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# NEWS RELEASE

## KENNEDY WILSON REPORTS RECORD SECOND QUARTER 2018 RESULTS

BEVERLY HILLS, Calif. (August 1, 2018) - [Kennedy-Wilson Holdings, Inc.](#) (NYSE: KW) today reported results for 2Q-2018:

	<u>2Q</u>		<u>YTD</u>	
	2018	2017	2018	2017
<i>(Amounts in millions, except per share data)</i>				
<b><u>GAAP Results</u></b>				
GAAP Net Income to Common Shareholders	\$109.6	\$9.4	\$107.2	\$10.2
Per Diluted Share	0.77	0.08	0.74	0.09
<b><u>Non-GAAP Results</u></b>				
Adjusted EBITDA	\$270.5	\$102.2	\$393.1	\$179.5
Adjusted Net Income	170.9	51.0	234.1	93.7

\*Please refer to pages 9-10 for a reconciliation of GAAP to Non-GAAP results.

"We are pleased to complete a record quarter that resulted in the highest level of profits in our Company's history" said William McMorrow, Chairman and CEO of Kennedy Wilson. "Our global team remains focused on completing our key development and value-add initiatives while growing our investment management platform both in the US and Europe."

### 2Q Highlights

- **Strong Same Property Performance with NOI up 6%:**

	<u>2Q - 2018 vs 2Q - 2017</u>			<u>YTD - 2018 vs YTD - 2017</u>		
	Occupancy	Revenue	NOI	Occupancy	Revenue	NOI
Multifamily - Market Rate	(0.4)%	4.7%	5.6%	—%	5.2%	6.7%
Multifamily - Affordable	(0.1)%	4.7%	5.2%	(0.4)%	5.3%	6.3%
Commercial	0.4%	4.1%	4.1%	0.3%	3.6%	3.0%
Hotel	N/A	8.8%	15.5%	NA	3.8%	9.1%
<b>Total</b>		<b>5.3%</b>	<b>5.6%</b>		<b>4.3%</b>	<b>4.9%</b>

- **In-place Estimated Annual NOI of \$427 million with an Additional \$52 Million Expected from Unstabilized and Development Assets by 2021:**
  - Estimated Annual NOI from the stabilized portfolio decreased by 3% to \$427 million from \$439 million at year-end 2017. The decrease is due to the net sale of assets for the six months ended June 30, 2018 as well as a decrease of \$6 million due to changes in foreign currency exchange rates.
  - An additional \$36 million of Estimated Annual NOI is expected to be in place by the end of 2019 (of which 67% is either multifamily or pre-leased office development), and an incremental \$16 million is expected to be in place by the end of 2021, through the planned completion of development and stabilization initiatives.
- **New Irish Multifamily Platform with Leading Global Insurance Company:** Formed and closed first transaction in a new joint-venture platform with AXA Investment Managers - Real Assets to further grow its multifamily/PRS portfolio in Ireland. The Company is currently pursuing multiple new investment opportunities for this platform.
- **Asset Sales and New Platform Generate Gains and Fees of \$184 million to KW:**
  - Sold a six-property multifamily portfolio in the Western U.S. generating cash of \$104 million, gains and performance fees of \$71 million, an IRR of 35% and an equity multiple of 3.0x to KW.
  - Contributed its existing 50% interest in three multifamily properties in Dublin, Ireland into its new Irish multifamily joint-venture platform resulting in gains and fees of \$93 million.
- **\$133 Million of Share Repurchases in 2Q<sup>1</sup>:** 7.4 million shares were repurchased for \$133 million and canceled under the Company's \$250 million share repurchase plan. Year to date, the Company has repurchased and retired 8.6 million shares for \$153 million at an average price of \$17.85.

#### **Investment Activity: \$786M in 2Q; \$1.3 billion YTD**

- **Acquisitions:** The Company, together with its equity partners, completed the following acquisitions:

(\$ in millions)	Gross Aggregate Purchase Price	Kennedy Wilson's Share						
		Income Producing	Estimated Annual NOI	Cap Rate <sup>(2)</sup>	Est. Forward Return on Cost <sup>(2)</sup>	Non-income Producing / Development	Total	
<b>2Q - 2018</b>	\$ 211.6	\$ 119.6	\$ 5.2	4.4%	6.3%	\$ 0.8	\$	120.4
<b>YTD - 2018</b>	510.3	232.7	11.4	4.9%	6.2%	39.2		271.9

- The majority of the acquisitions completed in 2Q and YTD have significant value-add components which, once completed, are expected to significantly increase net operating income.
- **Dispositions:** The Company, together with its equity partners, completed the following dispositions:

(\$ in millions)	Gross Aggregate Sale Price	Kennedy Wilson's Share						
		Income Producing	Estimated Annual NOI	Cap Rate <sup>(2)</sup>		Non-income Producing / Development	Total	
<b>2Q - 2018</b>	\$ 574.0	\$ 291.2	\$ 17.4	6.0%		\$ 30.6	\$	321.8
<b>YTD - 2018</b>	743.1	412.3	23.6	5.7%		42.1		454.4

- Total cash of \$327 million to KW from YTD dispositions.
- NOI growth averaged 29% for assets sold YTD from the time of acquisition.

- **Capital Allocation:** In the quarter, the Company invested \$195 million of capital, allocating 68% to share repurchases, 20% to new acquisitions, and 12% to value-add capital expenditures. For the first half of the year, the Company invested \$317 million of capital, allocating 48% to share repurchases, 33% to new acquisitions, and 19% to value-add capital expenditures.

### **Investment Management and Real Estate Services Business**

- **Adjusted Fees:** For the quarter, adjusted fees were \$31 million, an increase of \$13 million from 2Q-2017. The increase is primarily related to \$19 million of promote fees earned from the sale of assets during the quarter.

### **Balance Sheet and Liquidity**

- **Liquidity:** Liquidity totaled \$947 million, including cash of \$447 million<sup>(3)</sup> and \$500 million of undrawn capacity on its revolving line of credit.
- **Debt Profile:** Kennedy Wilson's debt had a weighted average interest rate of 3.8% and a weighted average remaining maturity of 5.8 years, with 77% of total debt (at share) fixed and another 14% hedged against increases in interest rates.

### **Foreign Currency Fluctuations and Hedging**

- **Income Statement**
  - **2Q Impact:** For 2Q-2018, changes in foreign currency rates increased both consolidated revenue and Adjusted EBITDA by 3% compared to foreign currency rates as of June 30, 2017.
  - **YTD Impact:** For FY-2018, changes in foreign currency rates increased both consolidated revenue and Adjusted EBITDA by 3% compared to foreign currency rates as of June 30, 2017.
- **Shareholders' Equity**
  - During the first half of the year, GBP and EUR foreign currency rates decreased by 2% 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 \$13 million, equating to less than 1% of total Kennedy-Wilson Holdings, Inc. shareholders' equity.

## Footnotes

- <sup>(1)</sup> 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.
- <sup>(2)</sup> Excludes non-income producing and unstabilized properties. Please see "common definitions" for definitions.
- <sup>(3)</sup> Includes \$79.2 million of restricted cash, which is included in cash and cash equivalents.

## 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, August 2. The direct dial-in number for the conference call is (844) 340-4761 for U.S. callers and (412) 717-9616 for international callers.

A replay of the call will be available for one week beginning two hours after the live call and can be accessed by (877) 344-7529 for U.S. callers and (412) 317-0088 for international callers. The passcode for the replay is 10121783.

The webcast will be available at: <https://services.choruscall.com/links/kw180802IiuXW7KM.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](http://www.kennedywilson.com).

*Tables Follow*

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

	<b>June 30, 2018</b>	<b>December 31, 2017</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 447.1	\$ 351.3
Accounts receivable	64.6	62.7
Loan purchases and originations	28.9	84.7
Real estate and acquired in place lease values, net of accumulated depreciation and amortization	6,097.7	6,443.7
Unconsolidated investments	613.7	519.3
Other assets	253.4	263.1
<b>Total assets</b>	<b>\$ 7,505.4</b>	<b>\$ 7,724.8</b>
<b>Liabilities</b>		
Accounts payable	\$ 25.8	\$ 19.5
Accrued expenses and other liabilities	491.1	465.9
Mortgage debt	2,993.9	3,156.6
KW unsecured debt	1,249.9	1,179.4
KWE unsecured bonds	1,295.0	1,325.9
<b>Total liabilities</b>	<b>6,055.7</b>	<b>6,147.3</b>
<b>Equity</b>		
Common stock	—	—
Additional paid-in capital	1,747.7	1,883.3
Accumulated deficit	(40.7)	(90.6)
Accumulated other comprehensive loss	(436.7)	(427.1)
<b>Total Kennedy-Wilson Holdings, Inc. shareholders' equity</b>	<b>1,270.3</b>	<b>1,365.6</b>
Noncontrolling interests	179.4	211.9
<b>Total equity</b>	<b>1,449.7</b>	<b>1,577.5</b>
<b>Total liabilities and equity</b>	<b>\$ 7,505.4</b>	<b>\$ 7,724.8</b>

**Kennedy-Wilson Holdings, Inc.**  
**Consolidated Statements of Operations**  
**(Unaudited)**

*(Dollars in millions, except share amounts and per share data)*

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
<b>Revenue</b>				
Rental	\$ 134.9	\$ 123.8	\$ 269.2	\$ 248.1
Hotel	37.8	29.0	74.1	58.5
Sale of real estate	32.8	12.8	42.2	13.6
Investment management, property services and research fees	12.3	10.3	22.4	21.3
Loan purchases, loan originations and other	0.5	4.5	1.1	6.5
<b>Total revenue</b>	<b>218.3</b>	<b>180.4</b>	<b>409.0</b>	<b>348.0</b>
<b>Operating expenses</b>				
Rental operating	39.7	36.6	81.3	72.6
Hotel operating	29.4	22.8	60.2	47.2
Cost of real estate sold	31.4	9.6	39.8	10.3
Commission and marketing	2.1	1.7	3.5	3.7
Compensation and related	44.9	45.5	84.5	78.2
General and administrative	13.5	10.0	24.9	19.9
Depreciation and amortization	51.5	52.1	107.2	101.8
<b>Total operating expenses</b>	<b>212.5</b>	<b>178.3</b>	<b>401.4</b>	<b>333.7</b>
Income from unconsolidated investments, net of depreciation and amortization	10.9	10.8	36.9	39.8
<b>Operating income</b>	<b>16.7</b>	<b>12.9</b>	<b>44.5</b>	<b>54.1</b>
<b>Non-operating income (expense)</b>				
Gain on sale of real estate	236.8	66.3	264.8	71.7
Acquisition-related expenses	(0.2)	(0.9)	(0.2)	(1.2)
Interest expense	(67.2)	(52.1)	(126.1)	(102.1)
Other income	10.6	4.4	10.1	4.9
<b>Income before provision for income taxes</b>	<b>196.7</b>	<b>30.6</b>	<b>193.1</b>	<b>27.4</b>
Provision for income taxes	(29.4)	(8.8)	(26.8)	(4.6)
<b>Net income</b>	<b>167.3</b>	<b>21.8</b>	<b>166.3</b>	<b>22.8</b>
Net income attributable to noncontrolling interests	(57.7)	(12.4)	(59.1)	(12.6)
<b>Net income attributable to Kennedy-Wilson Holdings, Inc. common shareholders</b>	<b>\$ 109.6</b>	<b>\$ 9.4</b>	<b>\$ 107.2</b>	<b>\$ 10.2</b>
<b>Basic earnings per share<sup>(1)</sup></b>				
Income per basic	\$ 0.77	\$ 0.08	\$ 0.74	\$ 0.09
Weighted average shares outstanding for basic	141,483,445	111,723,952	144,696,059	111,945,354
<b>Diluted earnings per share<sup>(1)</sup></b>				
Income per diluted	\$ 0.77	\$ 0.08	\$ 0.74	\$ 0.09
Weighted average shares outstanding for diluted	142,707,159	111,723,952	145,872,617	111,945,354
Dividends declared per common share	\$ 0.19	\$ 0.17	\$ 0.38	\$ 0.34

<sup>(1)</sup> 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		Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
<b>Net income attributable to Kennedy-Wilson Holdings, Inc. common shareholders</b>	\$ 109.6	\$ 9.4	\$ 107.2	\$ 10.2
<b>Non-GAAP adjustments:</b>				
Add back (Kennedy Wilson's Share) <sup>(1)</sup> :				
Interest expense	70.2	43.1	132.2	83.6
Depreciation and amortization	52.5	32.2	108.2	63.4
Provision for income taxes	29.4	8.1	26.8	2.2
Share-based compensation	8.8	9.4	18.7	20.1
<b>Adjusted EBITDA</b>	<b>\$ 270.5</b>	<b>\$ 102.2</b>	<b>\$ 393.1</b>	<b>\$ 179.5</b>

<sup>(1)</sup> 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		Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
<b>Net income</b>	\$ 167.3	\$ 21.8	\$ 166.3	\$ 22.8
<b>Non-GAAP adjustments:</b>				
Add back:				
Interest expense	67.2	52.1	126.1	102.1
Kennedy Wilson's share of interest expense included in unconsolidated investments	6.1	6.0	11.2	11.5
Depreciation and amortization	51.5	52.1	107.2	101.8
Kennedy Wilson's share of depreciation and amortization included in unconsolidated investments	3.1	4.4	6.6	8.7
Provision for income taxes	29.4	8.7	26.8	4.6
Share-based compensation	8.8	9.4	18.7	20.1
EBITDA attributable to noncontrolling interests <sup>(1)</sup>	(62.9)	(52.3)	(69.8)	(92.1)
<b>Adjusted EBITDA</b>	<b>\$ 270.5</b>	<b>\$ 102.2</b>	<b>\$ 393.1</b>	<b>\$ 179.5</b>

<sup>(1)</sup> EBITDA attributable to noncontrolling interest includes \$2.1 million and \$24.3 million of depreciation and amortization, \$3.1 million and \$15.0 million of interest, and \$0.0 million and \$0.6 million of taxes, for the three months ended June 30, 2018 and 2017, respectively. EBITDA attributable to noncontrolling interest includes \$5.6 million and \$47.1 million of depreciation and amortization, \$5.1 million and \$30.0 million of interest, and \$0.0 million and \$2.4 million of taxes, for the six months ended June 30, 2018 and 2017, respectively.

**Kennedy-Wilson Holdings, Inc.**  
**Adjusted Net Income**  
**(Unaudited)**

*(Dollars in millions, except 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.

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
<b>Net income attributable to Kennedy-Wilson Holdings, Inc. common shareholders</b>	\$ 109.6	\$ 9.4	\$ 107.2	\$ 10.2
<b>Non-GAAP adjustments:</b>				
Add back (Kennedy Wilson's Share) <sup>(1)</sup> :				
Depreciation and amortization	52.5	32.2	108.2	63.4
Share-based compensation	8.8	9.4	18.7	20.1
<b>Adjusted Net Income</b>	<b>\$ 170.9</b>	<b>\$ 51.0</b>	<b>\$ 234.1</b>	<b>\$ 93.7</b>
<b>Weighted average shares outstanding for diluted</b>	<b>142,707,159</b>	<b>111,723,952</b>	<b>145,872,617</b>	<b>111,945,354</b>

<sup>(1)</sup> See Appendix for reconciliation of Kennedy Wilson's Share amounts.

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

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
<b>Net income</b>	\$ 167.3	\$ 21.8	\$ 166.3	\$ 22.8
<b>Non-GAAP adjustments:</b>				
Add back (less):				
Depreciation and amortization	51.5	52.1	107.2	101.8
Kennedy Wilson's share of depreciation and amortization included in unconsolidated investments	3.1	4.4	6.6	8.7
Share-based compensation	8.8	9.4	18.7	20.1
Net income attributable to the noncontrolling interests, before depreciation and amortization <sup>(1)</sup>	(59.8)	(36.7)	(64.7)	(59.7)
<b>Adjusted Net Income</b>	<b>\$ 170.9</b>	<b>\$ 51.0</b>	<b>\$ 234.1</b>	<b>\$ 93.7</b>
<b>Weighted average shares outstanding for diluted</b>	<b>142,707,159</b>	<b>111,723,952</b>	<b>145,872,617</b>	<b>111,945,354</b>

<sup>(1)</sup> Includes \$2.1 million and \$24.3 million of depreciation and amortization for the three months ended June 30, 2018 and 2017, respectively, and \$5.6 million and \$47.1 million of depreciation and amortization for the six months ended June 30, 2018 and 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. The consolidated financial statements of the Company include the results of the Company's consolidated 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 due to our role as asset manager.
- "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](http://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](http://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 Return on Cost" represents the Company's estimate of future net operating income once it has completed its value-add asset management initiatives divided by the purchase price plus 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. 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 figure set forth in this release.
- "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 operating expenses from operating 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](http://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. Please also refer to the pro-rata financial data in our supplemental financial information.
- "Property net operating income" or "Property NOI" is a non-GAAP measure calculated by deducting the Company's Pro-Rata share of rental and hotel operating 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](http://www.kennedywilson.com).
- "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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