payable	69	44	64	44	53
Payable for open trades	84	25	—	—	65
Total liabilities	<u>5,027</u>	<u>5,515</u>	<u>5,249</u>	<u>5,013</u>	<u>5,277</u>
STOCKHOLDERS' EQUITY					
Common stock	—	—	—	—	—
Capital in excess of par value	7,192	7,192	7,192	7,206	7,206
Accumulated undistributed (overdistributed) net investment income and net realized gains/losses on investments, foreign currency transactions, extinguishment of debt and other assets	(12)	(39)	(9)	122	96
Net unrealized gains (losses) on investments, foreign currency and other transactions	90	25	(85)	(300)	(251)
Total stockholders' equity	<u>7,270</u>	<u>7,178</u>	<u>7,098</u>	<u>7,028</u>	<u>7,051</u>
Total liabilities and stockholders' equity	<u>\$ 12,297</u>	<u>\$ 12,693</u>	<u>\$ 12,347</u>	<u>\$ 12,041</u>	<u>\$ 12,328</u>
NET ASSETS PER SHARE	<u>\$ 17.05</u>	<u>\$ 16.84</u>	<u>\$ 16.65</u>	<u>\$ 16.49</u>	<u>\$ 16.54</u>

* Accrued in accordance with GAAP. No capital gains incentive fees were actually payable under the Investment Advisory and Management Agreement for any periods presented.

Investment Portfolio by Issuer Concentration as of June 30, 2018*



Diversified \$11.5 billion portfolio with 346 investments

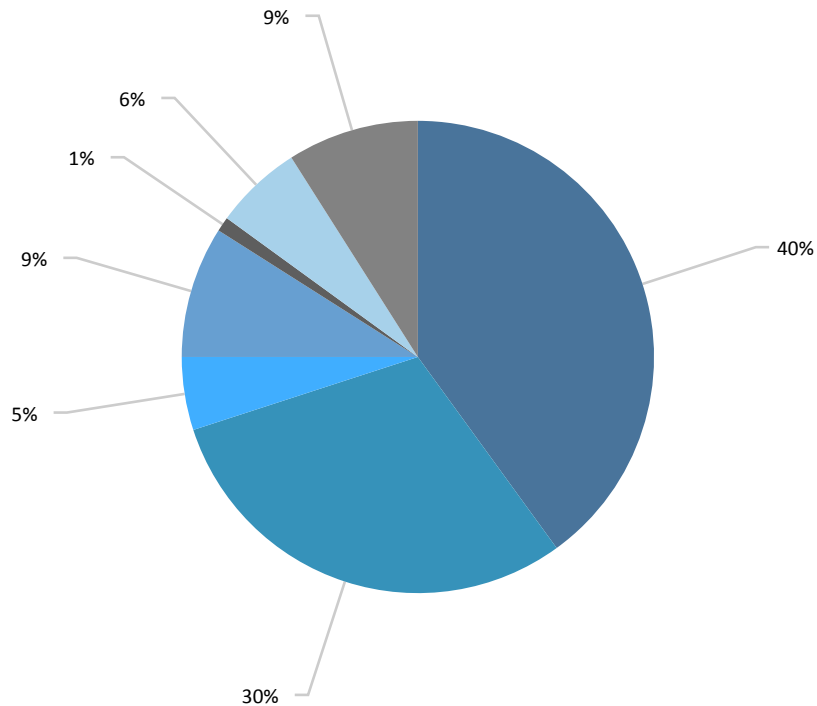
* At fair value.

Note: As of June 30, 2018, approximately 13% of Ares Capital's total investments were acquired in the American Capital Acquisition.



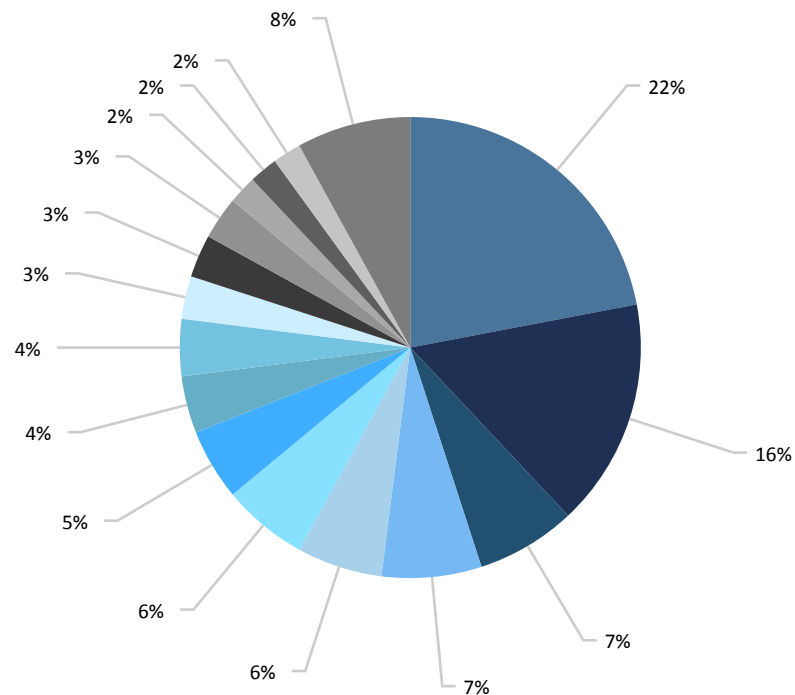
Investment Portfolio as of June 30, 2018*

Asset Class



- First Lien Senior Secured Loans
- Second Lien Senior Secured Loans
- Senior Direct Lending Program⁽¹⁰⁾
- Senior Subordinated Loans
- Collateralized Loan Obligations
- Preferred Equity
- Other Equity

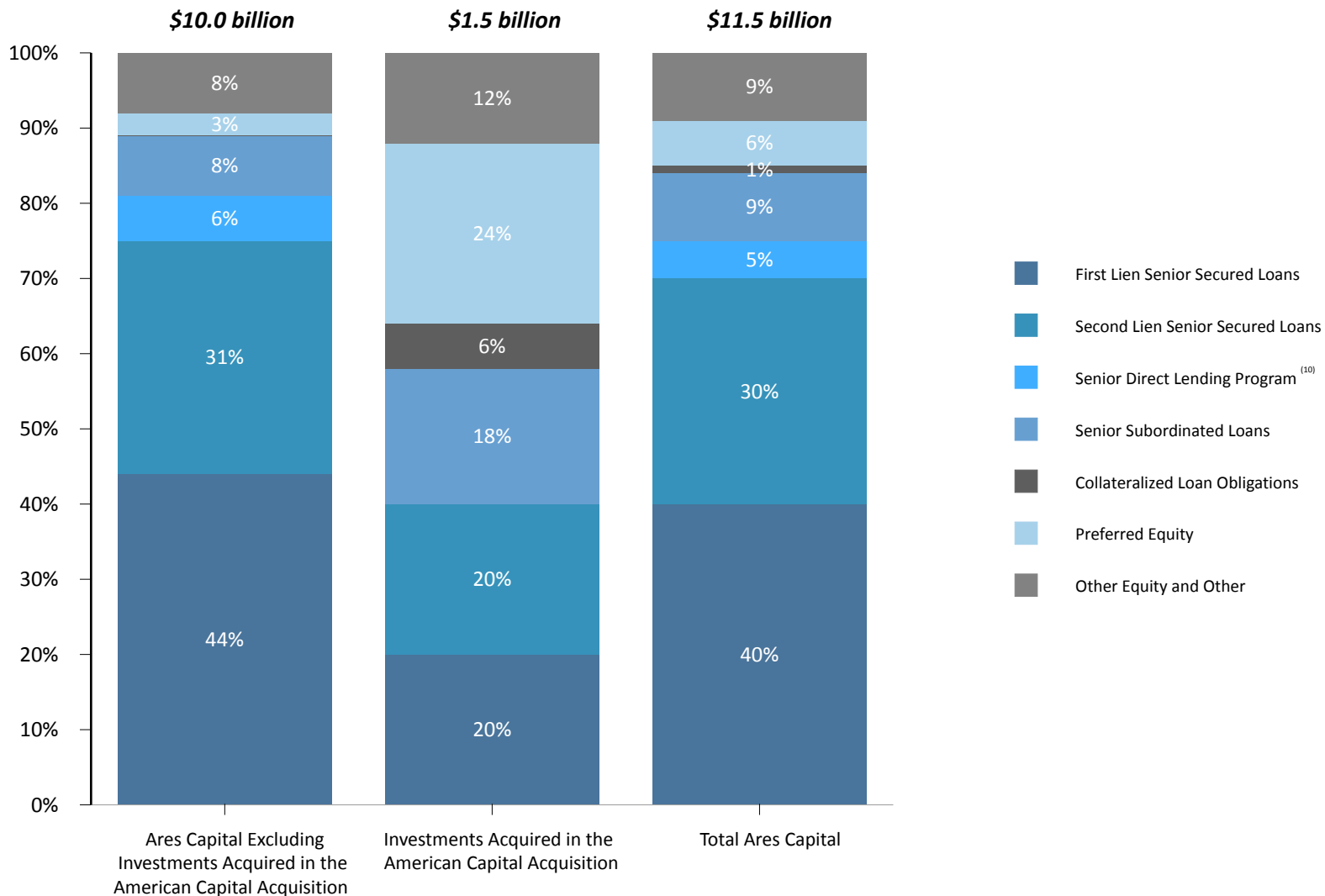
Industry



- Healthcare Services
- Business Services
- Consumer Products
- Financial Services
- Other Services
- Senior Direct Lending Program⁽¹⁰⁾
- Power Generation
- Restaurants and Food Services
- Education
- Food and Beverage
- Oil and Gas
- Automotive Services
- Wholesale Distribution
- Containers and Packaging
- Remaining

* At fair value.

Investment Portfolio by Asset Class as of June 30, 2018*



Weighted Average Yields at Fair Value:

Debt and Other Income Producing Securities ⁽³⁾	10.3%	11.5%	10.5%
Total Investments ⁽⁴⁾	9.3%	7.2%	9.0%

* At fair value.



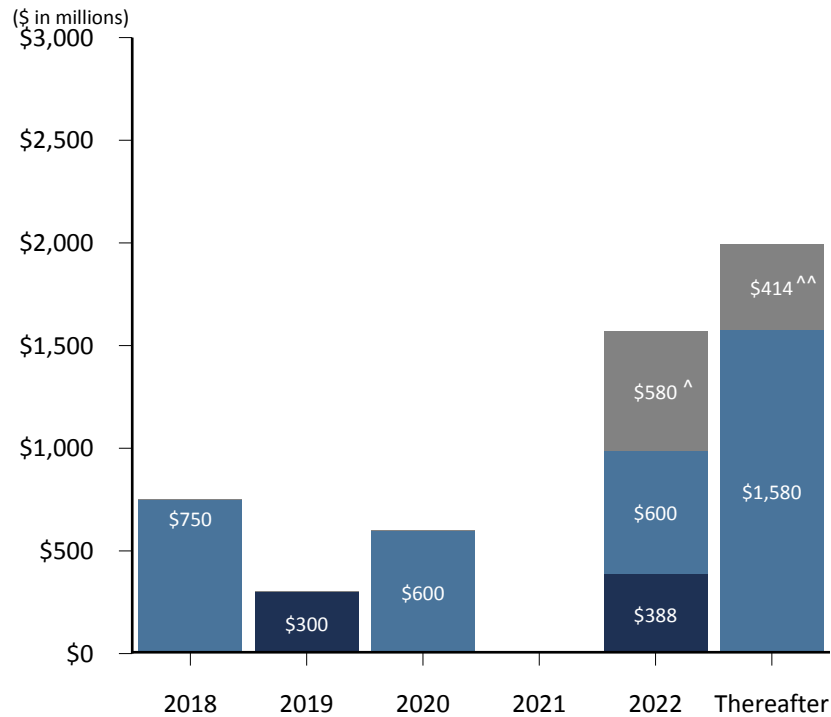
Debt Summary

(dollar amounts in millions)	As of 3/31/18			As of 6/30/18			Weighted Average Stated Interest Rate ⁽²⁰⁾	Interest Rate	Maturity Date
	Aggregate Principal Amount Committed/Outstanding ⁽¹⁷⁾	Principal Outstanding	Carrying Value of Outstanding Debt	Aggregate Principal Amount Committed/Outstanding ⁽¹⁷⁾	Principal Outstanding	Carrying Value of Outstanding Debt			
Secured Revolving Facilities⁽¹⁶⁾:									
Revolving Credit Facility	\$ 2,133	\$ 414	\$ 414	\$ 2,133	\$ 414	\$ 414	3.814%	LIBOR + 1.75% ⁽²¹⁾	March 2023 ⁽²¹⁾
Revolving Funding Facility	1,000	580	580	1,000	—	—	—%	LIBOR + 2.15%	January 2022
SMBC Funding Facility	400	—	—	400	—	—	—%	LIBOR + 2.00% ⁽²²⁾	September 2023
Subtotal	3,533	994	994	3,533	414	414	3.814%		
SBA Debentures	50	—	—	—	—	—	—%		
Unsecured Notes Payable:									
2018 Notes	750	750	748 ⁽¹⁸⁾	750	750	749 ⁽¹⁸⁾	4.875%		November 2018
2019 Convertible Notes	300	300	299 ⁽¹⁸⁾	300	300	299 ⁽¹⁸⁾	4.375%		January 2019
2020 Notes	600	600	597 ⁽¹⁸⁾	600	600	598 ⁽¹⁸⁾	3.875%		January 2020
2022 Notes	600	600	594 ⁽¹⁸⁾	600	600	594 ⁽¹⁸⁾	3.625%		January 2022
2022 Convertible Notes	388	388	369 ⁽¹⁸⁾	388	388	370 ⁽¹⁸⁾	3.750%		February 2022
2023 Notes	750	750	743 ⁽¹⁸⁾	750	750	743 ⁽¹⁸⁾	3.500%		February 2023
2025 Notes	600	600	592 ⁽¹⁸⁾	600	600	593 ⁽¹⁸⁾	4.250%		March 2025
2047 Notes	230	230	182 ⁽¹⁹⁾	230	230	182 ⁽¹⁹⁾	6.875%		April 2047
Subtotal	4,218	4,218	4,124	4,218	4,218	4,128	4.191%		
Total Debt	\$ 7,801	\$ 5,212	\$ 5,118	\$ 7,751	\$ 4,632	\$ 4,542	4.158%		

Floating and Fixed Rate Debt as of June 30, 2018:			
Debt (dollar amounts in millions)	Principal Outstanding	Weighted Average Stated Interest Rate ⁽²⁰⁾	Weighted Average Maturity (in years)
Floating	\$ 19	3.81%	4.65
Fixed ⁽²²⁾	4,613	4.16%	4.50
Total	\$ 4,632	4.16%	4.53

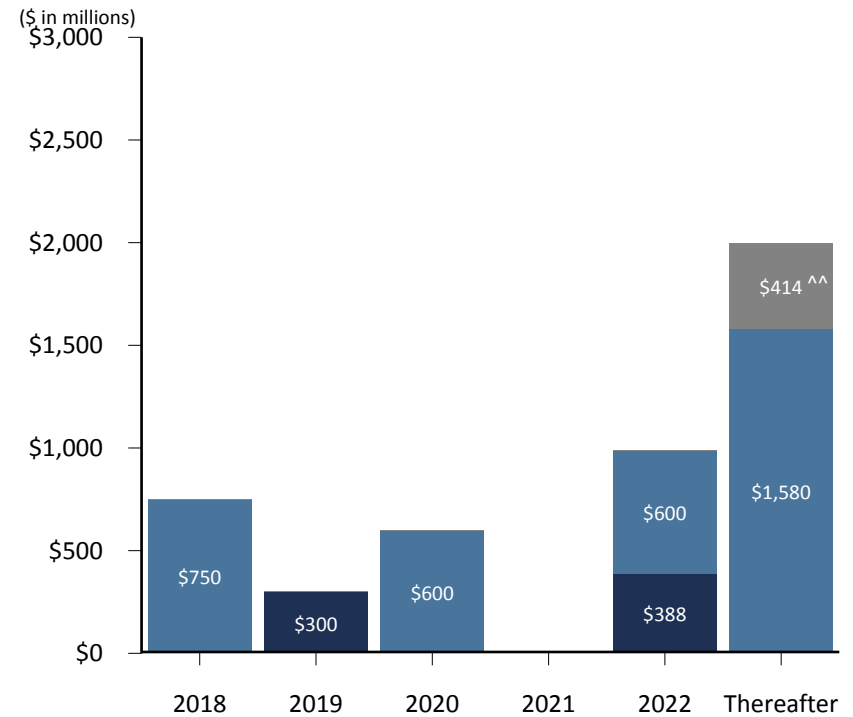
Debt Summary

Debt Maturities*



As of March 31, 2018

Convertible Unsecured Notes
 Other Unsecured Notes
 Secured Revolving Facilities



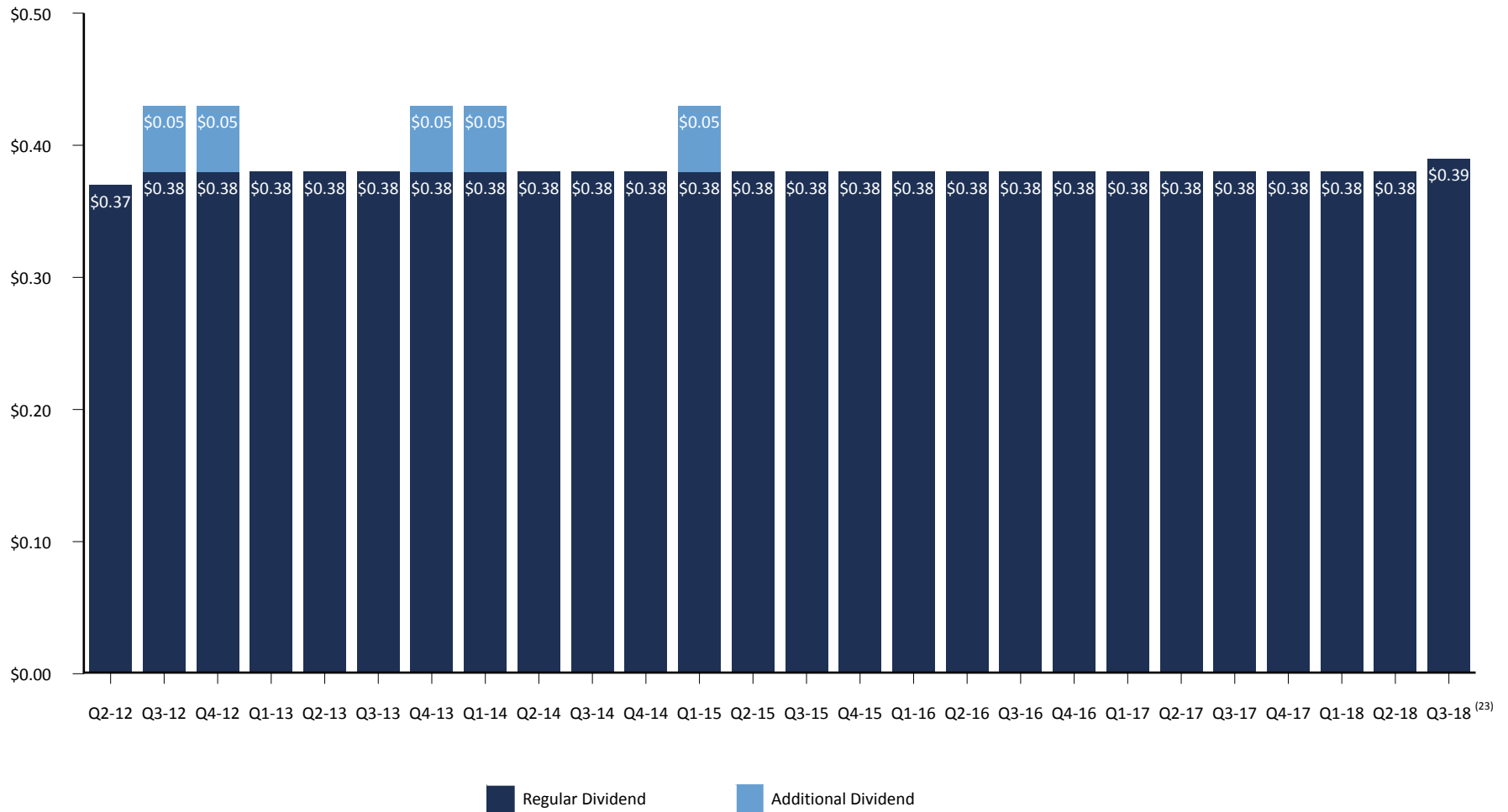
As of June 30, 2018

* Represents the total aggregate principal amount outstanding due on the stated maturity date.

[^] As of March 31, 2018, the end of the reinvestment period for the Revolving Funding Facility is January 3, 2019. Subsequent to the end of this reinvestment period and prior to the stated maturity date of January 3, 2022, any principal proceeds from sales and repayments of loan assets held by Ares Capital CP Funding LLC will be used to repay the aggregate principal amount outstanding.

^{^^} As of March 31, 2018 and June 30, 2018, the end of the reinvestment period for the Revolving Credit Facility is March 30, 2022. Subsequent to the end of this reinvestment period and prior to the stated maturity date of March 30, 2023, Ares Capital is required to repay outstanding principal amounts under such revolving tranche on a monthly basis in an amount equal to 1/12th of the outstanding principal amount at the end of the revolving period.

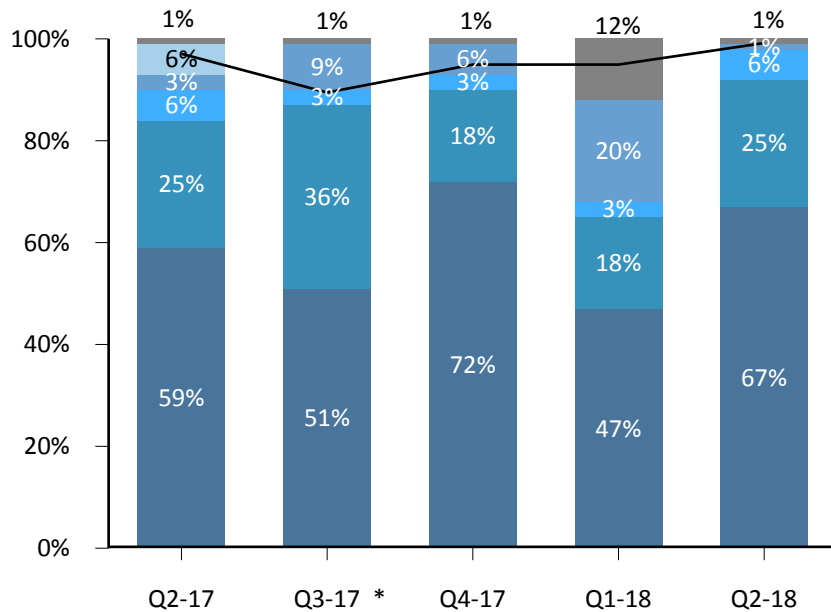
Quarterly Dividends



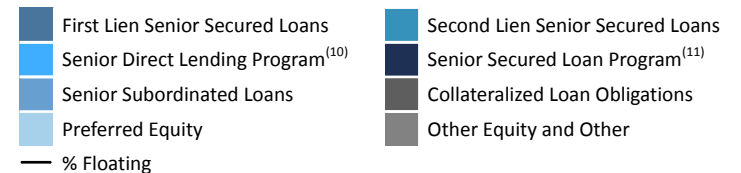
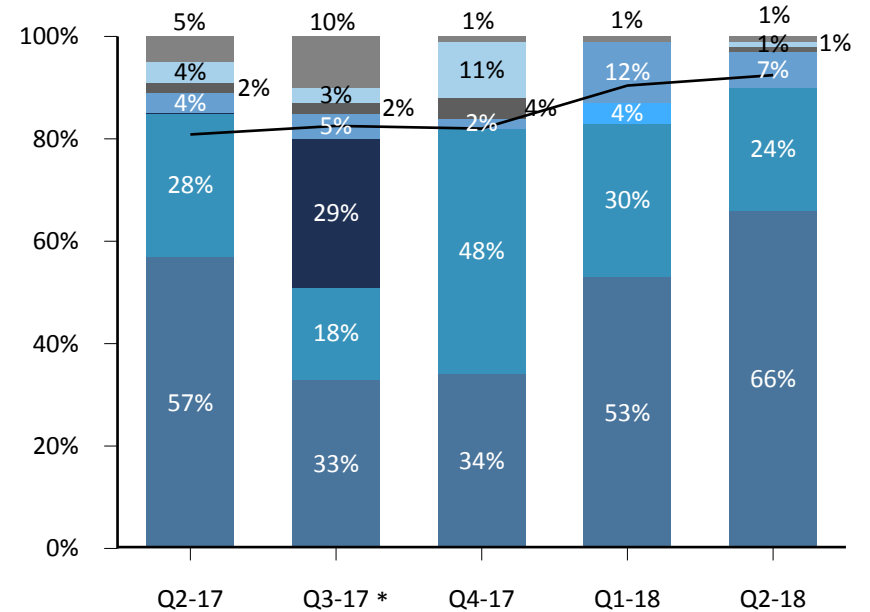
➤ ARCC estimates that it has carried forward excess taxable income of approximately \$346 million⁽²⁴⁾ or \$0.81 per share from 2017 for distribution to stockholders in 2018.

Portfolio Activity

Gross Commitments by Asset Class

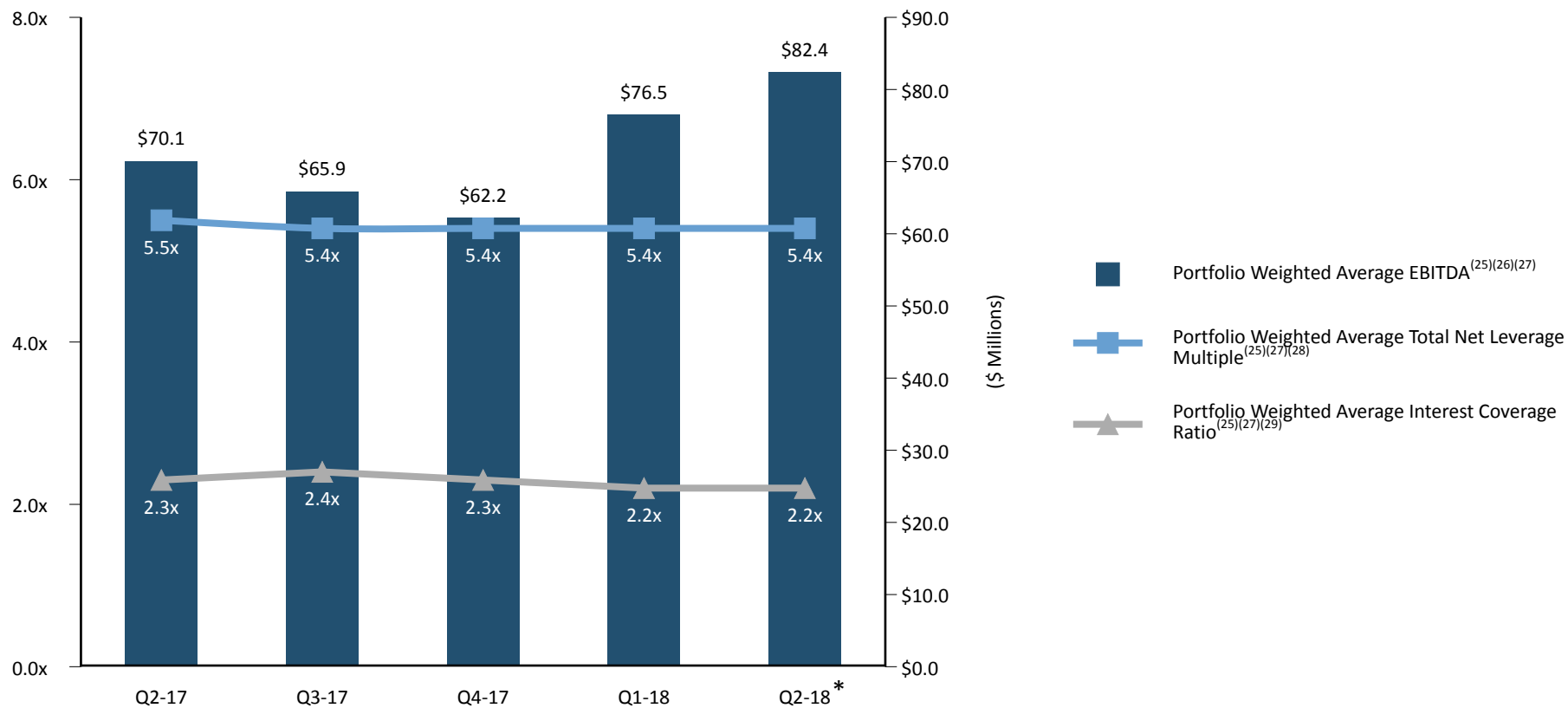


Exits of Commitments by Asset Class



* Excludes the impact of the first lien senior secured loans acquired by Ares Capital from the SSLP as well as the amounts received by Ares Capital from the SSLP's liquidation distribution. Q3-17 exits include \$474 million received from the SSLP as part of the previously recurring monthly waterfall distribution.

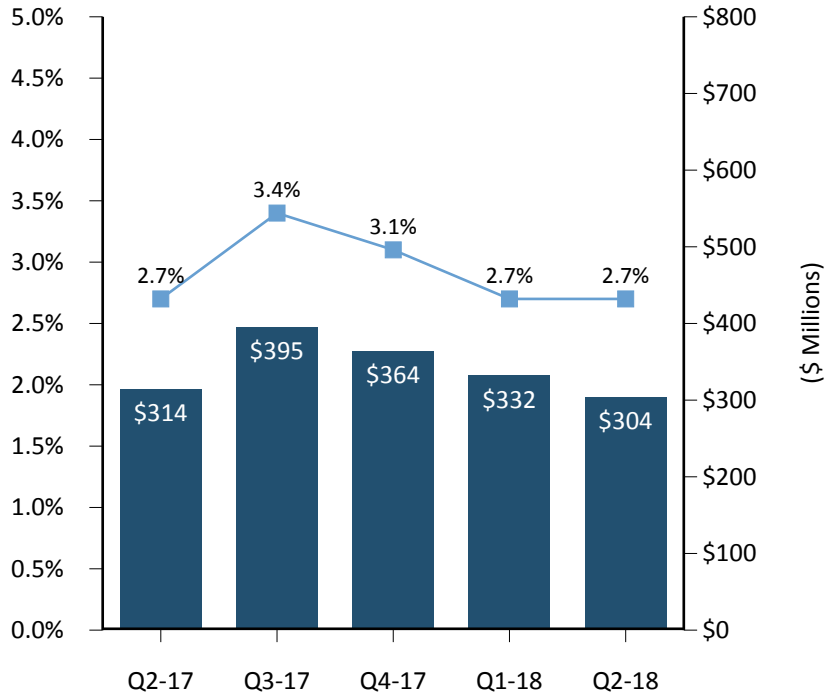
Portfolio Company EBITDA and Credit Statistics



* For the portfolio companies included in the portfolio weighted average EBITDA data above (subject to additional exclusions described in the following sentence), the weighted average EBITDA growth rate as of Q2-18 was approximately 7% on a comparable basis for the most recently reported LTM period versus prior year LTM period. In addition to those portfolio companies excluded as noted, this calculation excludes two companies where prior year comparable data was not available.⁽³⁰⁾

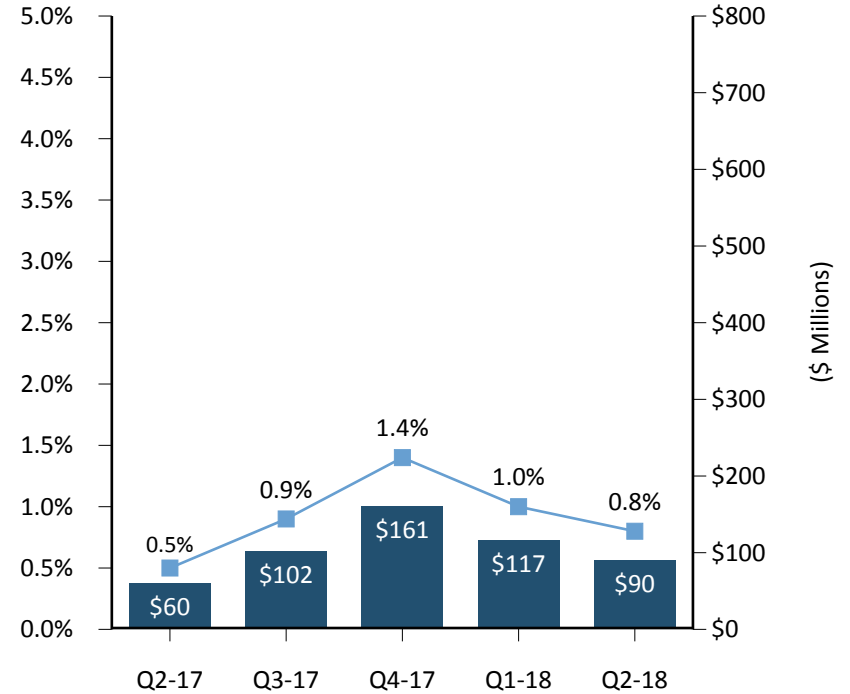
Investments on Non-Accrual Status

Amortized Cost



Investments on Non-Accrual Status

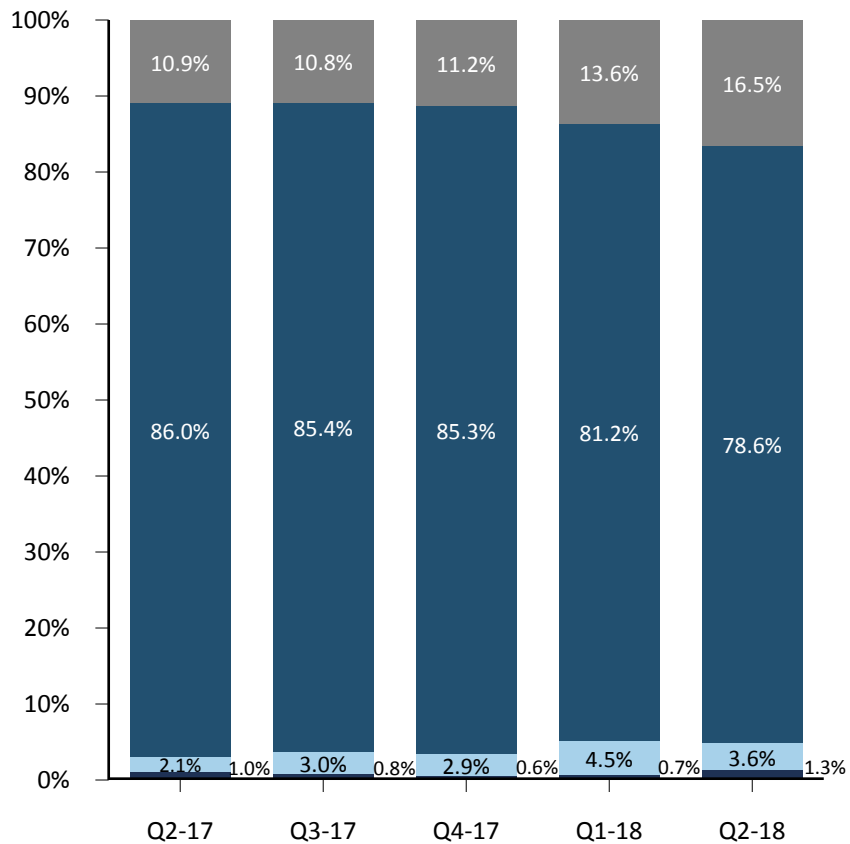
Fair Value



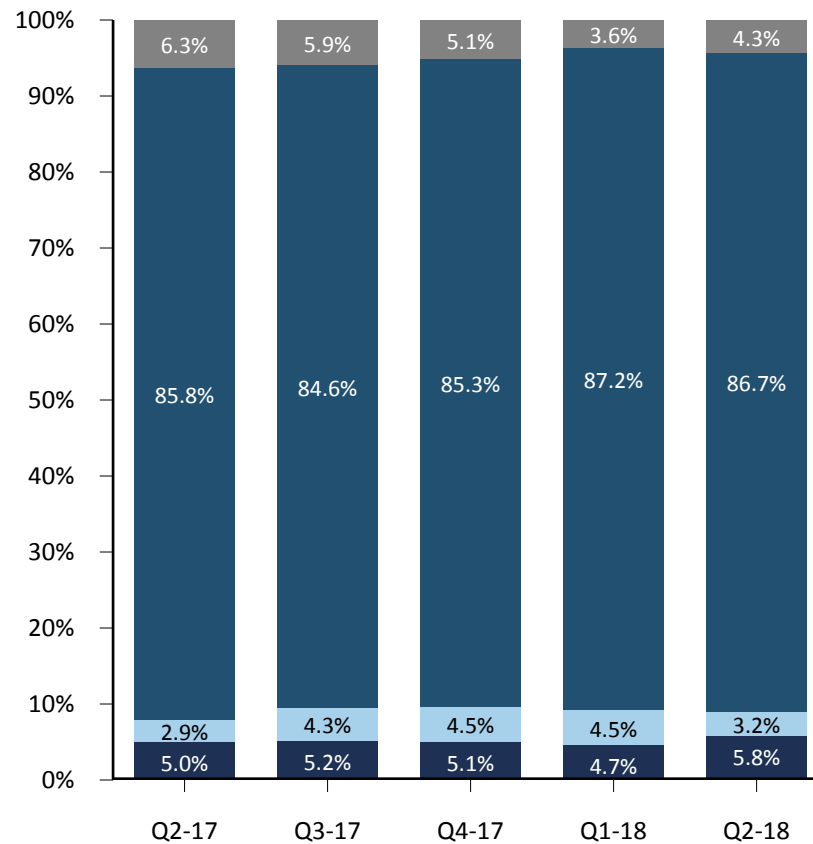
Percentage of Total Investment Portfolio

Portfolio By Grade⁽³¹⁾

% By Fair Value



% By Number of Companies



Grade 1
 Grade 2
 Grade 3
 Grade 4

Investment Activity Since Quarter End

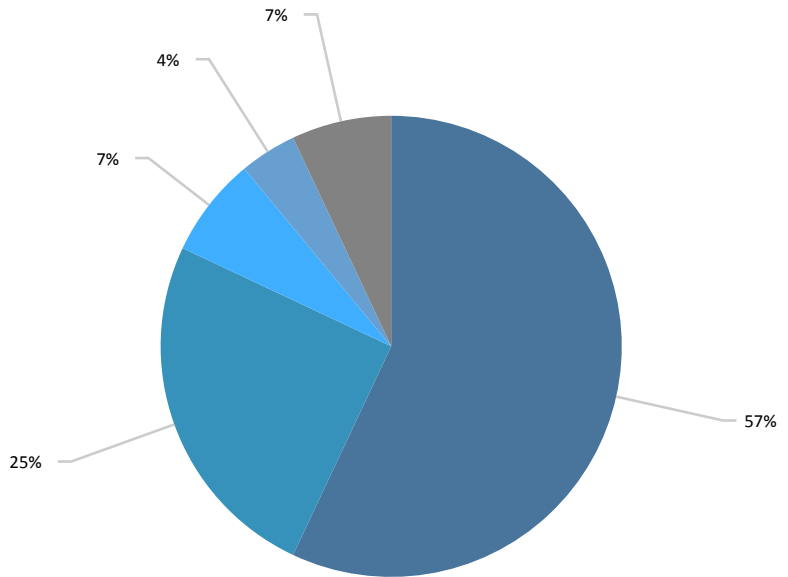
- From July 1, 2018 through July 25, 2018, Ares Capital made \$895 million of new investment commitments
 - 70% were in first lien senior secured loans, 25% were in second lien senior secured loans and 5% were in other equity securities
 - 95% were floating rate and 5% were non-interest bearing
 - Weighted average yield of debt and other income producing securities funded at amortized cost of 7.5%

- From July 1, 2018 through July 25, 2018, Ares Capital exited \$629 million of investment commitments, including \$291 million of investment commitments acquired in the American Capital Acquisition
 - 62% were first lien senior secured loans, 25% were senior subordinated loans, 11% were second lien senior secured loans and 2% were investments in the subordinated certificates of the SDLP
 - 75% were floating rate, 25% were fixed rate
 - Weighted average yield of debt and other income producing securities exited or repaid at amortized cost was 9.5%
 - Weighted average yield on total investments exited or repaid during the period at amortized cost was 9.5%
 - Total net realized gains of approximately \$326 million

Backlog and Pipeline

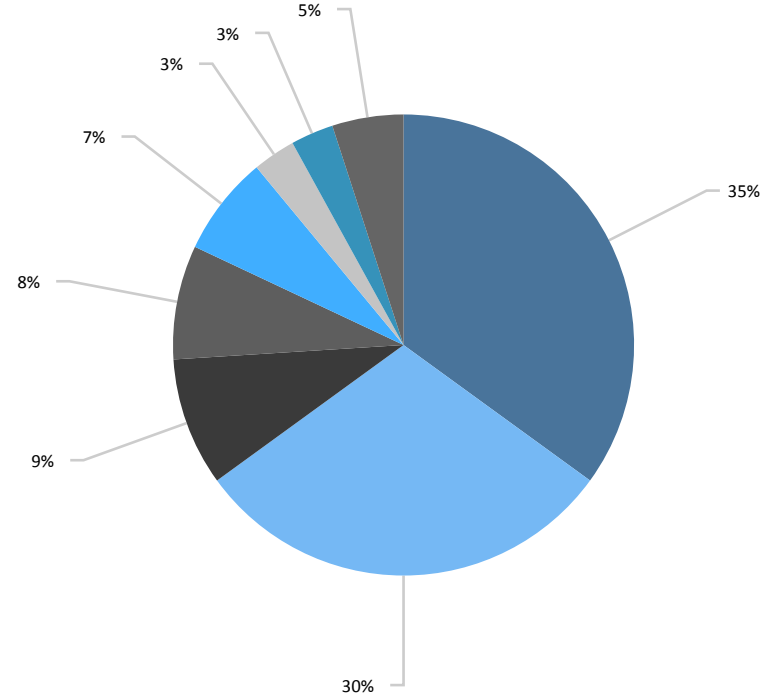
- As of July 25, 2018, Ares Capital had a backlog and pipeline of approximately \$710 million and \$660 million, respectively⁽³²⁾
- The following is a breakdown of the backlog and pipeline by asset class and by industry

Asset Class



- First Lien Senior Secured Loans
- Second Lien Senior Secured Loans
- Senior Direct Lending Program⁽¹⁰⁾
- Senior Subordinated Loans
- Other Equity

Industry



- Healthcare Services
- Business Services
- Power Generation
- Consumer Products
- Senior Direct Lending Program⁽¹⁰⁾
- Automotive Services
- Food and Beverage
- Other



Corporate Data

Board of Directors

MICHAEL AROUGHETI
Co-Chairman and Executive Vice President of
Ares Capital Corporation
Co-Founder, Chief Executive Officer and Partner
of Ares

STEVE BARTLETT
Strategic Independent Consultant

ANN TORRE BATES
Former Executive Vice President, Chief Financial
Officer and Treasurer of NHP, Inc.

KIPP DEVEER
Chief Executive Officer of Ares Capital
Corporation
Head and Partner of the Ares Credit Group

STEVEN MCKEEVER
Founder and Chief Executive Officer of Hidden
Beach Recordings

DANIEL KELLY, JR.
Former Partner of Davis Polk & Wardwell LLP

ROBERT ROSEN
Strategic Adviser to Private Equity Group

BENNETT ROSENTHAL
Co-Chairman of Ares Capital Corporation
Co-Founder and Partner of Ares
Co-Head and Partner of the Ares Private Equity
Group

ERIC SIEGEL
Retired Partner of Apollo Advisors, L.P.
Chairman of Executive Committee of El Paso
Electric Company

Investment Committee

MARK AFFOLTER
Partner of the Ares Credit Group

MICHAEL AROUGHETI
Co-Chairman and Executive Vice President of Ares
Capital Corporation
Co-Founder, Chief Executive Officer and Partner of
Ares

KIPP DEVEER
Chief Executive Officer of Ares Capital Corporation
Head and Partner of the Ares Credit Group

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Co-President of Ares Capital Corporation
Co-Head and Partner of the Ares Credit Group

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Partner of the Ares Credit Group

KORT SCHNABEL
Partner of the Ares Credit Group

DAVID SCHWARTZ
Partner of the Ares Credit Group

MICHAEL SMITH
Co-President of Ares Capital Corporation
Co-Head and Partner of the Ares Credit Group

Corporate Officers

MICHAEL AROUGHETI
Executive Vice President

JOSHUA BLOOMSTEIN
Vice President, General Counsel and
Secretary

KIPP DEVEER
Chief Executive Officer

MITCHELL GOLDSTEIN
Co-President

MIRIAM KRIEGER
Chief Compliance Officer

SCOTT LEM
Chief Accounting Officer,
Vice President and Treasurer

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Reconciliations of Core EPS

The following are reconciliations of basic and diluted earnings per share computed in accordance with GAAP to basic and diluted core earnings per share:

	For the Three Months Ended				
	6/30/18	3/31/18	12/31/17	9/30/17	6/30/17
Basic and Diluted Core EPS ⁽¹⁾	\$ 0.39	\$ 0.39	\$ 0.38	\$ 0.36	\$ 0.34
Net professional fees and other costs related to the American Capital Acquisition ⁽¹⁵⁾	—	(0.01)	(0.01)	(0.01)	(0.03)
Ares Reimbursement ⁽³³⁾	0.03	—	—	—	—
Net realized and unrealized gains (losses)	0.22	0.23	0.21	(0.03)	0.13
Capital gains incentive fees attributable to net realized and unrealized gains and losses	(0.04)	(0.04)	(0.04)	0.01	(0.02)
Basic and Diluted GAAP EPS	<u>\$ 0.60</u>	<u>\$ 0.57</u>	<u>\$ 0.54</u>	<u>\$ 0.33</u>	<u>\$ 0.42</u>

	For the Six Months Ended	
	6/30/18	6/30/17
Basic and Diluted Core EPS ⁽¹⁾	\$ 0.78	\$ 0.65
Net professional fees and other costs related to the American Capital Acquisition ⁽¹⁵⁾	—	(0.08)
Ares Reimbursement ⁽³³⁾	0.03	—
Net realized and unrealized gains	0.44	0.19
Capital gains incentive fees attributable to net realized and unrealized gains and losses	(0.09)	(0.06)
Income tax expense related to net realized gains and losses	—	—
Basic and Diluted GAAP EPS	<u>\$ 1.16</u>	<u>\$ 0.70</u>

Investments Acquired in the American Capital Acquisition

(Dollar amounts in millions)	Investments at Fair Value as of January 3, 2017			Investments at Fair Value as of June 30, 2018			Net Change in Fair Value
	Fair Value	% of Total	Yield at Fair Value	Fair Value	% of Total	Yield at Fair Value	
By Asset Class							
First Lien Senior Secured Loans	\$ 550	22%	7.4%	\$ 291	19%	7.8%	\$ (259)
Second Lien Senior Secured Loans	855	34%	10.0%	292	20%	11.6%	(563)
Senior Subordinated Loans	244	10%	11.3%	269	18%	15.4%	25
Collateralized Loan Obligations	265	10%	12.6%	92	6%	9.8%	(173)
Preferred Equity	109	4%	—%	359	24%	—%	250
Other Equity Securities	520	20%	—%	171	12%	—%	(349)
Total	\$ 2,543	100%	7.4%	\$ 1,474	99%	7.2%	\$ (1,069)

(Dollar amounts in millions)	Reconciliation of Net Change in Fair Value from January 3, 2017 Through June 30, 2018
Total Investments at Fair Value as of January 3, 2017	\$ 2,543
Proceeds from Exits and Repayments	(1,704)
Net Realized Gains	96
Net Unrealized Appreciation	346
Other*	193
Total Investments at Fair Value as of June 30, 2018	\$ 1,474

* Including fundings of revolvers and other commitments of \$151 million, paid-in-kind interest and accretion of purchase discounts.

Endnotes

- 1) Basic and diluted Core EPS is a non-GAAP financial measure. Core EPS is the net per share increase (decrease) in stockholders' equity resulting from operations less net professional fees and other costs related to the acquisition of American Capital, Ltd. ("American Capital") (the "American Capital Acquisition"), expense reimbursement from Ares Capital Management LLC (the "Ares Reimbursement"), net realized and unrealized gains and losses, any capital gains incentive fees attributable to such net realized and unrealized gains and losses and any income taxes related to such net realized gains and losses. Basic and diluted GAAP EPS is the most directly comparable GAAP financial measure. Ares Capital believes that Core EPS provides useful information to investors regarding financial performance because it is one method Ares Capital uses to measure its financial condition and results of operations. The presentation of this additional information is not meant to be considered in isolation or as a substitute for financial results prepared in accordance with GAAP. Reconciliations of basic and diluted Core EPS to the most directly comparable GAAP financial measure are set forth on page 24 hereof. For more information about the Ares Reimbursement, see Note 12 "Related Party Transactions" in Part I, Item I "Financial Statements" in Ares Capital's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2018.
- 2) Includes sales to Ivy Hill Asset Management, L.P. ("IHAM"), a wholly owned portfolio company of Ares Capital, or vehicles managed by IHAM.
- 3) The weighted average yield on debt and other income producing securities is computed as (a) annual stated interest rate or yield earned plus the net annual amortization of original issue discount and market discount or premium earned on accruing debt and other income producing securities, divided by (b) total accruing debt and other income producing securities at amortized cost or at fair value, as applicable.
- 4) The weighted average yield on the total investment portfolio is computed as (a) annual stated interest rate or yield earned plus the net annual amortization of original issue discount and market discount or premium earned on accruing debt and other income producing securities, divided by (b) total investments at amortized cost or at fair value, as applicable.
- 5) Computed as total principal debt outstanding less available cash divided by stockholders' equity. Available cash excludes restricted cash as well as cash held for dividends payable and for uses specifically designated for paying interest and expenses on certain debt.
- 6) Computed as (a) the annual stated interest expense on our debt obligations divided by (b) total debt obligations at principal amount outstanding. Stated interest expense on debt excludes facility and other fees and the amortization of original issue discount or premium, market discounts and debt issuance costs. In December 2017, Ares Capital entered into an interest rate swap agreement to effectively fix the interest rate in connection with \$395 million of the term loan tranche of its Revolving Credit Facility. The stated interest rate for the Revolving Credit Facility used to calculate weighted average stated interest on debt reflects the fixed interest rate of 2.064% plus the applicable spread of 1.75%, or 3.814% on the \$395 million of the term loan tranche.
- 7) Net interest and dividend margin represents the difference between interest and dividend income and interest and credit facility fees expense for the last twelve month period divided by average total investments at amortized cost during the same period.
- 8) Excludes realized and unrealized gains (losses) and incentive fees attributable to net realized and unrealized gains (losses).
- 9) Includes portfolio companies for which there are outstanding commitments, but for which no amounts were funded at the end of the period.
- 10) Represents Ares Capital's portion of co-investments with Varagon Capital Partners ("Varagon") and its clients in first lien senior secured loans to U.S. middle-market companies. As of June 30, 2018, the Senior Direct Lending Program LLC's (the "SDLP") loan portfolio totaled approximately \$2.8 billion aggregate principal amount and had loans to 20 different borrowers. As of June 30, 2018, the SDLP's largest loan to a single borrower was \$249 million aggregate principal amount and the five largest loans to borrowers totaled \$1,087 million aggregate principal amount. The portfolio companies in the SDLP are in industries similar to companies in Ares Capital's portfolio. See Note 4 to Ares Capital's consolidated financial statements included in the quarterly report on Form 10-Q for the quarter ended June 30, 2018 for information regarding the SDLP.
- 11) Represented Ares Capital's portion of co-investments with General Electric Capital Corporation and GE Global Sponsor Finance LLC (collectively, "GE") in first lien senior secured loans to middle market companies. The portfolio companies in the Senior Secured Loan Program ("SSLP") were in industries similar to companies in Ares Capital's portfolio. In July 2017, Ares Capital and GE agreed to an early termination of the SSLP. See Note 4 to Ares Capital's consolidated financial statements included in the quarterly report on Form 10-Q for the quarter ended June 30, 2018 for information regarding the SSLP.

Endnotes (cont'd)

- 12) As of June 30, 2018, 78% of the total investments at fair value and 99% of the floating rate investments at fair value contained interest rate floor features. Additionally, as of June 30, 2018, all the loans made through the SDLP contained interest rate floor features.
- 13) Represents gross commitments or fundings less commitments or investments exited, respectively. Q2-18, Q1-18, Q4-17, Q3-17 and Q2-17 include sales to IHAM or vehicles managed by IHAM of \$453 million, \$0 million, \$46 million, \$59 million and \$8 million, respectively.
- 14) In connection with the American Capital Acquisition, Ares Capital Management agreed to waive, for each of the first ten calendar quarters beginning with the second quarter of 2017, the lesser of (x) \$10 million of income based fees and (y) the amount of income based fees for such quarter, in each case, to the extent earned and payable by Ares Capital in such quarter pursuant to and as calculated under Ares Capital's investment advisory and management agreement.
- 15) See Note 14 to Ares Capital's consolidated financial statements included in the quarterly report on Form 10-Q for the quarter ended June 30, 2018 for information regarding the American Capital Acquisition that closed on January 3, 2017 (the "Acquisition Date").
- 16) Requires periodic payments of interest and may require repayments of a portion of the outstanding principal once their respective reinvestment periods end but prior to the applicable stated maturity.
- 17) Subject to borrowing base, leverage and other restrictions. Represents total aggregate amount committed or outstanding, as applicable, under such instrument.
- 18) Represents the aggregate principal amount of the notes outstanding adjusted for the unaccreted discount or premium initially recorded at the time of issuance.
- 19) Represents the aggregate principal amount of the notes outstanding less the unaccreted purchased discount initially recorded at the time of acquisition.
- 20) Effective stated rate as of June 30, 2018.
- 21) The interest rate charged on the Revolving Credit Facility is based on an applicable spread of either 1.75% or 1.875% over LIBOR or 0.75% or 0.875% over an "alternate base rate" (as defined in the agreements governing the Revolving Credit Facility), in each case, determined monthly based on the total amount of borrowing base relative to the total commitments of the Revolving Credit Facility and other debt, if any, secured by the same collateral as the Revolving Credit Facility. As of June 30, 2018, the interest rate in effect was LIBOR plus 1.75%. The Revolving Credit Facility consists of a \$414 million term loan tranche with a stated maturity date of March 30, 2023 and a \$1,719 million revolving tranche. For \$1,624 million of the revolving tranche, the end of the revolving period and the stated maturity date are March 30, 2022 and March 30, 2023, respectively. For \$50 million of the revolving tranche, the end of the revolving period and the stated maturity date are January 4, 2021 and January 4, 2022, respectively. For the remaining \$45 million of the revolving tranche, the end of the revolving period and the stated maturity date are May 4, 2019 and May 4, 2020, respectively. In December 2017, Ares Capital entered into an interest rate swap agreement to effectively fix the interest rate in connection with \$395 million of the term loan tranche of the Revolving Credit Facility. The stated interest rate for the Revolving Credit Facility reflects the fixed interest rate of 2.064% plus the applicable spread of 1.75%, or 3.814% on \$395 million of the term loan tranche.
- 22) The interest rate charged on the SMBC Funding Facility is based on an applicable spread of either 1.75% or 2.00% over LIBOR or 0.75% or 1.00% over a "base rate" (as defined in the agreements governing the SMBC Funding Facility), in each case, determined monthly based on the amount of the average borrowings outstanding under the SMBC Funding Facility. As of June 30, 2018, the interest rate in effect was LIBOR plus 2.00%.
- 23) Declared. The third quarter 2018 dividend of \$0.39 per share to be paid on September 28, 2018 to stockholders of record on September 14, 2018.
- 24) The amount of excess 2017 U.S. Federal taxable income available for carry over into 2018 is only an estimate based on estimated 2017 U.S. Federal taxable income. The calculation of estimated 2017 U.S. Federal taxable income includes a number of estimated inputs, including information received from third parties and, as a result, actual 2017 U.S. Federal taxable income will not be finally determined until Ares Capital's 2017 tax return is filed in 2018. Consequently, both 2017 U.S. Federal taxable income and the amount of excess U.S. Federal taxable income available for carry over into 2018 are subject to change. See Note 11 to Ares Capital's consolidated financial statements included in the annual report on Form 10-K for the year ended December 31, 2017 for more information.

Endnotes (cont'd)

- 25) This portfolio weighted average EBITDA data includes information solely in respect of corporate investments in Ares Capital's portfolio and the weighted average total net leverage multiple and interest coverage ratio data includes information solely in respect of corporate portfolio companies in which Ares Capital has a debt investment (in each case, subject to the exclusions described in the following sentence). Excluded from the data above is information in respect of the following: (i) the SSLP (and the underlying borrowers in the SSLP), (ii) the SDLP (and the underlying borrowers in the SDLP), (iii) portfolio companies that do not report EBITDA, including IHAM, (iv) investment funds/vehicles, (v) discrete projects in the project finance/power generation sector, (vi) certain oil and gas companies, (vii) venture capital backed companies and (viii) commercial real estate finance companies. The weighted average EBITDA for the underlying borrowers in the SSLP was \$43.7 million as of 6/30/17. The weighted average EBITDA for the underlying borrowers in the SDLP was \$38.3 million, \$40.4 million, \$41.5 million, \$41.6 million and \$42.8 million as of 6/30/17, 9/30/17, 12/31/17, 3/31/18 and 6/30/18, respectively.
- 26) Weighted average EBITDA amounts are weighted based on the fair value of the portfolio company investments except for the weighted average EBITDA for the SSLP, which was weighted based on the principal amount of the loan made by the SSLP to such portfolio company. EBITDA amounts are estimated from the most recent portfolio company financial statements, have not been independently verified by Ares Capital and may reflect a normalized or adjusted amount. Accordingly, Ares Capital makes no representation or warranty in respect of this information.
- 27) EBITDA is a non-GAAP financial measure. For a particular portfolio company, EBITDA is generally defined as net income before net interest expense, income tax expense, depreciation and amortization. EBITDA amounts are estimated from the most recent portfolio company financial statements, have not been independently verified by Ares Capital and may reflect a normalized or adjusted amount. Accordingly, Ares Capital makes no representation or warranty in respect of this information.
- 28) Portfolio weighted average total net leverage multiples represent Ares Capital's last dollar of invested debt capital (net of cash) as a multiple of EBITDA. Portfolio weighted average total net leverage multiples for borrowers in the SSLP and SDLP represent the SSLP's and SDLP's last dollar of invested debt capital (net of cash) as a multiple of EBITDA. The weighted average total net leverage multiple for the underlying borrowers in the SSLP was 4.9x as of 6/30/17. The weighted average total net leverage multiple for the underlying borrowers in the SDLP was 5.6x, 5.4x, 5.4x, 5.3x and 5.8x as of 6/30/17, 9/30/17, 12/31/17, 3/31/18 and 6/30/18, respectively. Portfolio company credit statistics for Ares Capital, the SSLP and the SDLP are derived from the most recently available portfolio company financial statements, have not been independently verified by Ares Capital and may reflect a normalized or adjusted amount. Accordingly, Ares Capital makes no representation or warranty in respect of this information.
- 29) Portfolio weighted average interest coverage ratio represents the portfolio company's EBITDA as a multiple of interest and facility fees expense. The weighted average interest coverage ratio for the underlying borrowers in the SSLP was 2.3x as of 6/30/17. The weighted average interest coverage ratio for the underlying borrowers in the SDLP was 2.3x, 2.4x, 2.3x, 2.1x and 2.1x as of 6/30/17, 9/30/17, 12/31/17, 3/31/18 and 6/30/18, respectively. Portfolio company credit statistics for Ares Capital, the SSLP and the SDLP are derived from the most recently available portfolio company financial statements, have not been independently verified by Ares Capital and may reflect a normalized or adjusted amount. Accordingly, Ares Capital makes no representation or warranty in respect of this information.
- 30) The EBITDA growth rate for each included portfolio company is calculated as the percentage change for the most recently reported fiscal year to date comparable periods and is weighted based on the fair value of the portfolio company investments to calculate the portfolio weighted average EBITDA growth rate. For a particular portfolio company, EBITDA is generally defined as net income before net interest expense, income tax expense, depreciation and amortization. EBITDA amounts used in the calculation are estimated from the most recent portfolio company financial statements, have not been independently verified by Ares Capital and may reflect a normalized or adjusted amount. Accordingly, Ares Capital makes no representation or warranty in respect of this information.

Endnotes (cont'd)

- 31) Based on our investment adviser's internal investment rating system scale from 1 to 4. Investments with a grade of 4 involve the least amount of risk to our initial cost basis and the trends and risk factors for these investments since origination or acquisition are generally favorable, which may include the performance of the portfolio company or a potential exit. Investments with a grade of 1 indicate that the risk to our ability to recoup the initial cost basis of such investment has substantially increased since origination or acquisition and our investment adviser does not anticipate that we will recoup our initial cost basis and we may realize a substantial loss on our initial cost basis upon exit. All investments or acquired investments in new portfolio companies are initially assessed a grade of 3.
- 32) Investment backlog includes transactions approved by our investment adviser's investment committee and/or for which a formal mandate, letter of intent or a signed commitment has been issued, and therefore we believe are likely to close. Investment pipeline includes transactions where due diligence and analysis are in process, but no formal mandate, letter of intent or signed commitment has been issued. The consummation of any of the investments in this backlog and pipeline depends upon, among other things, one or more of the following: satisfactory completion of our due diligence investigation of the prospective portfolio company, our acceptance of the terms and structure of such investment and the execution and delivery of satisfactory transaction documentation. In addition, Ares Capital may sell all or a portion of these investments and certain of these investments may result in the repayment of existing investments. Ares Capital cannot assure you that we will make any of these investments or that we will sell all or any portion of these investments.
- 33) Ares Capital's investment adviser reimbursed Ares Capital approximately \$11.8 million for certain rent and utilities incurred by the Company during the first quarter of 2018. For more information about the Ares Reimbursement, see Note 12 "Related Party Transactions" in Part I, Item I "Financial Statements" in Ares Capital's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2018.