

Alexandria Real Estate Equities, Inc.
Consolidated Balance Sheets
(In thousands, except share and per share amounts)

	December 31,	
	2018	2017
Assets		
Investments in real estate	\$ 11,913,693	\$ 10,298,019
Investments in unconsolidated real estate joint ventures	237,507	110,618
Cash and cash equivalents	234,181	254,381
Restricted cash	37,949	22,805
Tenant receivables	9,798	10,262
Deferred rent	530,237	434,731
Deferred leasing costs	239,070	221,430
Investments	892,264	523,254
Other assets	370,257	228,453
Total assets	\$ 14,464,956	\$ 12,103,953
Liabilities, Noncontrolling Interests, and Equity		
Secured notes payable	\$ 630,547	\$ 771,061
Unsecured senior notes payable	4,292,293	3,395,804
Unsecured senior line of credit	208,000	50,000
Unsecured senior bank term loans	347,415	547,942
Accounts payable, accrued expenses, and tenant security deposits	981,707	763,832
Dividends payable	110,280	92,145
Total liabilities	6,570,242	5,620,784
Commitments and contingencies		
Redeemable noncontrolling interests	10,786	11,509
Alexandria Real Estate Equities, Inc.'s stockholders' equity:		
7.00% Series D cumulative convertible preferred stock, \$0.01 par value per share, 10,000,000 shares authorized; 2,573,432 and 2,975,432 shares issued and outstanding as of December 31, 2018 and 2017, respectively; \$25 liquidation value per share	64,336	74,386
Common stock, \$0.01 par value per share, 200,000,000 shares authorized as of December 31, 2018 and 2017; 111,011,816 and 99,783,686 shares issued and outstanding as of December 31, 2018 and 2017, respectively	1,110	998
Additional paid-in capital	7,286,954	5,824,258
Accumulated other comprehensive (loss) income	(10,435)	50,024
Alexandria Real Estate Equities, Inc.'s stockholders' equity	7,341,965	5,949,666
Noncontrolling interests	541,963	521,994
Total equity	7,883,928	6,471,660
Total liabilities, noncontrolling interests, and equity	\$ 14,464,956	\$ 12,103,953

The accompanying notes are an integral part of these consolidated financial statements.

Alexandria Real Estate Equities, Inc.
Consolidated Statements of Operations
(In thousands, except per share amounts)

	Year Ended December 31,		
	2018	2017	2016
Revenues:			
Rental	\$ 1,010,718	\$ 863,181	\$ 673,820
Tenant recoveries	304,063	259,144	223,655
Other income	12,678	5,772	24,231
Total revenues	1,327,459	1,128,097	921,706
Expenses:			
Rental operations	381,120	325,609	278,408
General and administrative	90,405	75,009	63,884
Interest	157,495	128,645	106,953
Depreciation and amortization	477,661	416,783	313,390
Impairment of real estate	6,311	203	209,261
Loss on early extinguishment of debt	1,122	3,451	3,230
Total expenses	1,114,114	949,700	975,126
Equity in earnings (losses) of unconsolidated real estate joint ventures	43,981	15,426	(184)
Investment income	136,763	—	—
Gain on sales of real estate – rental properties	8,704	270	3,715
Gain on sales of real estate – land parcels	—	111	90
Net income (loss)	402,793	194,204	(49,799)
Net income attributable to noncontrolling interests	(23,481)	(25,111)	(16,102)
Net income (loss) attributable to Alexandria Real Estate Equities, Inc.'s stockholders	379,312	169,093	(65,901)
Dividends on preferred stock	(5,060)	(7,666)	(20,223)
Preferred stock redemption charge	(4,240)	(11,279)	(61,267)
Net income attributable to unvested restricted stock awards	(6,029)	(4,753)	(3,750)
Net income (loss) attributable to Alexandria Real Estate Equities, Inc.'s common stockholders	<u>\$ 363,983</u>	<u>\$ 145,395</u>	<u>\$ (151,141)</u>
Net income (loss) per share attributable to Alexandria Real Estate Equities, Inc.'s common stockholders:			
Basic	\$ 3.53	\$ 1.59	\$ (1.99)
Diluted	\$ 3.52	\$ 1.58	\$ (1.99)

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Alexandria Real Estate Equities, Inc.
Consolidated Statements of Cash Flows
(In thousands)

	Year Ended December 31,		
	2018	2017	2016
Operating Activities			
Net income (loss)	\$ 402,793	\$ 194,204	\$ (49,799)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	477,661	416,783	313,390
Loss on early extinguishment of debt	1,122	3,451	3,230
Impairment of real estate	6,311	203	209,261
Gain on sales of real estate – rental properties	(8,704)	(270)	(3,715)
Gain on sales of real estate – land parcels	—	(111)	(90)
Equity in (earnings) losses of unconsolidated real estate joint ventures	(43,981)	(15,426)	184
Distributions of earnings from unconsolidated real estate joint ventures	430	1,618	406
Amortization of loan fees	10,271	11,149	11,872
Amortization of debt premiums	(2,406)	(2,512)	(500)
Amortization of acquired below-market leases	(21,938)	(19,055)	(5,723)
Deferred rent	(93,883)	(107,643)	(51,673)
Stock compensation expense	35,019	25,610	25,433
Investment income	(136,763)	(1,329)	(17,133)
Changes in operating assets and liabilities:			
Tenant receivables	435	(502)	(285)
Deferred leasing costs	(57,088)	(62,639)	(35,273)
Other assets	(20,849)	(18,222)	(11,420)
Accounts payable, accrued expenses, and tenant security deposits	21,909	25,573	5,322
Net cash provided by operating activities	570,339	450,882	393,487
Investing Activities			
Proceeds from sales of real estate	20,190	15,432	123,081
Additions to real estate	(927,168)	(893,685)	(821,690)
Purchases of real estate	(1,037,180)	(675,584)	(739,678)
Deposits for investing activities	(2,000)	(2,300)	(450)
Acquisitions of interest in unconsolidated real estate joint ventures	(35,922)	(60,291)	—
Investments in unconsolidated real estate joint ventures	(116,008)	(17,876)	(11,529)
Return of capital from unconsolidated real estate joint ventures	68,592	38,576	—
Additions to investments	(235,943)	(171,881)	(102,284)
Sales of investments	103,679	30,483	38,946
Repayment of notes receivable	—	—	15,198
Net cash used in investing activities	\$ (2,161,760)	\$ (1,737,126)	\$ (1,498,406)

Alexandria Real Estate Equities, Inc.
Consolidated Statements of Cash Flows
(In thousands)

	Year Ended December 31,		
	2018	2017	2016
Financing Activities			
Borrowings from secured notes payable	\$ 17,784	\$ 153,405	\$ 291,400
Repayments of borrowings from secured notes payable	(156,888)	(396,240)	(310,903)
Proceeds from issuance of unsecured senior notes payable	899,321	1,023,262	348,604
Borrowings from unsecured senior line of credit	4,741,000	3,858,000	4,117,000
Repayments of borrowings from unsecured senior line of credit	(4,583,000)	(3,836,000)	(4,240,000)
Repayments of borrowings from unsecured senior bank term loan	(200,000)	(200,000)	(200,000)
Payments of loan fees	(19,292)	(10,019)	(16,681)
Repurchases of 7.00% Series D cumulative convertible preferred stock	(13,976)	(17,934)	(206,826)
Redemption of 6.45% Series E cumulative redeemable preferred stock	—	(130,350)	—
Proceeds from the issuance of common stock	1,293,301	1,275,397	1,432,177
Dividends on common stock	(380,632)	(312,131)	(240,347)
Dividends on preferred stock	(5,207)	(9,619)	(22,414)
Financing costs paid for sales of noncontrolling interests	—	—	(10,044)
Contributions from and sales of noncontrolling interests	28,275	44,931	221,487
Distributions to and purchases of noncontrolling interests	(32,253)	(22,361)	(69,678)
Net cash provided by financing activities	<u>1,588,433</u>	<u>1,420,341</u>	<u>1,093,775</u>
Effect of foreign exchange rate changes on cash and cash equivalents	(2,068)	1,723	(1,460)
Net (decrease) increase in cash, cash equivalents, and restricted cash	(5,056)	135,820	(12,604)
Cash, cash equivalents, and restricted cash as of the beginning of period	277,186	141,366	153,970
Cash, cash equivalents, and restricted cash as of the end of period	<u>\$ 272,130</u>	<u>\$ 277,186</u>	<u>\$ 141,366</u>
Supplemental Disclosure of Cash Flow Information:			
Cash paid during the period for interest, net of interest capitalized	\$ 127,093	\$ 112,113	\$ 84,907
Non-Cash Investing Activities:			
Assumption of secured notes payable in connection with purchase of real estate	\$ —	\$ —	\$ (203,000)
Change in accrued construction	\$ 81,177	\$ (11,034)	\$ 76,848
Payable for purchase of real estate	\$ (65,000)	\$ —	\$ (56,800)
Distribution of real estate in connection with purchase of remaining 49% interest in real estate joint venture with Uber Technologies, Inc.	\$ —	\$ —	\$ (25,546)
Contribution of real estate to an unconsolidated real estate joint venture	\$ —	\$ 6,998	\$ —
Consolidation of previously unconsolidated real estate joint venture	\$ —	\$ —	\$ 87,930
Net investment in direct financing lease	\$ —	\$ —	\$ 36,975
Contribution of real estate from noncontrolling interests	\$ —	\$ 8,597	\$ —
Non-Cash Financing Activities:			
Redemption of redeemable noncontrolling interest	\$ —	\$ —	\$ (5,000)
Contribution from redeemable noncontrolling interest	\$ —	\$ —	\$ 2,264

The accompanying notes are an integral part of these consolidated financial statements.