



Third Quarter 2018
Earnings Presentation

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Financial and Portfolio Highlights

Financial Highlights

	Q3-18	Q2-18	Q3-17
(all per share amounts, excluding net asset value per share, are basic and diluted)			
Core EPS* ⁽¹⁾	\$ 0.45	\$ 0.39	\$ 0.36
Net Investment Income Per Share	\$ 0.44	\$ 0.38	\$ 0.36
Net Realized Gains Per Share	\$ 0.87	\$ 0.07	\$ 0.08
Net Unrealized Gains (Losses) Per Share	\$ (0.82)	\$ 0.15	\$ (0.11)
GAAP Net Income Per Share	\$ 0.49	\$ 0.60	\$ 0.33
Net Asset Value Per Share	\$ 17.16	\$ 17.05	\$ 16.49

Portfolio Highlights

	Q3-18	Q2-18	Q3-17
(dollar amounts in millions)			
Gross Commitments	\$ 1,924	\$ 1,619	\$ 1,546
Exits of Commitments ⁽²⁾	\$ 1,914	\$ 2,200	\$ 1,644
Total Fair Value of Investments	\$ 11,220	\$ 11,527	\$ 11,456
Weighted Average Yield of Debt & Other Income Producing Securities at Amortized Cost ⁽³⁾	10.3%	10.4%	9.6%
Weighted Average Yield on Total Investments at Amortized Cost ⁽⁴⁾	9.0%	9.1%	8.5%

Note: Endnotes begin on page 26.

* 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

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

	As of and for the Three Months Ended				
	9/30/18	6/30/18	3/31/18	12/31/17	9/30/17
Core EPS – Basic and Diluted* ⁽¹⁾	\$ 0.45	\$ 0.39	\$ 0.39	\$ 0.38	\$ 0.36
Net Investment Income Per Share – Basic and Diluted	\$ 0.44	\$ 0.38	\$ 0.34	\$ 0.33	\$ 0.36
Net Realized and Unrealized Gains (Losses) Per Share – Basic and Diluted	\$ 0.05	\$ 0.22	\$ 0.23	\$ 0.21	\$ (0.03)
GAAP EPS – Basic and Diluted	\$ 0.49	\$ 0.60	\$ 0.57	\$ 0.54	\$ 0.33
Dividend Declared and Payable Per Share	\$ 0.39	\$ 0.38	\$ 0.38	\$ 0.38	\$ 0.38
Stockholders' Equity	\$ 7,313	\$ 7,270	\$ 7,178	\$ 7,098	\$ 7,028
Net Asset Value Per Share	\$ 17.16	\$ 17.05	\$ 16.84	\$ 16.65	\$ 16.49
Principal Debt/Book Equity Ratio	.63x	.64x	.73x	.70x	.67x
Principal Debt/Book Equity Ratio, Net of Available Cash ⁽⁵⁾	.54x	.57x	.69x	.66x	.64x
Unsecured Principal Debt to Total Principal Debt	91.1%	91.1%	80.9%	78.7%	82.1%
Weighted Average Stated Interest on Debt ⁽⁶⁾	4.2%	4.2%	4.1%	4.1%	4.1%
Net Interest and Dividend Margin ⁽⁷⁾	7.5%	7.2%	6.9%	7.2%	7.5%
Ratio of Earnings to Fixed Charges ⁽⁸⁾	4.3	4.0	3.8	3.8	3.7
Market Capitalization					
Principal Debt	\$ 4,632	\$ 4,632	\$ 5,212	\$ 4,943	\$ 4,733
Equity	7,328	7,013	6,765	6,701	6,987
Total Market Capitalization	<u>\$ 11,960</u>	<u>\$ 11,645</u>	<u>\$ 11,977</u>	<u>\$ 11,644</u>	<u>\$ 11,720</u>
Common Stock Data:					
High Price during the period	\$ 17.51	\$ 17.09	\$ 16.28	\$ 16.61	\$ 16.52
Low Price during the period	\$ 16.45	\$ 15.90	\$ 15.25	\$ 15.69	\$ 15.67
Closing Price	\$ 17.19	\$ 16.45	\$ 15.87	\$ 15.72	\$ 16.39

* 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				
	9/30/18	6/30/18	3/31/18	12/31/17	9/30/17
Investments at Fair Value	\$ 11,220	\$ 11,527	\$ 12,199	\$ 11,841	\$ 11,456
Number of Portfolio Companies ⁽⁹⁾	342	346	360	314	325
Asset Class (at fair value):					
First Lien Senior Secured Loans	44%	40%	42%	44%	41%
Second Lien Senior Secured Loans	30%	30%	30%	32%	35%
Senior Direct Lending Program ⁽¹⁰⁾	6%	5%	4%	4%	4%
Senior Subordinated Loans	7%	9%	10%	8%	8%
Collateralized Loan Obligations	0%	1%	1%	1%	1%
Preferred Equity	4%	6%	5%	4%	4%
Other Equity	9%	9%	8%	7%	7%
Interest Rate Type (at fair value)					
% Floating Rate ⁽¹²⁾	83%	78%	79%	81%	82%
% Fixed Rate	6%	8%	8%	8%	8%
% Equity and Other Non-Interest Earning	11%	14%	13%	11%	10%
Yields:					
Weighted Avg. Yield on Debt and Other Income Producing Securities at Amortized Cost ⁽³⁾	10.3%	10.4%	10.1%	9.7%	9.6%
Weighted Avg. Yield on Debt and Other Income Producing Securities at Fair Value ⁽³⁾	10.3%	10.5%	10.1%	9.8%	9.7%
Weighted Average Yield on Total Investments at Amortized Cost ⁽⁴⁾	9.0%	9.1%	8.9%	8.7%	8.5%
Weighted Average Yield on Total Investments at Fair Value ⁽⁴⁾	9.2%	9.0%	8.8%	8.7%	8.7%

Selected Historical Financial Information (cont'd)

(dollar amounts in millions)

	For the Three Months Ended					
	9/30/18	6/30/18	3/31/18	12/31/17	9/30/2017*	
Commitments:						
Gross Commitments	\$ 1,924	\$ 1,619	\$ 1,792	\$ 1,506	\$ 1,546	
Exits of Commitments ⁽²⁾	(1,914)	(2,200)	(1,342)	(1,321)	(1,644)	
Net Commitments ⁽¹³⁾	\$ 10	\$ (581)	\$ 450	\$ 185	\$ (98)	
Gross Commitments Information:						
Number of Transactions	41	46	34	40	40	
Weighted Average Commitment Term in Months	82	75	73	74	76	
Average Commitment in Period	\$ 47	\$ 35	\$ 53	\$ 38	\$ 39	
Fundings:						
Gross Fundings	\$ 1,907	\$ 1,376	\$ 1,618	\$ 1,477	\$ 1,375	
Net Fundings ⁽¹³⁾	\$ (3)	\$ (754)	\$ 240	\$ 138	\$ (154)	
Portfolio Turnover	0.17	0.12	0.11	0.11	0.12	

* 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

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

For the Three Months Ended

	9/30/18	6/30/18	3/31/18	12/31/17	9/30/17
	\$ 342	\$ 333	\$ 317	\$ 307	\$ 294
	151	165	168	162	136
	191	168	149	145	158
	6	6	5	5	5
	185	162	144	140	153
	24	92	98	92	(14)
	<u>\$ 209</u>	<u>\$ 254</u>	<u>\$ 242</u>	<u>\$ 232</u>	<u>\$ 139</u>
	\$ 0.45	\$ 0.39	\$ 0.39	\$ 0.38	\$ 0.36
	\$ 0.49	\$ 0.60	\$ 0.57	\$ 0.54	\$ 0.33
	\$ 0.39	\$ 0.38	\$ 0.38	\$ 0.38	\$ 0.38
	426	426	426	426	426
	426	426	426	426	426

(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

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

For the Nine Months Ended

	9/30/18	9/30/17
	\$ 992	\$ 853
	484	468
	508	385
	17	14
	491	371
	214	64
	<u>\$ 705</u>	<u>\$ 435</u>
	\$ 1.24	\$ 1.01
	\$ 1.66	\$ 1.02
	\$ 1.15	\$ 1.14
	426	425
	426	426

* 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				
	9/30/18	6/30/18	3/31/18	12/31/17	9/30/17
Net Investment Income Before Income Taxes:					
Investment Income:					
Interest income from investments	\$ 262	\$ 262	\$ 254	\$ 251	\$ 238
Capital structuring service fees	42	25	29	32	32
Dividend income	25	24	22	18	18
Other income ⁽³²⁾	13	22	12	6	6
Total investment income	<u>342</u>	<u>333</u>	<u>317</u>	<u>307</u>	<u>294</u>
Expenses:					
Interest and credit facility fees	59	61	60	59	56
Base management fees	44	45	46	44	44
Income based fees	45	40	38	37	35
Capital gains incentive fees*	5	18	20	18	(3)
Administrative fees	3	4	3	3	3
Professional fees and other costs related to the American Capital Acquisition ⁽¹⁵⁾	1	(1)	3	3	4
Other general and administrative	4	8	8	8	7
Total operating expenses	<u>161</u>	<u>175</u>	<u>178</u>	<u>172</u>	<u>146</u>
Waiver of income based fees ⁽¹⁴⁾	<u>(10)</u>	<u>(10)</u>	<u>(10)</u>	<u>(10)</u>	<u>(10)</u>
Total expenses, net of waiver of income based fees ⁽¹⁴⁾	<u>151</u>	<u>165</u>	<u>168</u>	<u>162</u>	<u>136</u>
Net investment income before income taxes	<u>191</u>	<u>168</u>	<u>149</u>	<u>145</u>	<u>158</u>
Income tax expense, including excise tax	6	6	5	5	5
Net investment income	<u>\$ 185</u>	<u>\$ 162</u>	<u>\$ 144</u>	<u>\$ 140</u>	<u>\$ 153</u>

* As required by GAAP. As of September 30, 2018, Ares Capital had accrued \$122 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"). The actual amount due under the Investment Advisory and Management Agreement is only determined annually at the end of each calendar year and may be less than the amount accrued under GAAP.

Quarterly Gain/Loss Detail

(amounts in millions)

	For the Three Months Ended				
	9/30/18	6/30/18	3/31/18	12/31/17	9/30/17
Net Realized and Unrealized Gains (Losses):					
Realized gains (losses) on investments:					
Gains	\$ 387	\$ 31	\$ 11	\$ 44	\$ 74
Losses	(24)	(9)	(11)	(167)	(32)
Net realized gains (losses) on investments	<u>363</u>	<u>22</u>	<u>—</u>	<u>(123)</u>	<u>42</u>
Unrealized gains (losses) on investments:					
Unrealized appreciation	88	161	181	180	126
Unrealized depreciation	(89)	(107)	(97)	(104)	(138)
Net unrealized gains (losses) on investments	<u>(1)</u>	<u>54</u>	<u>84</u>	<u>76</u>	<u>(12)</u>
Net unrealized (appreciation) depreciation reversed related to net realized gains or losses on investments	<u>(340)</u>	<u>6</u>	<u>12</u>	<u>140</u>	<u>(35)</u>
Total net unrealized gains (losses) on investments	<u>(341)</u>	<u>60</u>	<u>96</u>	<u>216</u>	<u>(47)</u>
Net realized and unrealized gains (losses) on foreign currency and other transactions	<u>2</u>	<u>10</u>	<u>2</u>	<u>(1)</u>	<u>(9)</u>
Net realized and unrealized gains (losses)	<u>\$ 24</u>	<u>\$ 92</u>	<u>\$ 98</u>	<u>\$ 92</u>	<u>\$ (14)</u>

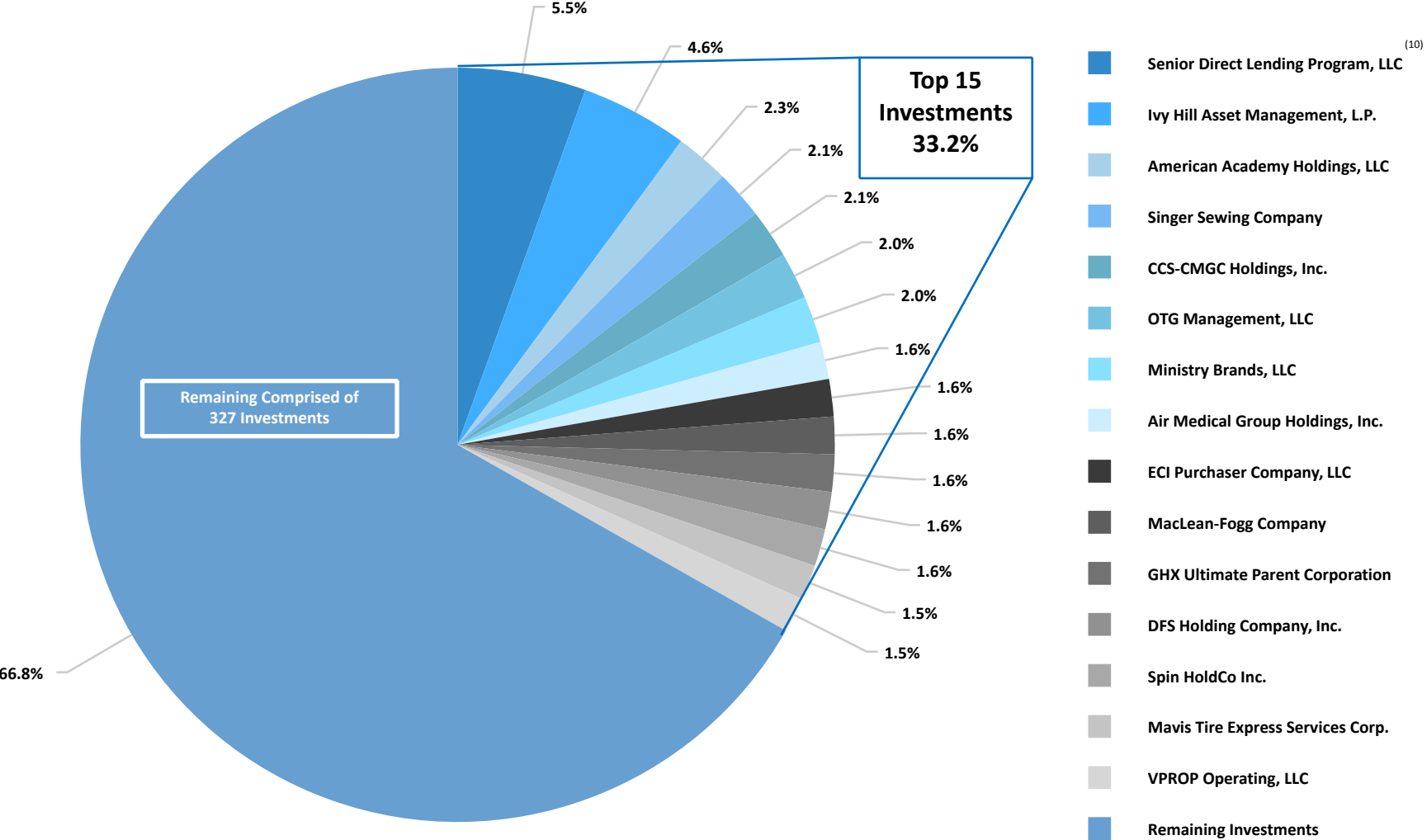
Quarterly Balance Sheets

(amounts in millions, except per share data)

	As of				
	9/30/18	6/30/18	3/31/18	12/31/17	9/30/17
ASSETS					
Investments at fair value	\$ 11,220	\$ 11,527	\$ 12,199	\$ 11,841	\$ 11,456
Cash and cash equivalents	799	509	302	316	341
Interest receivable	93	89	89	93	105
Receivable for open trades	61	56	4	1	34
Other assets	82	116	99	96	105
Total assets	\$ 12,255	\$ 12,297	\$ 12,693	\$ 12,347	\$ 12,041
LIABILITIES					
Debt	\$ 4,546	\$ 4,542	\$ 5,118	\$ 4,854	\$ 4,640
Base management fees payable	44	45	46	44	44
Income based fees payable	35	30	28	27	25
Capital gains incentive fees payable*	122	117	99	79	61
Accounts payable and other liabilities	114	140	155	181	199
Interest and facility fees payable	42	69	44	64	44
Payable for open trades	39	84	25	—	—
Total liabilities	4,942	5,027	5,515	5,249	5,013
STOCKHOLDERS' EQUITY					
Common stock	—	—	—	—	—
Capital in excess of par value	7,192	7,192	7,192	7,192	7,206
Accumulated undistributed (overdistributed) net investment income and net realized gains/losses on investments, foreign currency transactions, extinguishment of debt and other assets	380	(12)	(39)	(9)	122
Net unrealized gains (losses) on investments, foreign currency and other transactions	(259)	90	25	(85)	(300)
Total stockholders' equity	7,313	7,270	7,178	7,098	7,028
Total liabilities and stockholders' equity	\$ 12,255	\$ 12,297	\$ 12,693	\$ 12,347	\$ 12,041
NET ASSETS PER SHARE	\$ 17.16	\$ 17.05	\$ 16.84	\$ 16.65	\$ 16.49

* 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 September 30, 2018*



Diversified \$11.2 billion portfolio with 342 investments

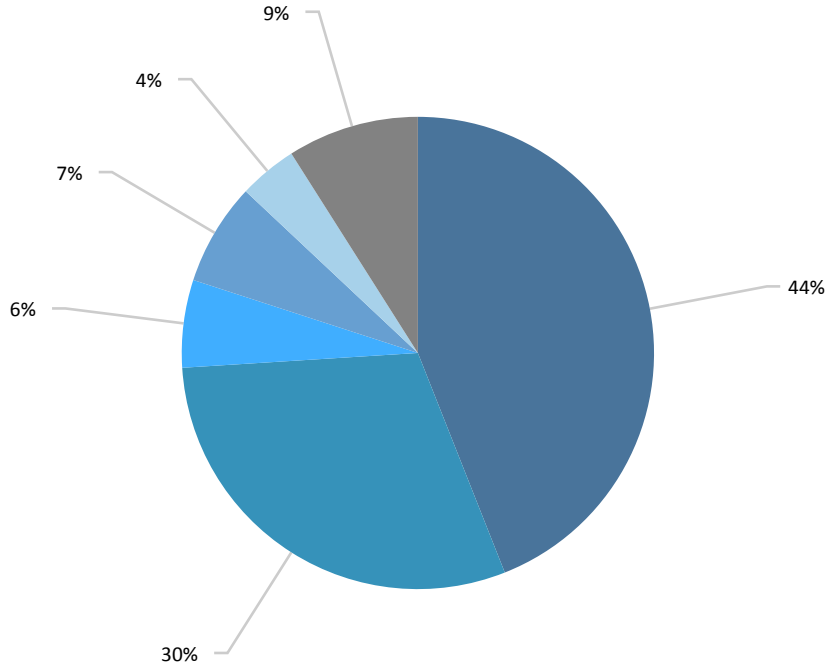
Note: As of September 30, 2018, approximately 6% of Ares Capital's total investments were acquired in the American Capital Acquisition.

* At fair value.



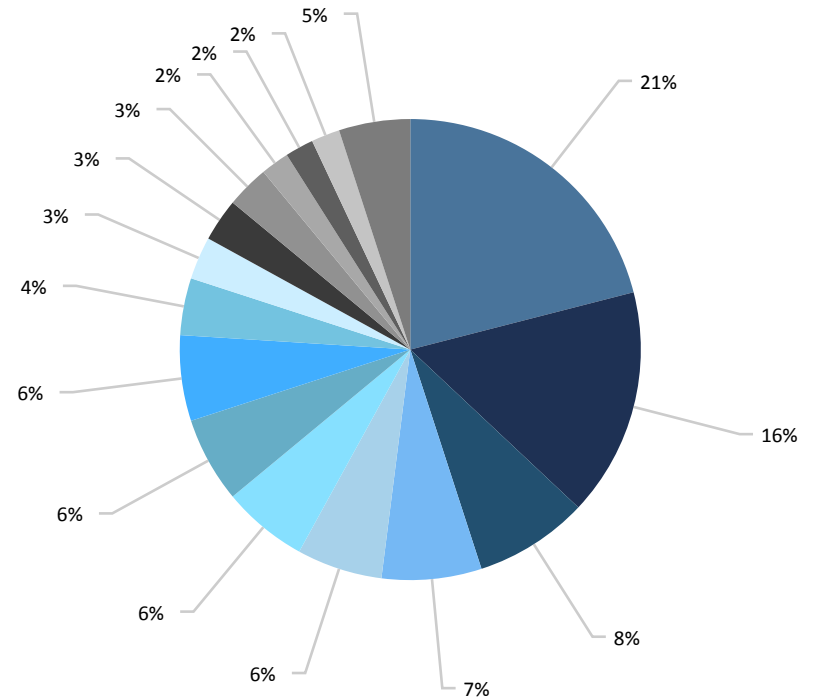
Investment Portfolio as of September 30, 2018*

Asset Class



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

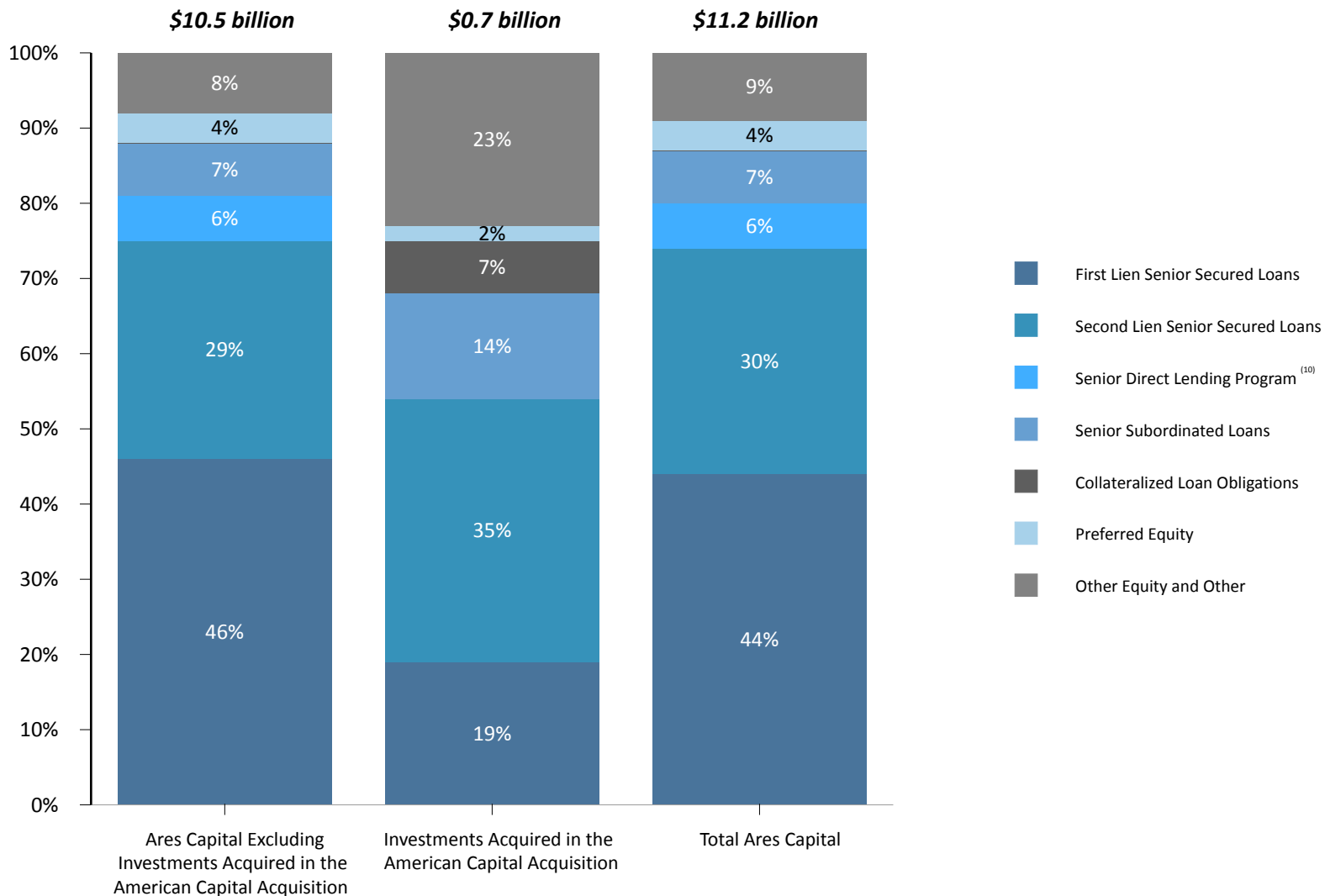
Industry



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

* At fair value.

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



Weighted Average Yields at Fair Value:

Debt and Other Income Producing Securities ⁽³⁾	10.3%	11.2%	10.3%
Total Investments ⁽⁴⁾	9.2%	8.2%	9.2%

* At fair value



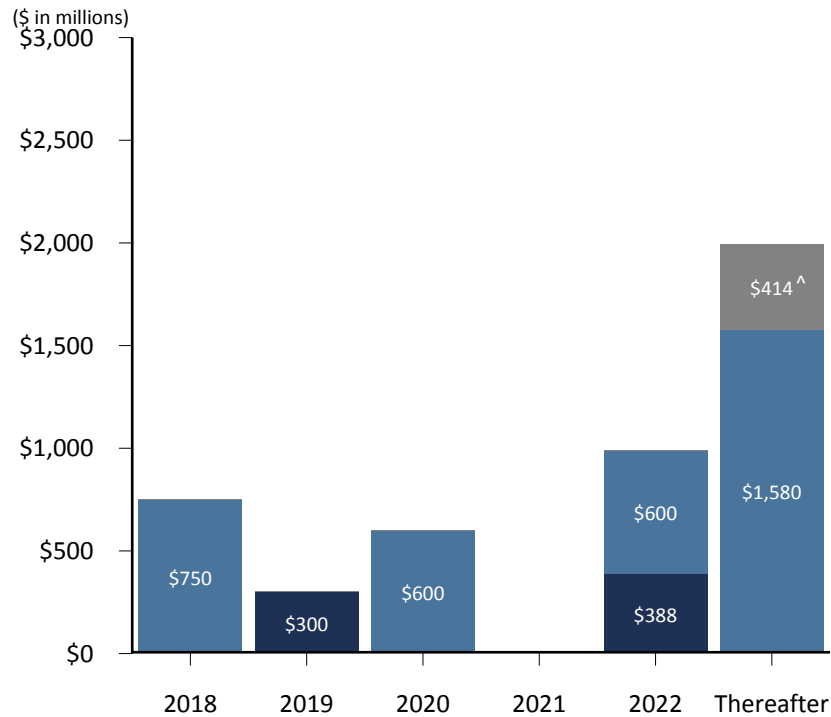
Debt Summary

(dollar amounts in millions)	As of 6/30/18			As of 9/30/18			Weighted Average Stated Interest Rate ⁽²⁰⁾	Interest Rate	Maturity Date
	Aggregate Principal Amount Committed/Outstanding ⁽¹⁷⁾	Principal Amount Outstanding	Carrying Value of Outstanding Debt	Aggregate Principal Amount Committed/Outstanding ⁽¹⁷⁾	Principal Amount Outstanding	Carrying Value of Outstanding Debt			
Secured Revolving Facilities⁽¹⁶⁾:									
Revolving Credit Facility	\$ 2,133	\$ 414	\$ 414	\$ 2,133	\$ 414	\$ 414	3.813%	LIBOR + 1.75% ⁽²¹⁾	March 2023 ⁽²¹⁾
Revolving Funding Facility	1,000	—	—	1,000	—	—	—%	LIBOR + 2.15%	January 2022
SMBC Funding Facility	400	—	—	400	—	—	—%	LIBOR + 2.00% ⁽²²⁾	September 2024
Subtotal	3,533	414	414	3,533	414	414	3.814%		
Unsecured Notes Payable:									
2018 Notes	750	750	749 ⁽¹⁸⁾	750	750	750 ⁽¹⁸⁾	4.875%		November 2018
2019 Convertible Notes	300	300	299 ⁽¹⁸⁾	300	300	299 ⁽¹⁸⁾	4.375%		January 2019
2020 Notes	600	600	598 ⁽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	370 ⁽¹⁸⁾	388	388	371 ⁽¹⁸⁾	3.750%		February 2022
2023 Notes	750	750	743 ⁽¹⁸⁾	750	750	744 ⁽¹⁸⁾	3.500%		February 2023
2025 Notes	600	600	593 ⁽¹⁸⁾	600	600	593 ⁽¹⁸⁾	4.250%		March 2025
2047 Notes	230	230	182 ⁽¹⁹⁾	230	230	183 ⁽¹⁹⁾	6.875%		April 2047
Subtotal	4,218	4,218	4,128	4,218	4,218	4,132	4.191%		
Total Debt	\$ 7,751	\$ 4,632	\$ 4,542	\$ 7,751	\$ 4,632	\$ 4,546	4.158%		

Floating and Fixed Rate Debt as of September 30, 2018:			
Debt (dollar amounts in millions)	Principal Amount Outstanding	Weighted Average Stated Interest Rate ⁽²⁰⁾	Weighted Average Maturity (in years)
Floating	\$ 19	3.81%	4.40
Fixed ⁽²¹⁾	4,613	4.16%	4.25
Total	\$ 4,632	4.16%	4.28

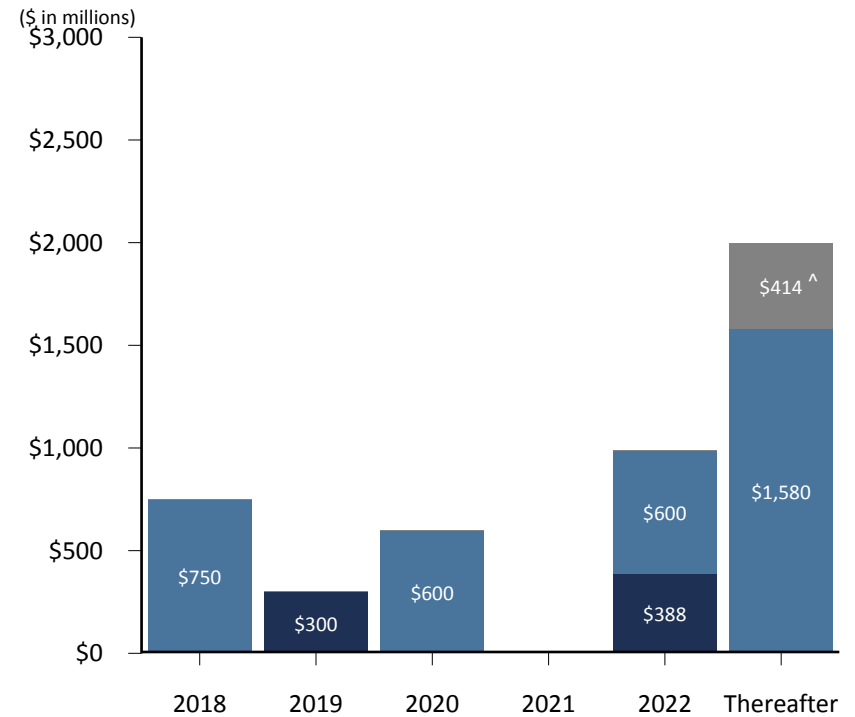
Debt Summary

Debt Maturities*



As of June 30, 2018

Convertible Unsecured Notes
 Other Unsecured Notes
 Secured Revolving Facilities

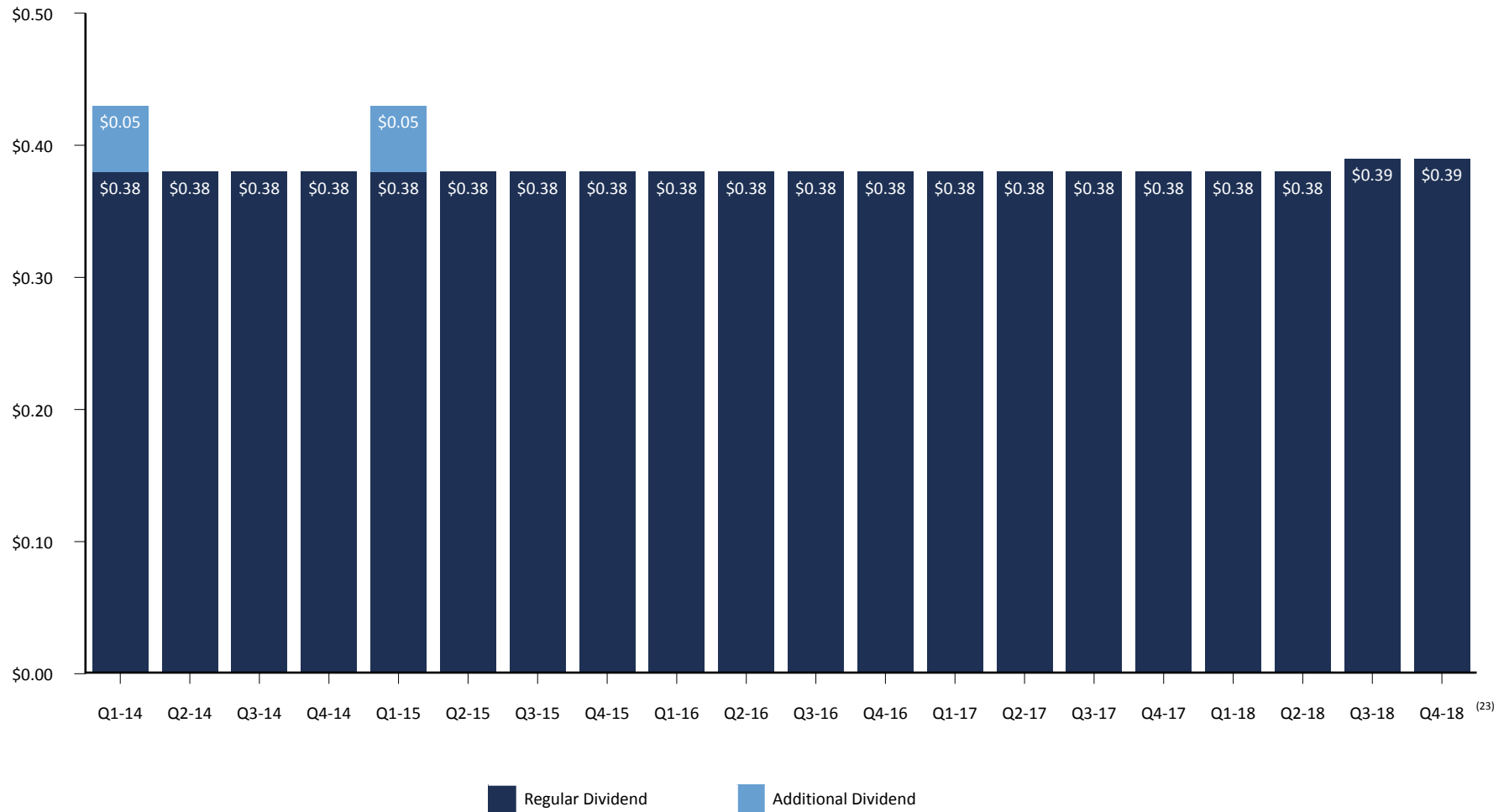


As of September 30, 2018

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

[^] As of June 30, 2018 and September 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.

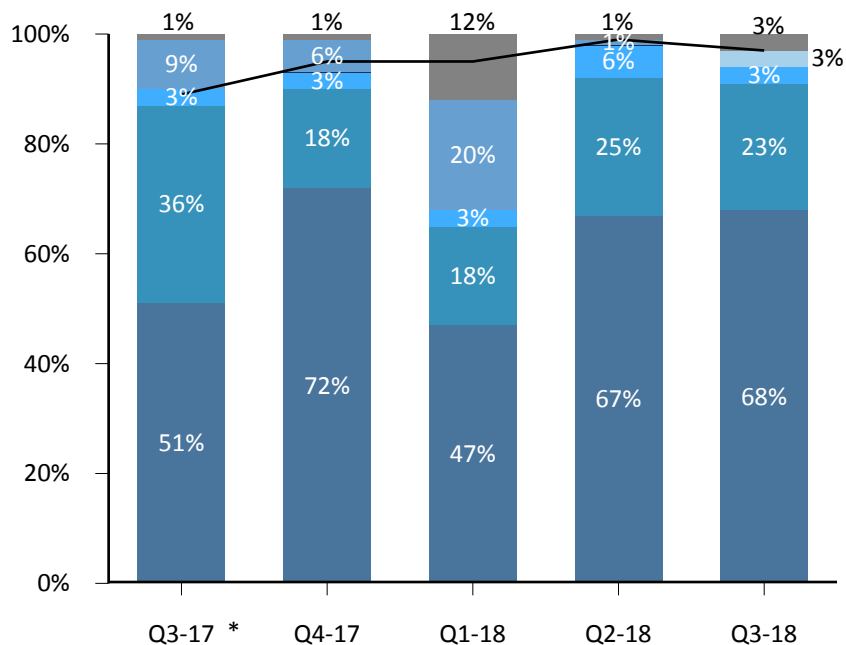
Quarterly Dividends



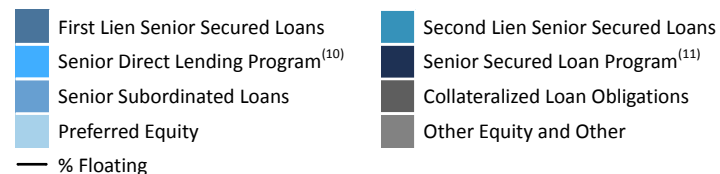
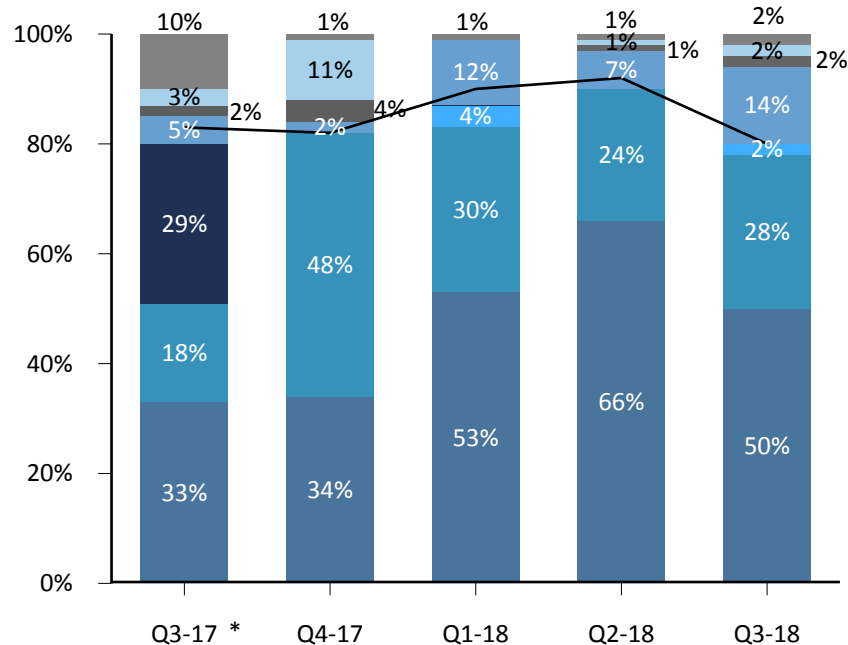
➤ ARCC carried forward excess taxable income of approximately \$358 million or \$0.84 per share from 2017 for distribution to stockholders in 2018.

Portfolio Activity

Gross Commitments by Asset Class

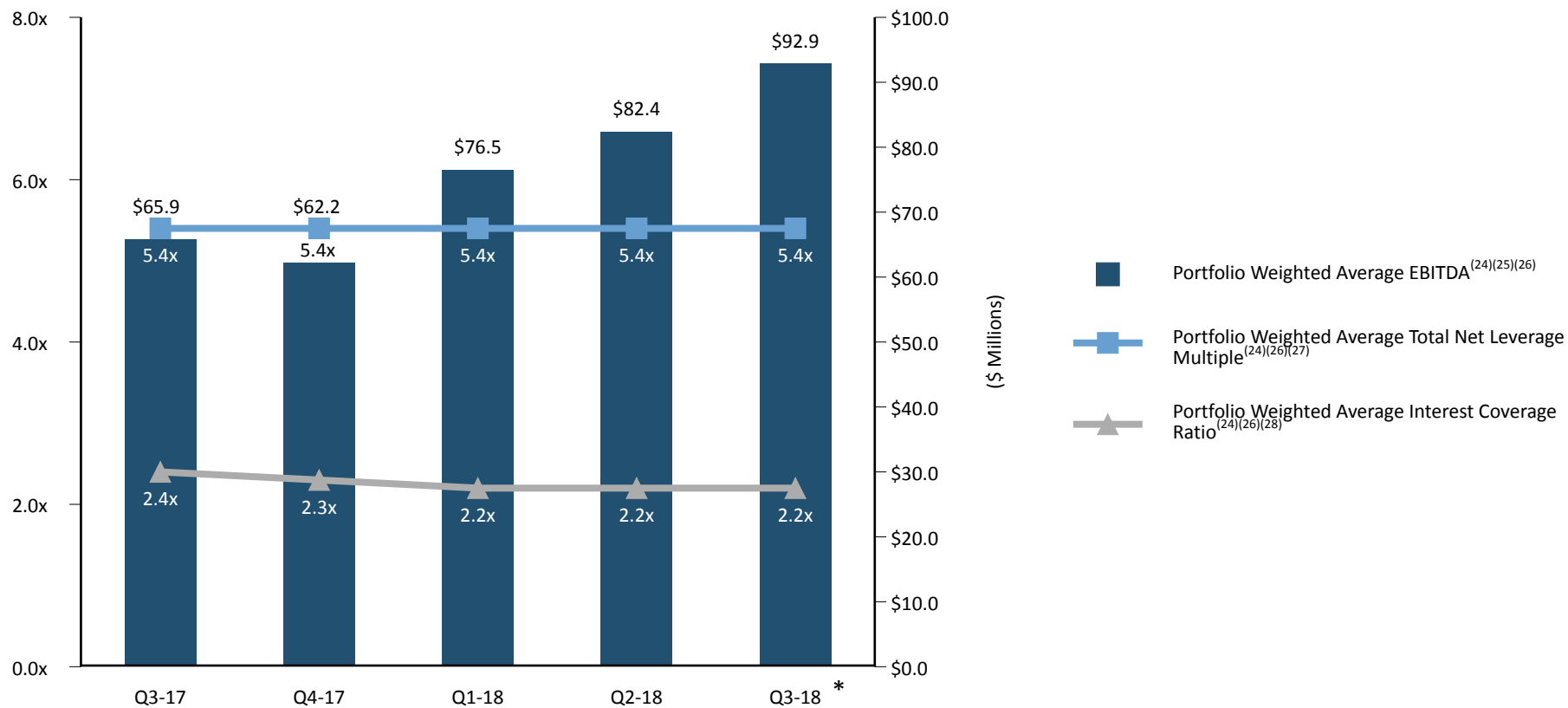


Exits of Commitments by Asset Class



* 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.

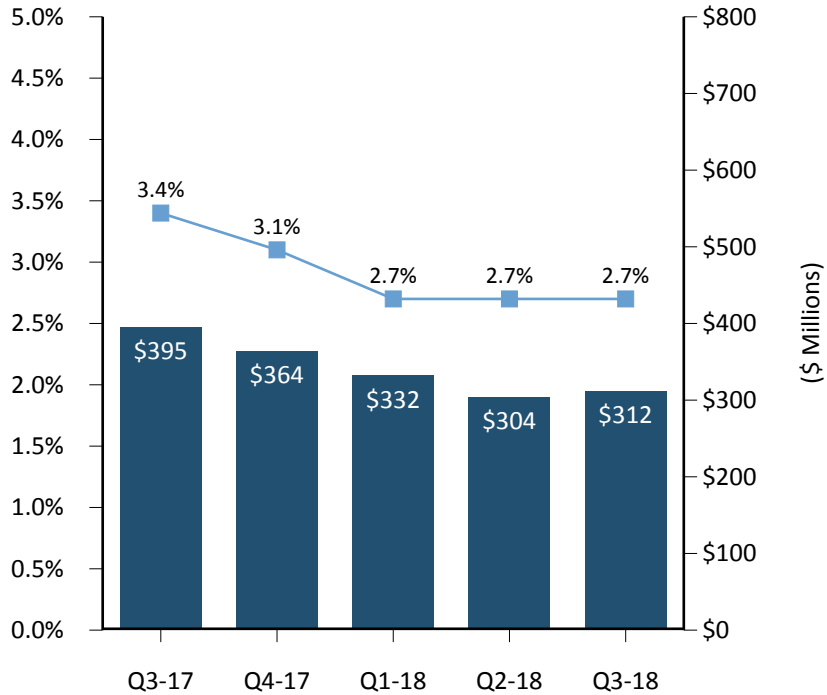
Portfolio Company EBITDA and Credit Statistics



* 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 Q3-18 was approximately 6% 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 three companies where prior year comparable data was not available.⁽²⁹⁾

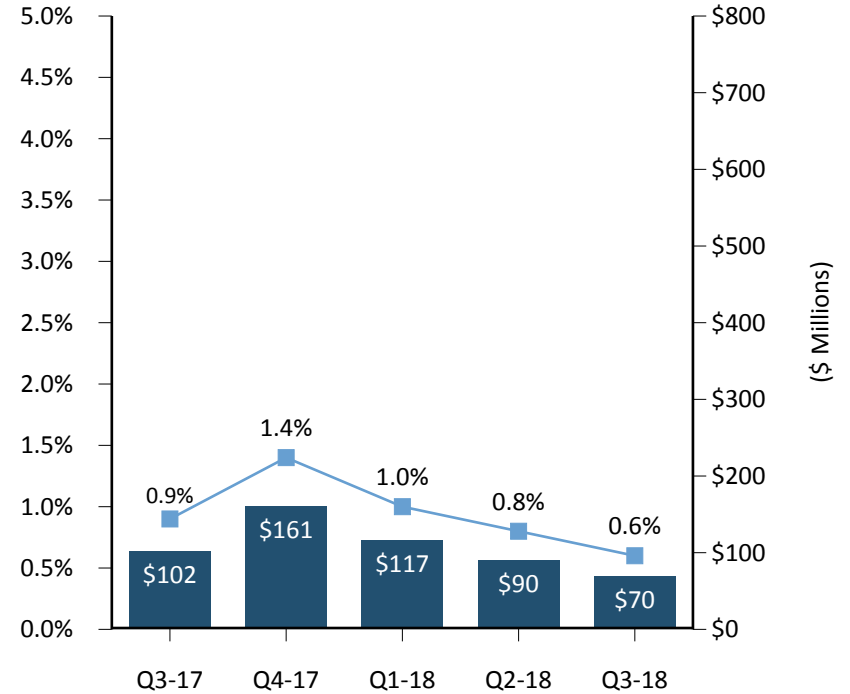
Investments on Non-Accrual Status

Amortized Cost



Investments on Non-Accrual Status

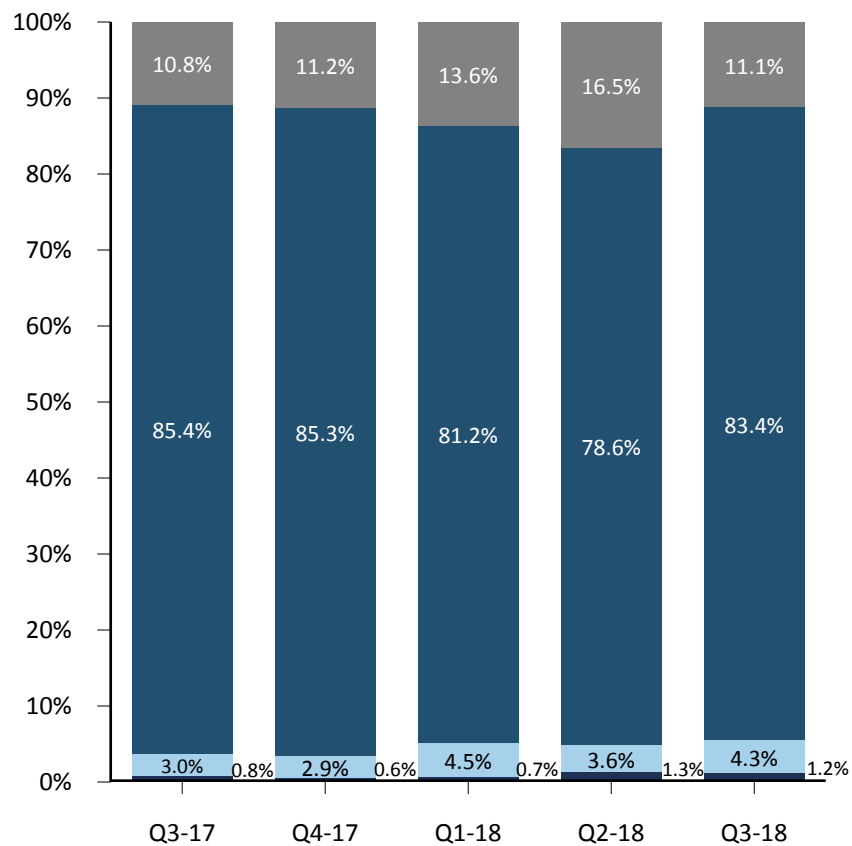
Fair Value



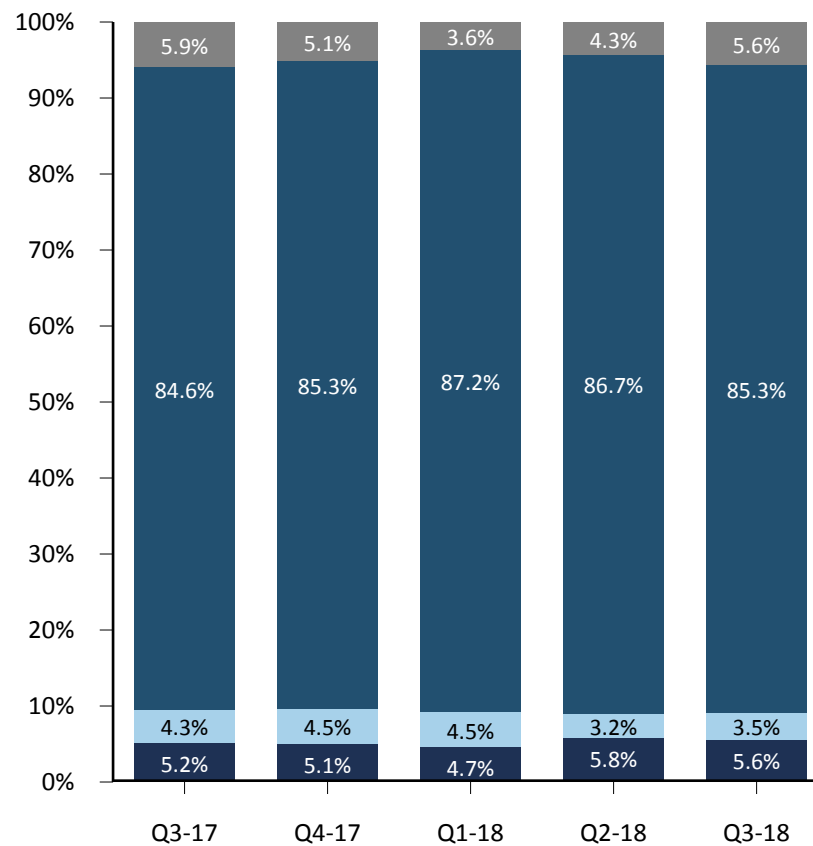
Percentage of Total Investment Portfolio

Portfolio By Grade⁽³⁰⁾

% By Fair Value



% By Number of Companies



Grade 1
 Grade 2
 Grade 3
 Grade 4

Investment Activity Since Quarter End

- From October 1, 2018 through October 24, 2018, Ares Capital made \$412 million of new investment commitments
 - 83% were in first lien senior secured loans, 15% were in second lien senior secured loans, 1% were in the subordinated certificates of the SDLP and 1% were in other equity securities
 - 99% were floating rate and 1% were non-interest bearing
 - Weighted average yield of debt and other income producing securities funded at amortized cost of 8.7%

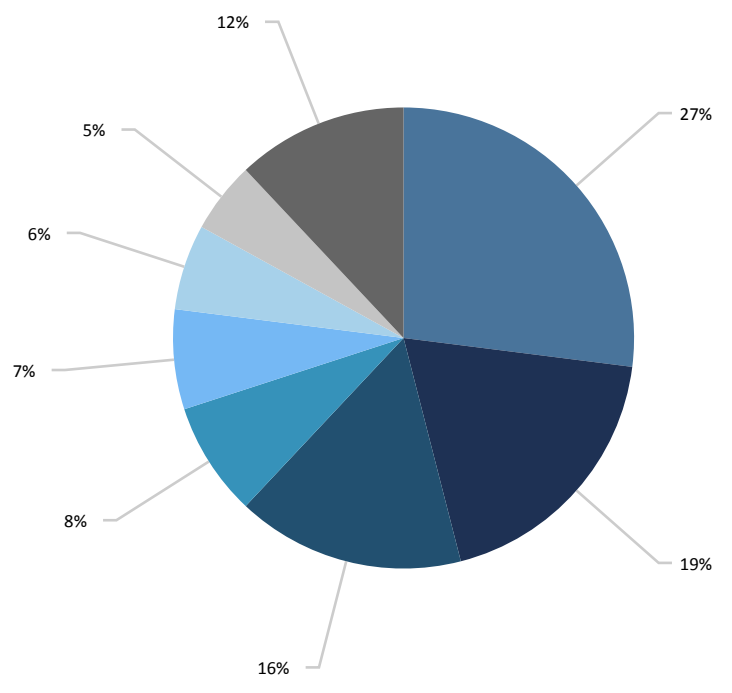
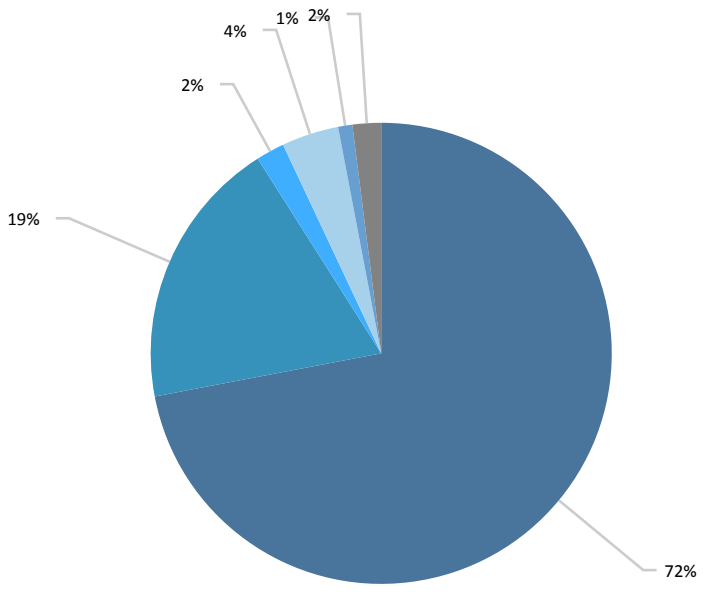
- From October 1, 2018 through October 24, 2018, Ares Capital exited \$389 million of investment commitments, including \$1 million of investment commitments acquired in the American Capital Acquisition
 - 55% were first lien senior secured loans, 40% were second lien senior secured loans, 3% were in preferred equity securities, 1% were in other equity securities and 1% were in the subordinated certificates of the SDLP
 - 96% were floating rate and 4% were non-interest bearing
 - Weighted average yield of debt and other income producing securities exited or repaid at amortized cost was 9.6%
 - Weighted average yield on total investments exited or repaid during the period at amortized cost was 9.1%
 - Total net realized gains of approximately \$20 million

Backlog and Pipeline

- As of October 24, 2018, Ares Capital had a backlog and pipeline of approximately \$1,460 million and \$330 million, respectively⁽³¹⁾
- The following is a breakdown of the backlog and pipeline by asset class and by industry

Asset Class

Industry



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

Healthcare Services
 Manufacturing
 Automotive Services
 Food and Beverage
 Consumer Products
 Business Services
 Other Services
 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

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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

JIM MILLER
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

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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

PENNI ROLL
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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				
	9/30/18	6/30/18	3/31/18	12/31/17	9/30/17
Basic and Diluted Core EPS ⁽¹⁾	\$ 0.45	\$ 0.39	\$ 0.39	\$ 0.38	\$ 0.36
Professional fees and other costs related to the American Capital Acquisition ⁽¹⁵⁾	—	—	(0.01)	(0.01)	(0.01)
Ares Reimbursement ⁽³²⁾	—	0.03	—	—	—
Net realized and unrealized gains (losses)	0.05	0.22	0.23	0.21	(0.03)
Capital gains incentive fees attributable to net realized and unrealized gains and losses	(0.01)	(0.04)	(0.04)	(0.04)	0.01
Income tax expense related to net realized gains and losses	—	—	—	—	—
Basic and Diluted GAAP EPS	<u>\$ 0.49</u>	<u>\$ 0.60</u>	<u>\$ 0.57</u>	<u>\$ 0.54</u>	<u>\$ 0.33</u>

	For the Nine Months Ended	
	9/30/18	9/30/17
Basic and Diluted Core EPS ⁽¹⁾	\$ 1.24	\$ 1.01
Professional fees and other costs related to the American Capital Acquisition ⁽¹⁵⁾	(0.01)	(0.09)
Ares Reimbursement ⁽³²⁾	0.03	—
Net realized and unrealized gains	0.50	0.15
Capital gains incentive fees attributable to net realized and unrealized gains and losses	(0.10)	(0.05)
Income tax expense related to net realized gains and losses	—	—
Basic and Diluted GAAP EPS	<u>\$ 1.66</u>	<u>\$ 1.02</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 September 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%	\$ 136	19%	8.0%	\$ (414)
Second Lien Senior Secured Loans	855	34%	10.0%	255	35%	11.0%	(600)
Senior Subordinated Loans	244	10%	11.3%	105	14%	13.7%	(139)
Collateralized Loan Obligations	265	10%	12.6%	50	7%	12.5%	(215)
Preferred Equity	109	4%	—%	14	2%	—%	(95)
Other Equity Securities	520	20%	—%	168	23%	—%	(352)
Total	\$ 2,543	100%	7.4%	\$ 728	100%	8.2%	\$ (1,815)

(Dollar amounts in millions)	Reconciliation of Net Change in Fair Value from January 3, 2017 Through September 30, 2018
Total Investments at Fair Value as of January 3, 2017	\$ 2,543
Proceeds from Exits and Repayments	(2,468)
Net Realized Gains	427
Net Unrealized Appreciation	19
Other*	207
Total Investments at Fair Value as of September 30, 2018	\$ 728

* Including fundings of revolvers and other commitments of \$158 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 professional fees and other costs related to the acquisition of American Capital, Ltd. (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 September 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 and its clients in first lien senior secured loans to U.S. middle-market companies. As of September 30, 2018, the Senior Direct Lending Program LLC's (the "SDLP") loan portfolio totaled approximately \$2.9 billion aggregate principal amount and had loans to 20 different borrowers. As of September 30, 2018, the SDLP's largest loan to a single borrower was \$250 million aggregate principal amount and the five largest loans to borrowers totaled \$1,122 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 September 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 September 30, 2018 for information regarding the SSLP.

Endnotes (cont'd)

- 12) As of September 30, 2018, 77% of the total investments at fair value and 93% of the floating rate investments at fair value contained interest rate floor features. Additionally, as of September 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. Q3-18, Q2-18, Q1-18, Q4-17 and Q3-17 include sales to IHAM or vehicles managed by IHAM of \$0 million, \$453 million, \$0 million, \$46 million and \$59 million, respectively.
- 14) In connection with the American Capital Acquisition, Ares Capital Management LLC agreed to waive, for each of the first ten calendar quarters beginning with the second quarter of 2017 and ending with the third quarter of 2019, 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 September 30, 2018 for information regarding the American Capital Acquisition that closed on January 3, 2017.
- 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 September 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 September 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 September 30, 2018, the interest rate in effect was LIBOR plus 2.00%.
- 23) Declared. The fourth quarter 2018 dividend of \$0.39 per share to be paid on December 28, 2018 to stockholders of record on December 14, 2018.
- 24) 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 SDLP (and the underlying borrowers in the SDLP), (ii) portfolio companies that do not report EBITDA, including IHAM, (iii) investment funds/vehicles, (iv) discrete projects in the project finance/power generation sector, (v) certain oil and gas companies, (vi) venture capital backed companies and (vii) commercial real estate finance companies. The weighted average EBITDA for the underlying borrowers in the SDLP was \$40.4 million, \$41.5 million, \$41.6 million, \$42.8 million and \$44.5 million as of 9/30/17, 12/31/17, 3/31/18, 6/30/18 and 9/30/18, respectively.

Endnotes (cont'd)

- 25) Weighted average EBITDA amounts are weighted based on the fair value of the portfolio company investments. 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.
- 26) 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.
- 27) 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 SDLP represent the 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 SDLP was 5.4x, 5.4x, 5.3x, 5.8x and 5.9x as of 9/30/17, 12/31/17, 3/31/18, 6/30/18 and 9/30/18, respectively. Portfolio company credit statistics for Ares Capital 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.
- 28) 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 SDLP was 2.4x, 2.3x, 2.1x, 2.1x and 2.1x as of 9/30/17, 12/31/17, 3/31/18, 6/30/18 and 9/30/18, respectively. Portfolio company credit statistics for Ares Capital 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) 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.
- 30) 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.
- 31) 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.
- 32) During the second quarter of 2018, Ares Capital's investment adviser reimbursed Ares Capital approximately \$11.8 million for certain rent and utilities incurred by the Company. 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 September 30, 2018.