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# NEWS RELEASE

## KENNEDY WILSON REPORTS SECOND QUARTER 2016 RESULTS

BEVERLY HILLS, Calif. (August 4, 2016) - [Kennedy-Wilson Holdings, Inc.](#) (NYSE: KW) today reported results for 2Q-2016:

(Amounts in millions, except per share data)	<u>2Q</u>		<u>YTD</u>	
	2016	2015	2016	2015
<b>GAAP Results</b>				
GAAP Net (Loss) Income to Common Shareholders	\$ (1.6)	\$ 31.2	\$ (9.1)	\$ 27.7
Per Diluted Share	(0.02)	0.27	(0.09)	0.27
<b>Non-GAAP Results</b>				
Adjusted EBITDA	\$ 73.5	\$ 112.8	\$ 145.3	\$ 166.5
Adjusted Net Income	43.4	63.0	81.7	93.5

"We were able to deliver a solid quarter highlighted by Property NOI growth across our global multifamily portfolio" said William McMorrow, chairman and CEO of Kennedy Wilson. "Against the backdrop of global uncertainty, we continued to execute our business plan of buying well-located, cash flowing assets and selling a handful of non-core and non-income producing properties."

### 2Q Highlights

- **Multifamily Same Property Performance:** Revenues +8%; NOI +11% - Sixth consecutive quarter with over 10% NOI growth.
- **Pro-rata Property Net Operating Income (NOI):** Kennedy Wilson's pro-rata share of 2Q Property NOI (including KWE) grew by 22% to \$56 million from Q2-2015.
- **Gains on Sale and Acquisition-Related Gains:** GAAP Net income, Adjusted Net Income, and Adjusted EBITDA for the quarter and YTD were impacted by lower gains on sale and acquisition-related gains relative to the prior periods. The Company had the following gains on sale and acquisition-related gains during the three and six months ended June 30, 2016 and 2015:

(\$ amounts in millions)	<u>2Q 2016</u>		<u>2Q 2015</u>		<u>YTD 2016</u>		<u>YTD 2015</u>	
	Consolidated	KW Share	Consolidated	KW Share	Consolidated	KW Share	Consolidated	KW Share
Gain on sale of real estate	\$ 16.1	\$ 8.2	\$ 34.5	\$ 22.5	\$ 54.5	\$ 19.0	\$ 40.1	\$ 23.4
Acquisition-related gains	8.6	6.7	53.1	46.0	8.6	6.7	57.3	46.7
<b>Total</b>	<b>\$ 24.7</b>	<b>\$ 14.9</b>	<b>\$ 87.6</b>	<b>\$ 68.5</b>	<b>\$ 63.1</b>	<b>\$ 25.7</b>	<b>\$ 97.4</b>	<b>\$ 70.1</b>

- **KWE:** Kennedy Wilson's ownership in KWE grew to 21.6% as of June 30, 2016 compared to 20.3% as of March 31, 2016 and 18.2% as of December 31, 2015. During the quarter, the Company received 0.2 million shares related to its 1Q-2016 management fee and purchased 1.6 million shares in the open market for \$23.6 million. During the quarter, Kennedy Wilson received dividends of \$4.7 million compared to \$2.7 million during the same period last year from its investment in KWE.

### **Investments business**

For 2Q-2016, the Company's Investments segment reported the following results:

- **Same Property Results:** The three- and six- month change in same property multifamily and commercial real estate are as follows:

	<b><u>2Q-2016 vs. 2Q-2015</u></b>				<b><u>YTD-2016 vs. YTD-2015</u></b>			
	<b>Same Property Units / Sq. Ft. (mm)</b>	<b>Occupancy</b>	<b>Revenue</b>	<b>NOI</b>	<b>Same Property Units / Sq. Ft. (mm)</b>	<b>Occupancy</b>	<b>Revenue</b>	<b>NOI</b>
Multifamily	16,648	—%	8.3%	10.5%	16,504	—%	8.5%	10.8%
Commercial	4.7	1.7%	1.1%	0.7%	4.3	1.4%	0.2%	(2.4)%

- **Investment Transactions:** The Company, together with its equity partners (including KWE), completed investment transactions of \$764 million in 2Q and \$1.3 billion YTD:

(\$ in millions)	Aggregate Purchase / Sale Price					
2Q - 2016	Income Producing	Non - income Producing	Total		KW Ownership <sup>(1)</sup>	Cap Rate <sup>(2)</sup>
Acquisitions <sup>(3)</sup>	\$ 362.3	\$ 19.2	\$ 381.5		33.9%	6.8%
Dispositions <sup>(4)</sup>	340.9	41.4	382.3		16.4%	4.3%
Total			\$ 763.8			
YTD - 2016						
Acquisitions <sup>(3)</sup>	\$ 559.5	\$ 32.3	\$ 591.8		30.1%	6.3%
Dispositions <sup>(4)</sup>	638.7	103.8	742.5		20.5%	4.8%
Total			\$ 1,334.3			

\*Please see footnotes at the end of the earnings release

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

This segment earns fees primarily from its investment management business along with its real estate services activities. For 2Q-2016, the Company's Investment Management and Real Estate Services segment reported the following results:

<b><i>(\$ amounts in millions)</i></b>	<b><u>2Q</u></b>		<b><u>YTD</u></b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b><u>GAAP Results</u></b>				
Investment Management, Property Services, and Research Fees	\$ 13.5	\$ 15.5	\$ 32.6	\$ 31.9
<b><u>Non-GAAP Results</u></b>				
Adjusted Fees <sup>(1)(2)</sup>	\$ 32.1	\$ 36.7	\$ 62.1	\$ 63.8
Adjusted EBITDA	17.3	20.1	30.1	32.9

<sup>(1)</sup> Adjusted Fees earned from KWE were \$5.8 million and \$14.5 million for the three months ended June 30, 2016 and 2015, respectively, and \$11.6 million and \$19.9 million for the six months ended June 30, 2016 and 2015, respectively. Adjusted Fees includes accrued performance fees related to KWE of \$0 for each of the three and six months ended June 30, 2016 and \$8.6 million for each of the three and six months ended June 30, 2015.

<sup>(2)</sup> Adjusted fees includes \$15.3 million and \$17.3 million for the three months ended June 30, 2016 and 2015, respectively, and \$22.8 million and \$24.3 million for the six months ended June 30, 2016 and 2015, respectively, of fees earned but eliminated in consolidation.

### **Share Repurchase**

On February 25, 2016, the Company announced a \$100 million share repurchase plan authorized by the Company's Board of Directors. During the second quarter of 2016, the Company repurchased 1.2 million shares of common stock for \$23 million, resulting in a total of 1.4 million shares repurchased for \$28 million since the authorization of the share repurchase plan. Future purchases under the program may be made in the open market, in privately negotiated transactions or otherwise, with the amount and timing of the repurchases depending on market conditions and subject to the Company's discretion.

### **Brexit**

On June 23, 2016, a UK Referendum resulted in an advisory vote to end the UK's membership in the European Union. Given the short period of time since the referendum result, it is too early to tell what the impact of the decision to leave the EU will be on the real estate investment and leasing markets in the UK. As of June 30, 2016, the Company had 21% of its investment account invested in the UK. Approximately 81% of the Company's UK investments are through KWE. KWE's UK portfolio includes 218 assets and an extremely diverse tenant base with 95% occupancy and a weighted-average lease to break of 6.3 years. In particular, KWE has no exposure to City of London or Canary Wharf assets and financial services tenants account for a small percentage of NOI and are not based in Central London. In addition, there was a significant decline of the GBP against the USD in the immediate aftermath of the vote.

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

During the quarter, the net decrease in equity value related to fluctuations in foreign currency and related hedges (in the GBP, EUR and JPY) was \$13 million, including a decrease of \$37 million related to investments in foreign currency, offset by an increase of \$24 million related to corresponding hedges. Additionally, the Company has received \$23 million in cash from unwinding and re-structuring of its hedges during the first six months of 2016.

### **Subsequent Events**

Subsequent to June 30, 2016, the Company acquired a 430-unit wholly-owned multifamily property in the Seattle suburb of Auburn, Washington for \$81 million. The Company invested \$19 million of equity (inclusive of closing costs) in the transaction. During the same period, the Company and its equity partners sold two multifamily properties totaling 680 units located in northern California in separate transactions for gross sales proceeds of \$207 million, total net proceeds of \$116 million and a total cash profit of \$108 million. Kennedy Wilson received \$24 million in net proceeds (including promoted interests) from these transactions equating to an approximately \$20 million cash profit over the life of these investments and a 3.9x equity multiple to Kennedy Wilson.

#### Footnotes for investment transactions table

- (1) Kennedy Wilson's ownership is shown on a weighted-average basis based upon the aggregate purchase/sale price of each investment and Kennedy Wilson's ownership in each investment at the time of acquisition/disposition. Kennedy Wilson ownership of KWE investment transactions is based upon Kennedy Wilson's 21.6% ownership of KWE as of June 30, 2016.
- (2) Cap rate includes only stabilized income-producing properties. During 2Q-2016, one unstabilized income-producing office property was acquired by KWE for \$72.1 million. Please see "common definitions" for a definition of cap rate.
- (3) The three and six months ended June 30, 2016 includes \$223.4 million and \$250.0 million of acquisitions by KWE, respectively.
- (4) The three and six months ended June 30, 2016 includes \$26.0 million and \$249.2 million of dispositions by KWE, respectively.

#### 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 August 5, 2016.

The direct dial-in number for the conference call is (866) 807-9684 for U.S. callers and (412) 317-5415 for international callers. To join the call, please reference Kennedy Wilson.

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

The webcast will be available at: <http://services.choruscall.com/links/kw160805Z0FyhSag>. 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 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 commercial properties located in the Western U.S., UK, Ireland, Spain, Italy and Japan. To complement our investment business, the Company also provides real estate services primarily to financial services clients. For further information on Kennedy Wilson, please visit [www.kennedywilson.com](http://www.kennedywilson.com).

#### 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," "could," "may," "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, 2015, 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 (including KWE).
- “KWE” refers to Kennedy Wilson Europe Real Estate plc, a London Stock Exchange-listed company that we externally manage through a wholly-owned subsidiary. In our capacity as external manager of KWE, we are entitled to receive certain (i) management fees equal to 1% of KWE’s adjusted net asset value (EPRA NAV), half of which are paid in cash and the remainder of which is paid in KWE shares; and (ii) performance fees, all of which are paid in KWE shares. In accordance with U.S. GAAP, the results of KWE are consolidated in our financial statements. We own an approximately 21.6% equity interest in KWE as of June 30, 2016, and throughout this release and supplemental financial information, we refer to our pro-rata ownership stake (based on our 21.6% equity interest or weighted-average ownership interest during the period, as applicable) in investments made and held directly by KWE and its subsidiaries.
- “Acquisition-related gains” consist of non-cash gains recognized by the Company or its consolidated subsidiaries upon a GAAP-required fair value measurement due to a business combination. These gains are typically recognized when a loan is converted into consolidated real estate owned and the fair value of the underlying real estate at the time of conversion exceeds the basis in the previously held loan. These gains also arise when there is a change of control of an investment. The gain amount is based upon the fair value of the Company’s or its consolidated subsidiaries’ equity in the investment in excess of the carrying amount of the equity immediately preceding the change of control.
- “Adjusted EBITDA” represents Consolidated EBITDA, as defined below, adjusted to exclude, share-based compensation expense for the Company and EBITDA attributable to noncontrolling interests. Our management uses Adjusted EBITDA to analyze our business because it adjusts Consolidated EBITDA 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, Consolidated EBITDA and Adjusted EBITDA are not recognized measurements under GAAP and when analyzing our operating performance, readers should use Consolidated EBITDA and 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 Consolidated EBITDA and Adjusted EBITDA may not be comparable to similarly titled measures of other companies. Furthermore, Consolidated EBITDA and Adjusted EBITDA are not intended to be a measure of free cash flow for our management’s discretionary use, as they do not remove all non-cash items (such as acquisition-related gains) or consider certain cash requirements such as tax and debt service payments. The amounts shown for Consolidated EBITDA and Adjusted EBITDA also differ from the amounts 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 fees eliminated in consolidation and Kennedy Wilson’s share of fees in unconsolidated service businesses. 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 Asset Value” is calculated by KWE as net asset value adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallize in a long-term investment

property business model such as the fair value of financial derivatives and deferred taxes on property valuation surpluses.

- "Adjusted Net Income" represents Consolidated Adjusted Net Income as defined below, adjusted to exclude net income attributable to noncontrolling interests, before depreciation and amortization.
- "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 often 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 Adjusted Net Income" represents net income before depreciation and amortization, our share of depreciation and amortization included in income from unconsolidated investments and share-based compensation expense.
- "Consolidated 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.
- "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 multiple" is calculated by dividing the amount of total distributions received by KW from an investment (including any gains, return of equity invested by KW and promoted interests) by the amount of total contributions invested by KW in such investment. This metric does not take into account management fees, organizational fees, or other similar expenses, all of which in the aggregate may be substantial and lower the overall return to KW. Equity multiples represent historical performance and are not a guarantee of the future performance of investments.
- "Equity partners" refers to non-wholly-owned subsidiaries that we consolidate in our financial statements under U.S. GAAP, including KWE, and third-party equity providers.
- "Estimated annualized NOI" is a property-level non-GAAP measure representing the estimated annualized 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. Estimated annualized NOI is not an indicator of the actual annual net operating income that the Company will or expects to realize in any period. Estimated annualized NOI for properties held by KWE are presented as reported by KWE. Please also see the definition of "Net operating income" below.
- "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.
- "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 21.6% ownership in KWE as of June 30, 2016. Please also refer to the non-GAAP Balance Sheet and Statements of Operations in our supplemental financial information.
- "Property net operating income" is a non-GAAP measure calculated by deducting rental and hotel operating expenses from rental and hotel revenues.
- "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, Consolidated EBITDA, Adjusted EBITDA, Consolidated Adjusted Net Income, Adjusted Net Income, Adjusted Net Income Per Basic Share 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, including annualized net operating income, 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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*Tables Follow*

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

	<b>June 30, 2016</b>	<b>December 31, 2015</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 183.5	\$ 182.6
Cash held by consolidated investments	672.5	549.0
Accounts receivable	79.1	54.7
Real estate and acquired in place lease values, net of accumulated depreciation and amortization	5,894.5	5,797.5
Loan purchases and originations	151.3	299.7
Unconsolidated investments	453.2	444.9
Other assets	262.2	267.2
<b>Total assets</b>	<b>\$ 7,696.3</b>	<b>\$ 7,595.6</b>
<b>Liabilities</b>		
Accounts payable	\$ 17.5	\$ 22.2
Accrued expenses and other liabilities	419.0	392.0
Investment debt	3,906.3	3,627.5
Senior notes payable	689.4	688.8
Line of credit	100.0	—
<b>Total liabilities</b>	<b>5,132.2</b>	<b>4,730.5</b>
<b>Equity</b>		
Cumulative preferred stock	—	—
Common stock	—	—
Additional paid-in capital	1,216.6	1,225.7
Accumulated deficit	(88.1)	(44.2)
Accumulated other comprehensive loss	(56.6)	(47.7)
<b>Total Kennedy-Wilson Holdings, Inc. shareholders' equity</b>	<b>1,071.9</b>	<b>1,133.8</b>
Noncontrolling interests	1,492.2	1,731.3
<b>Total equity</b>	<b>2,564.1</b>	<b>2,865.1</b>
<b>Total liabilities and equity</b>	<b>\$ 7,696.3</b>	<b>\$ 7,595.6</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>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b>Revenue</b>				
Rental	\$ 120.3	\$ 98.3	\$ 240.2	\$ 188.7
Hotel	26.8	23.3	55.9	46.7
Sale of real estate	12.3	—	14.2	2.1
Investment management, property services and research fees	13.5	15.5	32.6	31.9
Loan purchases, loan originations and other	3.6	3.4	5.8	8.8
<b>Total revenue</b>	<b>176.5</b>	<b>140.5</b>	<b>348.7</b>	<b>278.2</b>
<b>Operating expenses</b>				
Rental operating	32.8	24.5	63.8	49.1
Hotel operating	23.6	21.8	48.1	43.4
Cost of real estate sold	9.2	—	10.6	1.5
Commission and marketing	1.8	1.8	3.5	3.2
Compensation and related	40.5	44.0	86.2	70.2
General and administrative	11.8	11.8	22.0	21.3
Depreciation and amortization	48.9	38.0	97.3	74.6
<b>Total operating expenses</b>	<b>168.6</b>	<b>141.9</b>	<b>331.5</b>	<b>263.3</b>
Income from unconsolidated investments, net of depreciation and amortization	8.4	17.0	27.6	28.2
<b>Operating income</b>	<b>16.3</b>	<b>15.6</b>	<b>44.8</b>	<b>43.1</b>
<b>Non-operating income (expense)</b>				
Gain on sale of real estate	16.1	34.5	54.5	40.1
Acquisition-related gains	8.6	53.1	8.6	57.3
Acquisition-related expenses	(6.3)	(2.0)	(8.4)	(20.1)
Interest expense-investment	(33.6)	(27.2)	(66.1)	(46.6)
Interest expense-corporate	(12.2)	(10.8)	(24.3)	(23.8)
Other income	5.0	2.8	5.7	3.6
<b>(Loss) income before provision for income taxes</b>	<b>(6.1)</b>	<b>66.0</b>	<b>14.8</b>	<b>53.6</b>
Benefit from (provision for) income taxes	3.9	(36.1)	3.4	(28.0)
<b>Net (loss) income</b>	<b>(2.2)</b>	<b>29.9</b>	<b>18.2</b>	<b>25.6</b>
Net loss (income) attributable to noncontrolling interests	1.1	1.9	(26.2)	4.7
Preferred stock dividends and accretion of issuance costs	(0.5)	(0.6)	(1.1)	(2.6)
<b>Net (loss) income attributable to Kennedy-Wilson Holdings, Inc. common shareholders</b>	<b>\$ (1.6)</b>	<b>\$ 31.2</b>	<b>\$ (9.1)</b>	<b>\$ 27.7</b>
<b>Basic earnings per share<sup>(1)</sup></b>				
(Loss) income per basic	\$ (0.02)	\$ 0.29	\$ (0.09)	\$ 0.27
Weighted average shares outstanding for basic	109,056,941	103,721,472	109,136,241	97,669,080
<b>Diluted earnings per share<sup>(1)</sup></b>				
(Loss) income per diluted	\$ (0.02)	\$ 0.27	\$ (0.09)	\$ 0.27
Weighted average shares outstanding for diluted	109,056,941	111,428,358	109,136,241	103,936,881
Dividends declared per common share	\$ 0.14	\$ 0.12	\$ 0.28	\$ 0.24

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

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

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

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b>Net (loss) income</b>	\$ (2.2)	\$ 29.9	\$ 18.2	\$ 25.6
<b>Non-GAAP adjustments:</b>				
Add back:				
Depreciation and amortization	48.9	38.0	97.3	74.6
Kennedy Wilson's share of depreciation and amortization included in unconsolidated investments	5.3	8.4	10.5	17.2
Share-based compensation	14.7	6.8	32.2	14.1
<b>Consolidated Adjusted Net Income</b>	<b>66.7</b>	<b>83.1</b>	<b>158.2</b>	<b>131.5</b>
Less:				
Net income attributable to the noncontrolling interests, before depreciation and amortization <sup>(1)</sup>	(23.3)	(20.1)	(76.5)	(38.0)
<b>Adjusted Net Income</b>	<b>\$ 43.4</b>	<b>\$ 63.0</b>	<b>\$ 81.7</b>	<b>\$ 93.5</b>

<sup>(1)</sup> Includes \$24.4 million and \$21.8 million of depreciation and amortization for the three months ended June 30, 2016 and 2015, respectively, and \$50.3 million and \$42.5 million for the six months ended June 30, 2016 and 2015, respectively.

**Consolidated EBITDA and Adjusted EBITDA**  
**(Unaudited)**

*(Dollars in millions)*

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b>Net (loss) income</b>	\$ (2.2)	\$ 29.9	\$ 18.2	\$ 25.6
<b>Non-GAAP adjustments:</b>				
Add back:				
Interest expense-investment	33.6	27.2	66.1	46.6
Interest expense-corporate	12.2	10.8	24.3	23.8
Kennedy Wilson's share of interest expense included in unconsolidated investments	6.2	7.2	12.3	13.6
Depreciation and amortization	48.9	38.0	97.3	74.6
Kennedy Wilson's share of depreciation and amortization included in unconsolidated investments	5.3	8.4	10.5	17.2
(Benefit from ) provision for income taxes	(3.9)	36.1	(3.4)	28.0
<b>Consolidated EBITDA</b>	<b>100.1</b>	<b>157.6</b>	<b>225.3</b>	<b>229.4</b>
Add back (less):				
Share-based compensation	14.7	6.8	32.2	14.1
EBITDA attributable to noncontrolling interests <sup>(1)</sup>	(41.3)	(51.6)	(112.2)	(77.0)
<b>Adjusted EBITDA</b>	<b>\$ 73.5</b>	<b>\$ 112.8</b>	<b>\$ 145.3</b>	<b>\$ 166.5</b>

<sup>(1)</sup> Includes \$42.5 million and \$53.5 million of depreciation, amortization, taxes and interest for the three months ended June 30, 2016 and 2015, respectively, and \$86.0 million and \$81.7 million for the six months ended June 30, 2016 and 2015, respectively.