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NEWS RELEASE

KENNEDY WILSON REPORTS 4Q AND FULL YEAR 2018 RESULTS

BEVERLY HILLS, Calif. (February 27, 2019) - [Kennedy-Wilson Holdings, Inc.](#) (NYSE: KW) today reported the following results for the fourth quarter and full year of 2018:

	<u>4Q</u>		<u>Full Year</u>	
	2018	2017	2018	2017
<i>(Amounts in millions, except per share data)</i>				
<u>GAAP Results</u>				
GAAP Net Income to Common Shareholders	\$ 30.7	\$ 99.2	\$ 150.0	\$ 100.5
Per Diluted Share	0.21	0.69	1.04	0.83
<u>Non-GAAP Results</u>				
Adjusted EBITDA	\$ 177.7	\$ 200.6	\$ 712.7	\$ 455.7
Adjusted Net Income	88.8	113.9	397.0	242.5

"The fourth quarter concluded a record year of financial results driven by increases in our recurring cash flow along with significant capital gains from our asset sales program," said William McMorrow, chairman and CEO of Kennedy Wilson. "Kennedy Wilson is well positioned to continue our momentum into 2019 with a focus on active asset management and continued progress across our development pipeline while at the same time increasing our third-party fee-bearing capital."

4Q & Full Year Highlights

- **46% Increase in Property NOI:** The Company's share of Property NOI increased to \$424 million in 2018 from \$290 million in 2017, an increase of \$134 million, which was primarily driven by the acquisition of KWE in 4Q-17.
- **Gains from Sale of Real Estate:** The Company's share of total gains from the sale of real estate in 4Q-2018 was \$88 million, a decrease of \$55 million from 4Q-2017. For the year, the Company had \$326 million in gains from the sale of real estate, an increase of \$114 million from 2017.
- **37% Increase in Pro-rata Revenue:** In 2018, the Company's share of revenue, excluding sale of real estate, increased by 37% to \$806 million.

- **Strong Same Property Performance with NOI up 6.6% in 4Q-18 and 5.4% for FY-18**

	<u>4Q - 2018 vs 4Q - 2017</u>			<u>FY - 2018 vs FY - 2017</u>		
	Occupancy	Revenue	NOI	Occupancy	Revenue	NOI
Multifamily - Market Rate	0.5%	4.8%	5.6%	0.2%	5.0%	5.8%
Multifamily - Affordable	(0.4)%	4.8%	6.7%	(0.3)%	5.0%	6.3%
Commercial	0.4%	1.9%	2.1%	(0.1)%	3.7%	2.2%
Hotel	NA	6.8%	54.9%	NA	5.8%	20.6%
Weighted Average		4.1%	6.6%		4.8%	5.4%

- **In-Place Estimated Annual NOI of \$407 Million; Targeting an Additional \$100 Million From Development and Leasing by 2023:**
 - The Company's estimated annual NOI from its stabilized portfolio decreased by \$32 million to \$407 million from \$439 million on December 31, 2017 primarily as a result of the net sale of assets during 2018.
 - For the year, the Company added \$19 million to Estimated Annual NOI through the completion of lease-up and stabilization initiatives.
- **Fee-Bearing Capital Growth:** The Company's fee-bearing capital grew from \$1.8 billion to \$2.2 billion in 2018. During the year, the Company raised an additional \$600 million in fee-bearing capital offset by a decrease of \$200 million due to asset dispositions.
- **Meyers Research Sale:** During the quarter, Kennedy Wilson sold its research subsidiary, Meyers Research, LLC ("Meyers"), to MidOcean Partners, a private equity firm. As a result of the sale, Kennedy Wilson recognized a \$40 million gain. Meyers had nearly 150 employees in 10 offices with revenues of \$15 million and expenses of \$17 million in 2018.

Investment Activity

- **\$2.7 Billion in 2018 Investment Transactions:** The Company completed acquisitions totaling \$1.3 billion (of which KW's share was \$622 million) and dispositions totaling \$1.4 billion (of which KW's share was \$971 million).
- **Cash Generated from Asset Sales:** The Company generated \$169 million of cash from asset sales in 4Q-18 and \$634 million in FY-2018.
- **Capital Recycling:** During the quarter, the Company invested \$151 million of capital with 58% into new investments, 32% into capex, and 10% into its share repurchase program. For the year, the Company invested \$659 million of capital with 51% into new investments, 27% into its share repurchase program, and 22% into capex.
- **4Q-18 Acquisitions:** The Company, together with its equity partners, completed \$450 million of acquisitions in 4Q-18, including the following key transactions:
 - **The Grange, Dublin, Ireland:** The Company and AXA Investment Managers - Real Assets in a 50/50 joint venture acquired The Grange, a 274-unit apartment community and four-acre development site targeting an additional 235 multifamily units in the South Dublin suburb of

Sandyford. The purchase was made from Grant Thornton Receiver, on behalf of the National Asset Management Agency ("NAMA"), for \$184 million.

- **Alpine Meadows, Sandy, Utah:** The Company acquired Alpine Meadows, a 222-unit wholly owned apartment community in the Salt Lake City, Utah region, for \$49 million. The property was acquired through a 1031 exchange with profits generated from the recent sale of the Bay Village Apartments, which was built a decade before Alpine Meadows.
 - **Reedhouse, Boise, Idaho:** The Company acquired off-market a wholly-owned 188-unit apartment community in Boise, Idaho for \$24 million via 1031 exchange. More than \$6 million is planned to be invested to upgrade the unit interiors, and improve the clubhouse, fitness center and pool.
- **4Q-18 Dispositions generated an 81% return on equity:** The Company, together with its equity partners, completed \$313 million of dispositions in 4Q-18, including the following key transactions:
 - **Dublin Office Sale:** The Company sold South Bank House and The Warehouse located in Dublin, Ireland totaling 82,000 square feet, to Google Ireland Limited, following strong execution of value-enhancing asset management initiatives.
 - **Northern California Multifamily Sale:** The Company sold the Bay Village Apartments in the San Francisco suburb of Vallejo, California. Kennedy Wilson had a 50% ownership in the 260-unit property that was acquired alongside a joint-venture partner in 2010. The proceeds were used to acquire Alpine Meadows in Sandy, Utah via 1031 exchange.
 - **UK Hotel Portfolio Sale:** The Company sold a portfolio of six hotels totaling 864 rooms located across the U.K. for \$54 million. Kennedy Wilson originally acquired the portfolio in 2015, and during the ownership period, executed tenant surrender and asset management strategies and completed a structured sales process.

Balance Sheet and Liquidity

- **32% Increase in Liquidity:** Liquidity totaled \$988 million, consisting of cash and cash equivalents of \$488 million⁽¹⁾ and \$500 million of undrawn capacity on the Company's revolving line of credit, a 32% increase from \$751 million as of December 31, 2017.
- **\$50 Million Term Loan Paydown:** The Company paid down its term loan by \$50 million in 4Q-18. The term loan has a remaining balance of \$75 million. The term loan had an initial balance of \$200 million at origination in October 2017.
- **Global Debt Profile:** Kennedy Wilson's debt had a weighted average interest rate of 4.0% per annum, a weighted average remaining maturity of 5.7 years, and approximately 81% of total debt (at share) is fixed with another 13% hedged against increases in rates. 45 percent of the Company's debt is either Euro or Sterling denominated and 55% is U.S. dollar denominated.
- **Share Repurchase Program⁽²⁾:** In 2018, the Company repurchased and retired 9.7 million shares for \$175 million at a weighted-average price of \$17.94 per share. As of December 31, 2018, the Company had \$85 million remaining available under its \$250 million share repurchase plan. In 2018, the Company returned \$289 million to shareholders in the form of dividends and share repurchases, equating to approximately \$2.00 per share.
- **Dividend Tax Treatment:** For U.S. federal tax purposes, Kennedy Wilson's 2018 dividend was classified 77% as return of capital and 23% as dividend income.

Foreign Currency Fluctuations and Hedging

- **Income Statement**

- Changes in foreign currency rates had an impact on our financial results as shown in the following metrics:

	4Q-18 vs 4Q-17	FY-2018 vs FY-2017
Consolidated Revenue	(3)%	(1)%
Adjusted EBITDA	(3)%	(1)%

- **Shareholders' Equity**

- During 2018, GBP and EUR foreign currency rates decreased by 6% and 5%, respectively, on average against the USD. The net decrease in shareholders' equity related to fluctuations in foreign currency and related hedges (in the GBP and EUR) was \$14 million, equating to 1% of total Kennedy-Wilson Holdings, Inc. shareholders' equity.

Subsequent Events

In January, the Company and its equity partner sold the Ritz-Carlton, Lake Tahoe, for \$120 million. Since acquiring the hotel in 2012, Kennedy Wilson grew the average daily rate by 63% and revenue per available room by 100%. The Company realized a cash profit of \$37 million over the life of the investment, and upon sale, recognized gains of approximately \$13 million.

Footnotes

- ⁽¹⁾ Includes \$88 million of restricted cash, which is included in cash and cash equivalents.
- ⁽²⁾ Future purchases under the program may be made in the open market, in privately negotiated transactions, through the net settlement of the Company's restricted stock grants or otherwise, with the amount and timing of the repurchases dependent on market conditions and subject to the Company's discretion.

Conference Call and Webcast Details

Kennedy Wilson will hold a live conference call and webcast to discuss results at 7:00 a.m. PT/ 10:00 a.m. ET on Thursday, February 28. The direct dial-in number for the conference call is (888) 254-3590 for U.S. callers and (786) 789-4797 for international callers.

A replay of the call will be available for one week beginning one hour after the live call and can be accessed by (888) 203-1112 for U.S. callers and (719) 457-0820 for international callers. The passcode for the replay is 3592717.

The webcast will be available at: <https://services.choruscall.com/links/kw190228c8wuZJVL.html>. A replay of the webcast will be available one hour after the original webcast on the Company's investor relations web site for three months.

About Kennedy Wilson

Kennedy Wilson (NYSE:KW) is a leading global real estate investment company. We own, operate, and invest in real estate both on our own and through our investment management platform. We focus on multifamily and office properties located in the Western U.S., UK, and Ireland. For further information on Kennedy Wilson, please visit www.kennedywilson.com.

Kennedy-Wilson Holdings, Inc.
Consolidated Balance Sheets
(Unaudited)
(Dollars in millions)

	December 31,	
	2018	2017
Assets		
Cash and cash equivalents	\$ 488.0	\$ 351.3
Accounts receivable	56.6	62.7
Real estate and acquired in place lease values	5,702.5	6,443.7
Loan purchases and originations	27.8	84.7
Unconsolidated investments	859.9	519.3
Other assets	222.3	263.1
Total assets	\$ 7,357.1	\$ 7,724.8
Liabilities		
Accounts payable	\$ 24.1	\$ 19.5
Accrued expenses and other liabilities	489.0	465.9
Mortgage debt	2,950.3	3,156.6
KW unsecured debt	1,202.0	1,179.4
KWE unsecured bonds	1,260.5	1,325.9
Total liabilities	5,925.9	6,147.3
Equity		
Common Stock	—	—
Additional paid-in capital	1,744.6	1,883.3
Accumulated deficit	(56.4)	(90.6)
Accumulated other comprehensive loss	(441.5)	(427.1)
Total Kennedy-Wilson Holdings, Inc. shareholders' equity	1,246.7	1,365.6
Noncontrolling interests	184.5	211.9
Total equity	1,431.2	1,577.5
Total liabilities and equity	\$ 7,357.1	\$ 7,724.8

Kennedy-Wilson Holdings, Inc.
Consolidated Statements of Income
(Unaudited)
(Dollars in millions, except per share data)

	For the Three Months Ended		For the Year Ended	
	December 31,		December 31,	
	2018	2017	2018	2017
Revenue				
Rental	\$ 122.0	\$ 131.1	\$ 514.6	\$ 504.7
Hotel	38.1	31.7	155.7	127.5
Sale of real estate	8.1	8.1	56.8	111.5
Investment management, property services, and research fees	10.5	10.2	45.3	42.9
Loan purchases, loan originations, and other	—	0.2	1.1	15.2
Total revenue	178.7	181.3	773.5	801.8
Expenses				
Rental	41.3	40.7	160.8	151.2
Hotel	30.7	27.0	121.5	100.3
Cost of real estate sold	6.9	6.5	52.5	80.2
Commission and marketing	1.3	1.3	5.9	7.2
Compensation and related	46.0	63.7	168.8	177.2
General and administrative	14.2	11.5	50.8	42.2
Depreciation and amortization	47.4	55.3	206.1	212.5
Total expenses	187.8	206.0	766.4	770.8
Income from unconsolidated investments	17.8	20.4	78.7	77.8
Gain on sale of real estate, net	67.6	149.7	371.8	226.7
Gain on sale of business	40.4	—	40.4	—
Acquisition-related expenses	(1.1)	(2.1)	(1.7)	(4.4)
Interest expense	(56.9)	(58.8)	(238.2)	(217.7)
Other (loss) income	(1.5)	3.7	12.0	8.3
Income before (provision for) benefit from income taxes	57.2	88.2	270.1	121.7
(Provision for) benefit from income taxes	(24.3)	17.2	(58.0)	16.3
Net income	32.9	105.4	212.1	138.0
Net income attributable to the noncontrolling interests	(2.2)	(6.2)	(62.1)	(37.5)
Net income attributable to Kennedy-Wilson Holdings, Inc. common shareholders	\$ 30.7	\$ 99.2	\$ 150.0	\$ 100.5
Basic earnings per share⁽¹⁾				
Income per basic	\$ 0.21	\$ 0.69	\$ 1.04	\$ 0.83
Weighted average shares outstanding for basic	141,253,645	140,490,974	142,895,472	119,147,192
Diluted earnings per share⁽¹⁾				
Income per diluted	\$ 0.21	\$ 0.69	\$ 1.04	\$ 0.83
Weighted average shares outstanding for diluted	143,098,291	140,490,974	144,753,421	119,147,192
Dividends declared per common share	\$ 0.21	\$ 0.19	\$ 0.78	\$ 0.70

⁽¹⁾ Includes impact of the Company allocating income and dividends per basic and diluted share to participating securities.

Kennedy-Wilson Holdings, Inc.
Adjusted EBITDA
(Unaudited)
(Dollars in millions)

The table below reconciles Adjusted EBITDA to net income attributable to Kennedy-Wilson Holdings, Inc. common shareholders, using Kennedy Wilson's pro-rata share amounts for each adjustment item.

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2018	2017	2018	2017
Net income attributable to Kennedy-Wilson Holdings, Inc. common shareholders	\$ 30.7	\$ 99.2	\$ 150.0	\$ 100.5
Non-GAAP adjustments:				
Add back (Kennedy Wilson's Share) ⁽¹⁾ :				
Interest expense	63.3	59.5	256.4	189.2
Depreciation and amortization	48.9	50.5	209.9	148.4
Provision for (benefit from) income taxes	25.6	(17.6)	59.3	(20.8)
Share-based compensation	9.2	9.0	37.1	38.4
Adjusted EBITDA	\$ 177.7	\$ 200.6	\$ 712.7	\$ 455.7

⁽¹⁾ See Appendix for reconciliation of Kennedy Wilson's Share amounts.

The table below provides a detailed reconciliation of Adjusted EBITDA to net income.

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2018	2017	2018	2017
Net income	\$ 32.9	\$ 105.4	\$ 212.1	\$ 138.0
Non-GAAP adjustments:				
Add back:				
Interest expense	56.9	58.8	238.2	217.7
Kennedy Wilson's share of interest expense included in unconsolidated investments	7.7	6.0	26.0	23.0
Depreciation and amortization	47.4	55.3	206.1	212.5
Kennedy Wilson's share of depreciation and amortization included in unconsolidated investments	3.2	3.2	13.2	16.2
Provision for (benefit from) income taxes	24.3	(17.2)	58.0	(16.3)
Share-based compensation	9.2	9.0	37.1	38.4
EBITDA attributable to noncontrolling interests ⁽¹⁾	(3.9)	(19.9)	(78.0)	(173.8)
Adjusted EBITDA	\$ 177.7	\$ 200.6	\$ 712.7	\$ 455.7

⁽¹⁾ EBITDA attributable to noncontrolling interests includes \$1.7 million and \$7.9 million of depreciation and amortization, \$1.3 million and \$5.3 million of interest, and \$(1.3) million and \$0.4 million of taxes, for the three months ended December 31, 2018 and 2017, respectively. EBITDA attributable to noncontrolling interests includes \$9.4 million and \$80.3 million of depreciation and amortization, \$7.8 million and \$51.5 million of interest, and \$(1.3) million and \$4.5 million of taxes, for the year ended December 31, 2018 and 2017, respectively.

Kennedy-Wilson Holdings, Inc.
Adjusted Net Income
(Unaudited)
(Dollars in millions, except per share data)

The table below reconciles Adjusted Net Income to net income attributable to Kennedy-Wilson Holdings, Inc. common shareholders, using Kennedy Wilson's pro-rata share amounts for each adjustment item.

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2018	2017	2018	2017
Net income attributable to Kennedy-Wilson Holdings, Inc. common shareholders	\$ 30.7	\$ 99.2	\$ 150.0	\$ 100.5
Non-GAAP adjustments:				
Add back (Kennedy Wilson's Share) ⁽¹⁾ :				
Depreciation and amortization	48.9	50.5	209.9	148.4
Share-based compensation	9.2	9.0	37.1	38.4
One-time tax remeasurement ⁽²⁾	—	(44.8)	—	(44.8)
Adjusted Net Income	\$ 88.8	\$ 113.9	\$ 397.0	\$ 242.5
Weighted average shares outstanding for diluted	143,098,291	140,490,974	144,753,421	119,147,192

⁽¹⁾ See Appendix for reconciliation of Kennedy Wilson's Share amounts.

⁽²⁾ Recorded as a result of US tax reform legislation, commonly referred to as the "Tax Cuts and Jobs Act", signed into law on December 22, 2017.

The table below provides a detailed reconciliation of Adjusted Net Income to net income.

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2018	2017	2018	2017
Net income	\$ 32.9	\$ 105.4	\$ 212.1	\$ 138.0
Non-GAAP adjustments:				
Add back:				
Depreciation and amortization	47.4	55.3	206.1	212.5
Kennedy Wilson's share of depreciation and amortization included in unconsolidated investments	3.2	3.2	13.2	16.2
Share-based compensation	9.2	9.0	37.1	38.4
Net income attributable to the noncontrolling interests, before depreciation and amortization ⁽¹⁾	(3.9)	(14.2)	(71.5)	(117.8)
One-time tax remeasurement ⁽²⁾	—	(44.8)	—	(44.8)
Adjusted Net Income	\$ 88.8	\$ 113.9	\$ 397.0	\$ 242.5
Weighted average shares outstanding for diluted	143,098,291	140,490,974	144,753,421	119,147,192

⁽¹⁾ Includes \$1.7 million and \$7.9 million of depreciation and amortization for the three months ended December 31, 2018 and 2017, respectively, and \$9.4 million and \$80.3 million for the year ended December 31, 2018 and 2017, respectively.

⁽²⁾ Recorded as a result of US tax reform legislation, commonly referred to as the "Tax Cuts and Jobs Act", signed into law on December 22, 2017.

Forward-Looking Statements

Statements made by us in this report and in other reports and statements released by us that are not historical facts constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements are necessarily estimates reflecting the judgment of our senior management based on our current estimates, expectations, forecasts and projections and include comments that express our current opinions about trends and factors that may impact future operating results. Disclosures that use words such as "believe," "anticipate," "estimate," "intend," "may," "could," "plan," "expect," "project" or the negative of these, as well as similar expressions, are intended to identify forward-looking statements. These statements are not guarantees of future performance, rely on a number of assumptions concerning future events, many of which are outside of our control, and involve known and unknown risks and uncertainties that could cause our actual results, performance or achievement, or industry results, to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. These risks and uncertainties may include the factors and the risks and uncertainties described elsewhere in this report and other filings with the Securities and Exchange Commission (the "SEC"), including the Item 1A. "Risk Factors" section of our Annual Report on Form 10-K for the year ended December 31, 2017, as amended by our subsequent filings with the SEC. Any such forward-looking statements, whether made in this report or elsewhere, should be considered in the context of the various disclosures made by us about our businesses including, without limitation, the risk factors discussed in our filings with the SEC. Except as required under the federal securities laws and the rules and regulations of the SEC, we do 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.

Common Definitions

- "KWH," "KW," "Kennedy Wilson," the "Company," "we," "our," or "us" refers to Kennedy-Wilson Holdings, Inc. and its wholly-owned subsidiaries.
- "KWE" refers to Kennedy Wilson Europe Real Estate plc, which was a London Stock Exchange-listed company that we externally managed through a wholly-owned subsidiary. On October 20, 2017 we acquired KWE, which is now a wholly-owned subsidiary. Prior to the acquisition, we owned approximately 24% and in accordance with U.S. GAAP, the results of KWE were consolidated in our financial statements.
- "Adjusted EBITDA" represents net income before interest expense, our share of interest expense included in income from investments in unconsolidated investments, depreciation and amortization, our share of depreciation and amortization included in income from unconsolidated investments, loss on early extinguishment of corporate debt and income taxes, share-based compensation expense for the Company and EBITDA attributable to noncontrolling interests.

Please also see the reconciliation to GAAP in the Company's supplemental financial information included in this release and also available at www.kennedywilson.com. Our management uses Adjusted EBITDA to analyze our business because it adjusts net income for items we believe do not accurately reflect the nature of our business going forward or that relate to non-cash compensation expense or noncontrolling interests. Such items may vary for different companies for reasons unrelated to overall operating performance. Additionally, we believe Adjusted EBITDA is useful to investors to assist them in getting a more accurate picture of our results from operations. However, Adjusted EBITDA is not a recognized measurement under GAAP and when analyzing our operating performance, readers should use Adjusted EBITDA in addition to, and not as an alternative for, net income as determined in accordance with GAAP. Because not all companies use identical calculations, our presentation of Adjusted EBITDA may not be comparable to similarly titled measures of other companies. Furthermore, Adjusted EBITDA is not intended to be a measure of free cash flow for our management's discretionary use, as it does not remove all non-cash items (such as acquisition-related gains) or consider certain cash requirements such as tax and debt service payments. The amount shown for Adjusted EBITDA also differs from the amount calculated under similarly titled definitions in our debt instruments, which are further adjusted to reflect certain other cash and non-

cash charges and are used to determine compliance with financial covenants and our ability to engage in certain activities, such as incurring additional debt and making certain restricted payments.

- “Adjusted Fees” refers to Kennedy Wilson’s gross investment management, property services and research fees adjusted to include Kennedy Wilson’s share of fees eliminated in consolidation, Kennedy Wilson’s share of fees in unconsolidated service businesses and performance fees included in unconsolidated investments. Effective January 1, 2018, we adopted new GAAP guidance on revenue recognition and implemented a change in accounting principles related to performance allocations, which resulted in us now accounting for performance allocations (commonly referred to as “performance fees” or “carried interest”) under the GAAP guidance for equity method investments and presenting performance allocations as a component of income from unconsolidated investments. Our management uses Adjusted fees to analyze our investment management and real estate services business because the measure removes required eliminations under GAAP for properties in which the Company provides services but also has an ownership interest. These eliminations understate the economic value of the investment management, property services and research fees and makes the Company comparable to other real estate companies that provide investment management and real estate services but do not have an ownership interest in the properties they manage. Our management believes that adjusting GAAP fees to reflect these amounts eliminated in consolidation presents a more holistic measure of the scope of our investment management and real estate services business.
- “Adjusted Net Income” represents net income before depreciation and amortization, our share of depreciation and amortization included in income from unconsolidated investments, share-based compensation and net income attributable to noncontrolling interests, before depreciation and amortization. Please also see the reconciliation to GAAP in the Company’s supplemental financial information included in this release and also available at www.kennedywilson.com.
- “Cap rate” represents the net operating income of an investment for the year preceding its acquisition or disposition, as applicable, divided by the purchase or sale price, as applicable. Cap rates set forth in this presentation only includes data from income-producing properties. We calculate cap rates based on information that is supplied to us during the acquisition diligence process. This information is not audited or reviewed by independent accountants and may be presented in a manner that is different from similar information included in our financial statements prepared in accordance with GAAP. In addition, cap rates represent historical performance and are not a guarantee of future NOI. Properties for which a cap rate is provided may not continue to perform at that cap rate.
- “Consolidated investment account” refers to the sum of Kennedy Wilson’s equity in: cash held by consolidated investments, consolidated real estate and acquired in-place leases gross of accumulated depreciation and amortization, net hedge asset or liability, unconsolidated investments, consolidated loans, and net other assets.
- “Equity partners” refers to non-wholly-owned subsidiaries that we consolidate in our financial statements under U.S. GAAP and third-party equity providers.
- “Estimated Annual NOI” is a property-level non-GAAP measure representing the estimated annual net operating income from each property as of the date shown, inclusive of rent abatements (if applicable). The calculation excludes depreciation and amortization expense, and does not capture the changes in the value of our properties that result from use or market conditions, nor the level of capital expenditures, tenant improvements, and leasing commissions necessary to maintain the operating performance of our properties. Any of the enumerated items above could have a material effect on the performance of our properties. Also, where specifically noted, for properties purchased in 2018, the NOI represents estimated Year 1 NOI from our original underwriting. Estimated year 1 NOI for properties purchased in 2018 may not be indicative of the actual results for those properties. Estimated annual NOI is not an indicator of the actual annual net operating income that the Company will or expects to realize in any period. Please also see the definition of “Net operating income” below. The Company does not provide a reconciliation for estimated annual NOI to its most directly comparable forward-looking GAAP financial measure, because it is unable to provide a meaningful or accurate estimation of each of the component reconciling items, and the information is not available without unreasonable effort. This is due to the inherent difficulty of forecasting the timing and/or amount of various items that would impact estimated annual NOI, including, for example, gains on sales of depreciable real estate and other items that have not yet occurred and are out of the Company’s control. For the same reasons, the Company is unable to meaningfully address the probable

significance of the unavailable information and believes that providing a reconciliation for estimated annual NOI would imply a degree of precision as to its forward-looking net operating income that would be confusing or misleading to investors.

- "Estimated Forward Yield on Cost" represents the Company's estimate of future net operating income, assuming it has completed its planned value-add asset management initiatives, divided by the sum of the purchase price and additional capital expenditure costs that are expected to be incurred in accordance with the Company's original underwriting at the time of acquisition. This information is not audited or reviewed by independent accountants and may be presented in a manner that is different from similar information included in our financial statements prepared in accordance with GAAP. Estimated Forward Return on Cost is based on management's current expectations and are based on assumptions that may prove to be inaccurate and involve known and unknown risks. For example, Estimated Forward Return on Cost is based in part on data made available to us during the course of our due diligence process in connection with asset acquisitions and assumes the timely and on-budget completion of our value-add initiatives, the timely leasing of all additional capacity and the absence of customer defaults or early lease terminations. Accordingly, the actual return on cost of an investment made by the Company may differ materially and adversely from the Estimated Forward Return on Cost figures set forth in this release, and we caution you not to place undue reliance on such figures. This information is not provided for development assets with no current income-producing component.
- "Fee-Bearing Capital" represents total third-party committed or invested capital that we manage in our joint-ventures and commingled funds that entitle us to earn fees, including without limitation, asset management fees, construction management fees, acquisition and disposition fees and/or promoted interest, if applicable.
- "Gross Asset Value" refers to the gross carrying value of assets, before debt, depreciation and amortization, and net of noncontrolling interests.
- "Investment account" refers to the consolidated investment account presented after noncontrolling interest on invested assets gross of accumulated depreciation and amortization.
- "Investment Management and Real Estate Services Assets under Management" ("IMRES AUM") generally refers to the properties and other assets with respect to which we provide (or participate in) oversight, investment management services and other advice, and which generally consist of real estate properties or loans, and investments in joint ventures. Our IMRES AUM is principally intended to reflect the extent of our presence in the real estate market, not the basis for determining our management fees. Our IMRES AUM consists of the total estimated fair value of the real estate properties and other real estate related assets either owned by third parties, wholly owned by us or held by joint ventures and other entities in which our sponsored funds or investment vehicles and client accounts have invested. Committed (but unfunded) capital from investors in our sponsored funds is not included in our IMRES AUM. The estimated value of development properties is included at estimated completion cost.
- "Net operating income" or "NOI" is a non-GAAP measure representing the income produced by a property calculated by deducting certain property expenses from property revenues. Our management uses net operating income to assess and compare the performance of our properties and to estimate their fair value. Net operating income does not include the effects of depreciation or amortization or gains or losses from the sale of properties because the effects of those items do not necessarily represent the actual change in the value of our properties resulting from our value-add initiatives or changing market conditions. Our management believes that net operating income reflects the core revenues and costs of operating our properties and is better suited to evaluate trends in occupancy and lease rates. Please also see the reconciliation to GAAP in the Company's supplemental financial information included in this release and also available at www.kennedywilson.com.
- "Noncontrolling interests" represents the portion of equity ownership in a consolidated subsidiary not attributable to Kennedy Wilson.
- "Pro-Rata" represents Kennedy Wilson's share calculated by using our proportionate economic ownership of each asset in our portfolio, including our approximate 24% ownership in KWE immediately prior to our acquisition of KWE in the fourth quarter of 2017. Please also refer to the pro-rata financial data in our supplemental financial information.

- "Property NOI" or "Property-level NOI" is a non-GAAP measure calculated by deducting the Company's Pro-Rata share of rental and hotel property expenses from the Company's Pro-Rata rental and hotel revenues. Please also see the reconciliation to GAAP in the Company's supplemental financial information included in this release and also available at www.kennedywilson.com.
- "Return on Equity" is a ratio calculated by dividing the net cash distributions of an investment to Kennedy Wilson, after the cost of leverage, if applicable, by the total cash contributions by Kennedy Wilson over the lifetime of the investment.
- "Same property" refers to properties in which Kennedy Wilson has an ownership interest during the entire span of both periods being compared. The same property information presented throughout this report is shown on a cash basis and excludes non-recurring expenses. This analysis excludes properties that are either under development or undergoing lease up as part of our asset management strategy.

Note about Non-GAAP and certain other financial information included in this presentation

In addition to the results reported in accordance with U.S. generally accepted accounting principles ("GAAP") included within this presentation, Kennedy Wilson has provided certain information, which includes non-GAAP financial measures (including Adjusted EBITDA, Adjusted Net Income, Net Operating Income, and Adjusted Fees, as defined above). Such information is reconciled to its closest GAAP measure in accordance with the rules of the SEC, and such reconciliations are included within this presentation. These measures may contain cash and non-cash acquisition-related gains and expenses and gains and losses from the sale of real-estate related investments. Consolidated non-GAAP measures discussed throughout this report contain income or losses attributable to non-controlling interests. Management believes that these non-GAAP financial measures are useful to both management and Kennedy Wilson's shareholders in their analysis of the 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. Annualized figures used throughout this release and supplemental financial information, and our estimated annual net operating income metrics, are not an indicator of the actual net operating income that the Company will or expects to realize in any period.

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