

Kennedy Wilson Reports Fourth Quarter and Full Year 2010 Earnings

BEVERLY HILLS, Calif., Mar 14, 2011 (BUSINESS WIRE) -- Kennedy-Wilson Holdings, Inc. (NYSE: KW) ("Kennedy-Wilson," "Company," "us" and "we"), an international real estate investment and services company, reported fourth quarter 2010 net income attributable to Kennedy-Wilson Holdings, Inc. common shareholders of \$0.3 million (or \$0.01 per basic and diluted share). Adjusted net income attributable to Kennedy-Wilson Holdings Inc. common shareholders, adjusted for non-cash stock based compensation was \$2.4 million (or \$0.06 per basic share). The Company's adjusted earnings before interest, taxes, depreciation and amortization and non-cash stock based compensation for the fourth quarter 2010 was \$14.3 million (or \$0.37 per basic share).

The Company's full year 2010 net loss attributable to Kennedy-Wilson Holdings, Inc. common shareholders was \$1.1 million (or \$0.03 per basic and diluted share). The Company's YTD adjusted net income attributable to Kennedy-Wilson Holdings Inc. common shareholders, adjusted for loss on early extinguishment of corporate debt, merger related compensation expense and non-cash stock based compensation, was \$1.1 million (or \$0.36 per basic share). The Company's YTD adjusted earnings before interest, taxes, depreciation and amortization, loss on early extinguishment of corporate debt, merger related compensation expense and non-cash stock based compensation expense was \$58.4 million (or \$1.50 per basic share).

Following are the Company's key achievements in 2010:

Strengthened balance sheet

- Our book equity increased by 74% to \$313 million at December 31, 2010 from \$179 million as of December 31, 2009.
- Our investment account (Kennedy Wilson's equity in real estate and loan investments) increased by 72% to \$364 million at December 31, 2010 from \$212 million as of December 31, 2009.
- The amount available for us to borrow under our line of credit facility increased to \$75 million from \$30 million in 2010.
- We decreased our debt to book equity to 0.4x at December 31, 2010 from 0.7x at December 31, 2009 with a long term strategy of maintaining modest leverage.

Improved operating metrics

- We achieved a FY 2010 Adjusted EBITDA of \$58 million: our best year in history versus an Adjusted EBITDA in 2009 of \$37 million, an increase of 58%.
- Our investments segment Adjusted EBITDA for 2010 increased by 47% to \$56 million from \$38 million for FY 2009.
- Our services segment Adjusted EBITDA for FY 2010 increased by 164% to \$9 million from \$4 million for FY 2009.

Capital raising success and robust acquisition program

- Since and including our public listing in November 2009, we have raised \$221 million of equity for and over \$1 billion of equity partner capital (including commitments) for our acquisition program
- In 2010, we closed \$2.025 billion of real estate and debt acquisitions through direct and joint venture investments (including approximately \$1.3 billion of multifamily acquisitions and \$650 million of

debt purchases secured by real estate). These acquisitions were all in our target markets.

Significant multifamily platform

- Our current multifamily platform, owned directly and through joint ventures including two deals were in escrow as of December 31, 2010 and have subsequently closed, consists of 11,971 units within 78 apartment communities. The units are located in California (50%), the Pacific Northwest (30%) and Japan (20%).
- As of December 31, 2010, our multifamily portfolio was 96% occupied and on a trailing twelve month basis (annualized for communities purchased mid-year) produced a net operating income of \$103 million. As of December 31, 2010, the debt associated with these properties was approximately \$1 billion and our equity interest in the portfolio was approximately 32%. In many cases, in addition to our ownership percentage, we have a promoted interest in the profits of these investments. Management believes that our multifamily investments are in supply constrained markets which will experience significant rent growth over the next several years.
- We increased our investment in our Japanese multifamily subsidiary to 41.5% as of December 31, 2010 from 35.0% as of December 31, 2009; our Japanese portfolio is currently 96% occupied and the subsidiary has a currency gain in excess of \$50 million.

Accessed debt financing

- We took advantage of the historically low interest rate environment to reduce our cost of debt at the corporate and joint venture levels.
- We borrowed in excess of \$750 million of joint venture debt through acquisition financing and strategic property refinancing.

Expansion of service business

- Our management and leasing fees increased by 11% to \$21 million for FY 2010 from \$19 million for FY 2009 driven primarily by increased asset management fees earned through our acquisition activities.
- Our commissions increased by 140% to \$12 million for FY 2010 from \$5 million for FY 2009 driven primarily by increased auction commissions and acquisition fees.
- Our assets under management (owned and third-party) total approximately \$7 billion as of December 31, 2010.
- We auctioned and conventionally sold over 40 projects in three countries and 18 states including California, Washington, Hawaii, Oregon, Texas, Nevada, Florida, Georgia, and North Carolina.
- We conducted commercial auctions, signaling the transition of the current real estate cycle.
- We added numerous new accounts to our property management business through organic growth and the acquisition of Sachse Real Estate.
- Our services business sourced several key acquisitions for the investment division through relationships with bank clients.

"Kennedy Wilson reached a number of milestones in 2010," stated William McMorrow, chairman and CEO of Kennedy Wilson. "Our year end results reflect the hard work and dedication of our people as well as the strength of our investments and services platforms. We transitioned into 2011 with great momentum, acquiring \$215 million of multifamily properties and continuing to move forward on a strong pipeline of deals."

Conference Call and Webcast Details

The Company will hold a live conference call and webcast to discuss results at 7:00 a.m. Pacific Time / 8:00 a.m. Eastern Time on Tuesday, March 15th.

The direct dial-in number for the conference call is **(866) 203-3436** for U.S. and Canada callers and **(617) 801-213-8849** for international callers. The access code for the live call is **17981018**.

A replay of the call will be available for one week beginning two hours after the live call and can be accessed by **(888) 286-8010** for U.S. and Canada callers and **(617) 801-6888** for international callers. The access code for the replay is **52878366**.

The webcast will be available at: phx.corporate-ir.net/phoenix.zhtml?p=irol-eventDetails&c=217898&eventID=3833349. A replay of the webcast will be available two hours after the original webcast on the Company's investor relations web site for one year.

About Kennedy Wilson

Founded in 1977, Kennedy Wilson is an international real estate investment and services company headquartered in Beverly Hills, CA with 22 offices in the U.S. and Japan. The company offers a comprehensive array of real estate services including property and asset management, brokerage and auction services, and construction and trust services. Through its fund management and separate accounting businesses, Kennedy Wilson is a strategic investor and manager of real estate investments in the U.S. and Japan. For further information on Kennedy Wilson, please visit www.kennedywilson.com.

Forward-Looking Statements

This news release contains forward-looking statements as well as historical information. Statements of goals and strategies and words such as "plan," "believe," "anticipate," "expect," "objectives," "forecast," "predict" and other similar words are intended to identify forward-looking statements. These forward-looking statements are included in accordance with the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, and involve risks, uncertainties and other factors that may cause the Company's actual results, performance, or financial condition to be materially different from any results, performance, or financial condition suggested by the statements in this news release. These risks and uncertainties may include the risk factors described in the Company's filings with the Securities and Exchange Commission (the "SEC"), including in the Item 1A. "Risk Factors" section of the Company's annual report on Form 10-K for the year ended December 31, 2009. Any such forward-looking statements, whether made in this news release or elsewhere, should be considered in the context of the various disclosures by the Company about its business including, without limitation, the risk factors discussed in the Company's filings with the SEC. Except as required under the federal securities laws and the rules and regulations of the SEC, the Company does not have any intention or obligation to update publicly any forward-looking statements, whether as a result of new information, future events, changes in assumptions or otherwise.

Non-GAAP Financial Information

In addition to the results reported in accordance with U.S. generally accepted accounting principles (GAAP) included within this press release, Kennedy Wilson has provided certain information, which includes non-GAAP financial measures (proforma statement of income, adjusted net income, adjusted earnings per share and adjusted EBITDA). Such information is reconciled to its closest GAAP measure in accordance with SEC rules and is included in the attached supplemental data. Management believes that these non-GAAP financial measures are useful to both management and the Company's shareholders in their analysis of business and operating performance of the Company. Management also uses this information for operational planning and decision-making purposes. Non-GAAP financial measures are not and should not be considered a substitute for any GAAP measures. Additionally, non-GAAP financial measures as presented by Kennedy Wilson may not be comparable to similarly titled measures reported by other companies.

Kennedy-Wilson Holdings, Inc.

Consolidated Balance Sheets

	December 31,	
	2010	2009
Assets		
Cash and cash equivalents	\$ 46,968,000	\$ 57,784,000
Accounts receivable	2,097,000	887,000
Accounts receivable--related parties	7,062,000	4,278,000
Income tax receivable	--	6,848,000
Notes receivable	20,264,000	541,000
Notes receivable--related parties	3,837,000	6,644,000
Real estate, net of accumulated depreciation	82,701,000	40,581,000
Real estate available for sale	--	2,472,000
Investments in joint ventures (\$34,687,000 and \$19,612,000 carried at fair value as of December 31, 2010 and 2009, respectively)	266,886,000	185,252,000

Investment in loan pool participations	25,218,000	--
Other assets	8,850,000	7,005,000
Goodwill	23,965,000	23,965,000
Total assets	\$ 487,848,000	\$ 336,250,000
Liabilities and equity		
Liabilities		
Accounts payable	\$ 1,504,000	\$ 860,000
Accrued expenses and other liabilities	9,064,000	8,648,000
Accrued salaries and benefits	10,721,000	4,401,000
Deferred tax liability	25,871,000	15,439,000
Notes payable	24,783,000	26,133,000
Borrowings under line of credit	27,750,000	10,000,000
Mortgage loans payable	35,249,000	23,968,000
Convertible subordinated debt	--	27,472,000
Junior subordinated debentures	40,000,000	40,000,000
Total liabilities	174,942,000	156,921,000
Equity		
Cumulative Preferred stock, \$0.0001 par value, 1,000,000 shares authorized, \$1,000 per share liquidation preference:		
6.00% Series A, 100,000 and 0 shares issued and outstanding as of December 31, 2010 and 2009, respectively, mandatorily convertible on May 19, 2015	--	--

6.452% Series B, 32,550 and 0 shares issued and outstanding as of December 31, 2010 and 2009, respectively, mandatorily convertible on November 18, 2018	--	--
Common stock, \$0.0001 par value, 125,000,000 and 80,000,000 shares authorized, 41,291,596 and 41,177,658 shares issued and 40,179,906 and 41,177,658 shares outstanding as of December 31, 2010 and 2009, respectively	4,000	4,000
Additional paid-in capital	284,669,000	155,878,00
Retained earnings	17,777,000	18,829,000
Accumulated other comprehensive income	9,043,000	2,603,000
Shares held in treasury at cost, \$0.0001 par value, 1,111,690 and 0 held as of December 31, 2010 and 2009, respectively	(11,301,000)	--
Total Kennedy-Wilson Holdings, Inc. stockholders' equity	300,192,000	177,314,00
Noncontrolling interests	12,714,000	2,022,000
Total equity	312,906,000	179,336,00
Total liabilities and equity	\$ 487,848,000	\$ 336,25

Kennedy-Wilson Holdings, Inc.

Consolidated Statements of Operations and Comprehensive Income (Loss)

Year ended December 31,		
2010	2009	2008

Revenue			
Management and leasing fees	\$ 8,913,000	\$ 9,026,000	\$ 10,671,000
Management and leasing fees--related party	12,417,000	10,138,000	8,380,000
Commissions	6,359,000	4,204,000	5,906,000
Commissions--related party	5,375,000	727,000	4,295,000
Sale of real estate	3,937,000	52,699,000	--
Sale of real estate--related party	9,535,000	6,698,000	--
Rental and other income	4,000,000	2,743,000	2,973,000
Total revenue	50,536,000	86,235,000	32,225,000
Operating expenses			
Commission and marketing expenses	3,186,000	3,411,000	2,827,000
Compensation and related expenses	38,155,000	24,789,000	21,292,000
Merger-related compensation and related expenses	2,225,000	12,468,000	--
Cost of real estate sold	2,714,000	36,179,000	--

Cost of real estate sold--related party	8,812,000	5,752,000	--
General and administrative	11,314,000	6,351,000	6,074,000
Merger-related general and administrative	--	3,652,000	--
Depreciation and amortization	1,618,000	1,122,000	920,000
Rental operating expense	1,913,000	1,148,000	1,458,000
Total operating expenses	69,937,000	94,872,000	32,571,000
Equity in joint venture income	10,548,000	8,019,000	10,097,000
Interest income from loan pool participations and notes receivable	11,855,000	--	--
Operating income (loss)	3,002,000	(618,000)	9,751,000
Non-operating income (expense)			
Interest income	192,000	102,000	221,000
Interest income--related party	662,000	400,000	341,000
Remeasurement gain	2,108,000	--	--

Gain on early extinguishment of mortgage debt	16,670,000	--	--
Loss on early extinguishment of corporate debt	(4,788,000)	--	--
Interest expense	(7,634,000)	(13,174,000)	(8,596,000
Other than temporary impairment	--	(328,000)	(445,000
Income (loss) before (provision for) benefit from income taxes	10,212,000	(13,618,000)	1,272,000
(Provision for) benefit from income taxes	(3,727,000)	3,961,000	(605,000
Net income (loss)	6,485,000	(9,657,000)	667,000
Net income attributable to the noncontrolling interests	(2,979,000)	(5,679,000)	(54,000
Net income (loss) attributable to Kennedy-Wilson Holdings, Inc.	3,506,000	(15,336,000)	613,000
Preferred stock dividends and accretion of issuance costs	(4,558,000)	--	--

Net (loss) income attributable to Kennedy-Wilson Holdings, Inc. common shareholders	(1,052,000)	(15,336,000)	613,000
Other comprehensive income, net of tax	6,440,000	2,601,000	240,000
Total comprehensive income (loss)	\$ 5,388,000	\$ (12,735,000)	\$ 853,000
Basic income (loss) per share attributable to Kennedy-Wilson Holdings, Inc. common shareholders	\$ (0.03)	\$ (0.57)	\$ 0.03
Weighted average shares outstanding for basic (loss) income per share	38,978,272	26,891,304	22,892,498
Diluted income (loss) per share attributable to Kennedy-Wilson Holdings, Inc. common shareholders	\$ (0.03)	\$ (0.57)	\$ 0.03
Weighted average shares outstanding for diluted (loss) income per share	38,978,272	26,891,304	24,310,299

Kennedy-Wilson Holdings, Inc.

Proforma Statement of Income

(Unaudited)

Year ended December 31, 2010

Pro Rata

(Non-GAAP)

Unconsolidated

Adjusted

Consolidated

Investments

Total

Management and leasing fees	\$ 21,330,000	\$ --	\$ 21,330,000
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Commissions	11,734,000	--	11,734,000
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Sales of real estate	13,472,000	3,751,000	17,223,000
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Rental and other income	4,000,000	46,369,000	50,369,000
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Interest income	--	14,425,000	14,425,000
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Total revenue	50,536,000	64,545,000	115,081,000
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Commission and marketing expenses	3,186,000	--	3,186,000
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Compensation and related expenses	38,155,000	--	38,155,000
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Merger related expense	2,225,000	--	2,225,000
Cost of real estate sold	11,526,000	2,473,000	13,999,000
General and administrative	11,314,000	--	11,314,000
Depreciation and amortization	1,618,000	10,054,000	11,672,000
Rental operating expense	1,913,000	14,959,000	16,872,000
Total operating expenses	69,937,000	27,486,000	97,423,000
Equity in joint venture income	10,548,000	(10,548,000)	--
Income from loan pool participation	11,855,000	(11,855,000)	--
Total operating income	3,002,000	14,656,000	17,658,000
Non-operating income (expense)			
Interest income	854,000	(854,000)	--
Remeasurement gain	2,108,000	--	2,108,000
Gain on extinguishment of debt	16,670,000	--	16,670,000
Interest expense	(7,634,000)	(13,802,000)	(21,436,000)
Loss on extinguishment of debt	(4,788,000)	--	(4,788,000)

Income (loss) before income taxes	10,212,000	--	10,212,000
(Provision for) benefit from income taxes	(3,727,000)	--	(3,727,000)
Net income	6,485,000	--	6,485,000
Net income attributable to the noncontrolling interests	(2,979,000)	--	(2,979,000)
Net income (loss) attributable to Kennedy-Wilson Holdings, Inc.	3,506,000	--	3,506,000
Preferred stock dividend	(4,558,000)	--	(4,558,000)
Net income (loss) attributable to Kennedy-Wilson Holdings, Inc. common shareholders	(1,052,000)	--	(1,052,000)
Other comprehensive income, net of tax	6,440,000	--	6,440,000
Total comprehensive income (loss)	\$ 5,388,000	\$ --	\$ 5,388,000

Kennedy-Wilson Holdings, Inc.

Earnings Per Share and Adjusted Earnings Per Share

(Unaudited)

	Three months ended December 31, 2010	Year ended December 31, 2010
Net income (loss) attributable to Kennedy-Wilson Inc. common shareholders	\$ 308,000	\$ (1,052,000)
Basic shares outstanding	38,728,299	38,978,272
GAAP basic and diluted earnings per share	0.01	(0.03)
Net income (loss) attributable to Kennedy-Wilson Inc. common shareholders	308,000	(1,052,000)
Non-GAAP adjustments:		
Plus: Loss from early extinguishment of corporate debt	--	4,788,000
Plus: Merger-related compensation expense	--	2,225,000
Plus: Stock based compensation	2,118,000	8,094,000
Adjusted net income	2,426,000	14,055,000
Non-GAAP adjusted basic earnings per share	\$ 0.06	\$ 0.36

Kennedy-Wilson Holdings, Inc.

Adjusted EBITDA

(Unaudited)

	Three months ended December 31, 2010	Year ended December 2010
Adjusted EBITDA:		
Net income (loss)	\$ 2,947,000	\$ 6,485,0
Add back:		
Interest expense	1,142,000	7,634,0
Kennedy Wilson's share of interest expense included in investment in joint ventures and loan pool participations	5,421,000	13,802,
Depreciation and amortization	421,000	1,618,0
Kennedy Wilson's share of depreciation and amortization included in investment in joint ventures	2,851,000	10,054,
Loss from early extinguishment of corporate debt	--	4,788,0
Income taxes	(608,000)	3,727,0
Merger related compensation expense	--	2,225,0
Stock based compensation expense	2,118,000	8,094,0
	14,292,000	58,427,
Adjusted EBITDA	14,292,000	58,427,
Basic shares outstanding	38,728,299	38,978,
Adjusted EBITDA per basic share	0.37	1.50

SOURCE: Kennedy-Wilson Holdings, Inc.

Kennedy Wilson

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