

Kennedy-Wilson Holdings, Inc.
Form 424B3
May 07, 2018
Filed by Kennedy-Wilson Holdings, Inc.
pursuant to Rule 424(b)(3) under the Securities Act of 1933
Commission File No.: 333-164926

QUARTERLY REPORT ON FORM 10-Q

On May 4, 2018, Kennedy-Wilson Holdings, Inc. filed with the Securities and Exchange Commission its Quarterly Report on Form 10-Q for the period ended March 31, 2018. See Appendix A to this filing.

The exhibits filed with the Quarterly Report are attached to Appendix A to this filing.

In connection with the offering (the "Offering") of up to 20,278,690 shares of common stock and 4,993,471 warrants to purchase common stock of Kennedy-Wilson Holdings, Inc. (the "Company") by certain selling security holders, the Company has filed with the Securities and Exchange Commission ("SEC") a registration statement (the "Registration Statement") on Form S-1 (No. 333-164926), as amended, which was declared effective on June 11, 2010. A prospectus, dated June 11, 2010, covering the Offering was filed with the SEC on June 11, 2010 (as supplemented from time to time, the "Prospectus").

ANY POTENTIAL INVESTORS IN THE SECURITIES OF THE COMPANY ARE URGED TO READ THE PROSPECTUS AND THIS PROSPECTUS SUPPLEMENT CAREFULLY AND IN THEIR ENTIRETY BECAUSE THEY CONTAIN IMPORTANT INFORMATION ABOUT THE OFFERING.

This Prospectus Supplement and the Prospectus are required to be delivered by the selling security holders of the above-referenced securities or by certain of their transferees, pledges, donees or their successors in connection with the offer and sale of the above-referenced securities.

The information contained herein, including the information attached hereto, supplements and supersedes, in part, the information contained in the Prospectus. This Prospectus Supplement should be read in conjunction with the Prospectus and all prior prospectus supplements, and is qualified by reference to the Prospectus and all prior prospectus supplements except to the extent that the information in this Prospectus Supplement supersedes the information contained in the Prospectus or any prior prospectus supplement.

You may obtain a copy of the Registration Statement, the Prospectus, this Prospectus Supplement and all prior prospectus supplements, as well as other filings containing information about the Company, without charge, at the SEC's Internet site (<http://www.sec.gov>). Copies of the Registration Statement, the Prospectus and this Prospectus Supplement can also be obtained, without charge, from the Company's corporate website at www.kennedywilson.com, or by directing a request to the Company, Attention: Investor Relations, 151 S El Camino Drive, Beverly Hills, California 90212.

In addition to the documents described above, the Company files annual, quarterly and current reports, proxy statements and other information with the SEC, which are available at the SEC's website at www.sec.gov or at the Company's website at www.kennedywilson.com.

The information contained in, or that can be accessed through, the Company's website is deemed not to be a part of this filing.

THIS FILING IS FOR INFORMATION PURPOSES ONLY AND SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY SECURITIES, NOR SHALL THERE BE ANY SALE OF SECURITIES IN ANY JURISDICTION IN WHICH SUCH SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF SUCH JURISDICTION.

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Appendix A
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2018

Or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____.

Commission file number 001-33824

Kennedy-Wilson Holdings, Inc.
(Exact name of Registrant as specified in its charter)

Delaware 26-0508760
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

151 S El Camino Drive
Beverly Hills, CA 90212

(Address of principal executive offices)

Registrant's telephone number, including area code:

(310) 887-6400

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company.

(See definition of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act). (Check one):

Large Accelerated Filer Accelerated Filer

Non-Accelerated Filer Smaller Reporting Company

Emerging Growth Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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The number of shares of common stock outstanding as of April 27, 2018 was 145,361,992.

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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 (the “Securities Act”) and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). 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,” “may,” “anticipate,” “estimate,” “intend,” “could,” “plan,” “expect,” “project” or the negative of these, as well as similar expressions, are intended to identify forward-looking statements.

Forward-looking 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 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. 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.

Non-GAAP Measures and Certain Definitions

In addition to the results reported in accordance with U.S. generally accepted accounting principles (“GAAP”) included within this report, 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 below). Such information is reconciled to its closest GAAP measure in accordance with the rules of the SEC, and such reconciliations are included within this report. 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. “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 Limited (formerly known as 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, early extinguishment of corporate debt, provision for (benefit from) income taxes, share-based compensation expense for the Company and EBITDA attributable to noncontrolling interests. Please see “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Non-GAAP measures” for a reconciliation of Adjusted EBITDA to net income as reported under GAAP.

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

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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 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 principle 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, the tax impact of the recently enacted tax reform and net income attributable to noncontrolling interests, before depreciation and amortization. Please see “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Non-GAAP measures” for a reconciliation of Adjusted Income to net income as reported under GAAP.

"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.

"Gross Asset Value" refers to the gross carrying value of assets determined in accordance with GAAP, 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.

"Noncontrolling interests" represents the portion of equity ownership in a consolidated subsidiary not attributable to Kennedy Wilson.

"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.

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FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

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

	March 31, 2018	December 31, 2017
(Dollars in millions, except share and per share amounts)		
Assets		
Cash and cash equivalents	\$433.0	\$ 351.3
Accounts receivable (including \$6.5 and \$5.2 of related party)	48.3	62.7
Loan purchases and originations	29.7	84.7
Real estate and acquired in place lease values, net of accumulated depreciation and amortization	6,665.6	6,443.7
Unconsolidated investments (including \$406.9 and \$380.7 at fair value)	544.1	519.3
Other assets	242.1	263.1
Total assets ⁽¹⁾	\$7,962.8	\$ 7,724.8
Liabilities and equity		
Liabilities		
Accounts payable	\$23.6	\$ 19.5
Accrued expenses and other liabilities	481.2	465.9
Mortgage debt	3,272.9	3,156.6
KW unsecured debt	1,248.9	1,179.4
KWE unsecured bonds	1,369.5	1,325.9
Total liabilities ⁽¹⁾	6,396.1	6,147.3
Equity		
Common stock, 150,357,051 and 151,561,284 shares issued and outstanding as of March 31, 2018 and December 31, 2017	—	—
Additional paid-in capital	1,871.2	1,883.3
Accumulated deficit	(121.5)	(90.6)
Accumulated other comprehensive loss	(404.3)	(427.1)
Total Kennedy-Wilson Holdings, Inc. shareholders' equity	1,345.4	1,365.6
Noncontrolling interests	221.3	211.9
Total equity	1,566.7	1,577.5
Total liabilities and equity	\$7,962.8	\$ 7,724.8

⁽¹⁾ The assets and liabilities as of March 31, 2018 include \$964.0 million (including cash and cash equivalents of \$75.7 million and real estate and acquired in place lease values, net of accumulated depreciation and amortization of \$837.6 million) and \$546.0 million (including investment debt of \$502.1 million), respectively, from consolidated variable interest entities ("VIEs"). The assets and liabilities as of December 31, 2017 include \$904.4 million (including cash and cash equivalents of \$39.1 million and real estate and acquired in place lease values, net of accumulated

depreciation and amortization of \$789.1 million) and \$510.0 million (including investment debt of \$475.3 million), respectively, from VIEs. These assets can only be used to settle obligations of the consolidated VIEs, and the liabilities do not have recourse to the Company.

See accompanying notes to consolidated financial statements.

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Table of ContentsKennedy-Wilson Holdings, Inc.
Consolidated Statements of Operations
(Unaudited)

(Dollars in millions, except share and per share amounts)	Three Months Ended	
	March 31, 2018	2017
Revenue		
Rental	\$134.3	\$ 124.3
Hotel	36.3	29.5
Sale of real estate	9.4	0.8
Investment management, property services and research fees (includes \$2.8, \$9.7 of related party fees)	10.1	11.0
Loan purchases, loan originations and other	0.6	2.1
Total revenue	190.7	167.7
Operating expenses		
Rental operating	41.6	36.0
Hotel operating	30.8	24.4
Cost of real estate sold	8.4	0.7
Commission and marketing	1.4	2.0
Compensation and related	39.6	32.7
General and administrative	11.4	10.0
Depreciation and amortization	55.7	49.7
Total operating expenses	188.9	155.5
Income from unconsolidated investments	26.0	29.0
Operating income	27.8	41.2
Non-operating income (expense)		
Gain on sale of real estate	28.0	5.4
Acquisition-related expenses	—	(0.3)
Interest expense	(58.9)	(50.0)
Other (loss) income	(0.5)	0.5
Loss before benefit from income taxes	(3.6)	(3.2)
Benefit from income taxes	2.6	4.1
Net (loss) income	(1.0)	0.9
Net income attributable to the noncontrolling interests	(1.4)	(0.1)
Net (loss) income attributable to Kennedy-Wilson Holdings, Inc. common shareholders	\$(2.4)	\$ 0.8
Basic and diluted (loss) income per share		
(Loss) income per share	\$(0.02)	\$ —
Weighted average shares outstanding	147,941,982	167,447
Dividends declared per common share	\$0.19	\$ 0.17

See accompanying notes to consolidated financial statements.

Table of ContentsKennedy-Wilson Holdings, Inc.
Consolidated Statements of Comprehensive Income
(Unaudited)

	Three Months Ended March 31,	
(Dollars in millions)	2018	2017
Net (loss) income	\$(1.0)	\$0.9
Other comprehensive income, net of tax:		
Unrealized foreign currency translation gain	35.4	21.2
Amounts reclassified out of AOCI during the period	(0.1)	—
Unrealized currency derivative contracts (loss) gain	(7.4)	8.7
Total other comprehensive income for the period	27.9	29.9
Comprehensive income	26.9	30.8
Comprehensive income attributable to noncontrolling interests	(6.5)	(24.9)
Comprehensive income attributable to Kennedy-Wilson Holdings, Inc. common shareholders	\$20.4	\$5.9

See accompanying notes to consolidated financial statements.

Table of ContentsKennedy-Wilson Holdings, Inc.
Consolidated Statement of Equity
(Unaudited)

(Dollars in millions, except share amounts)	Common Stock		Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total
	Shares	Amount					
Balance at December 31, 2017	151,561,284	\$	—\$1,883.3	\$ (90.6)	\$ (427.1)	\$ 211.9	\$1,577.5
Shares forfeited	(2,600)	—	—	—	—	—	—
Restricted stock grants (RSG)	42,500	—	—	—	—	—	—
Shares retired due to RSG vesting	(112,115)	—	(1.9)	—	—	—	(1.9)
Shares retired due to common stock repurchase program	(1,132,018)	—	(20.1)	0.1	—	—	(20.0)
Stock based compensation	—	—	9.9	—	—	—	9.9
Other comprehensive income (loss):							
Unrealized foreign currency translation gain, net of tax	—	—	—	—	30.3	5.1	35.4
Unrealized foreign currency derivative contract loss, net of tax	—	—	—	—	(7.4)	—	(7.4)
Unrealized loss on marketable securities, net of tax	—	—	—	—	(0.1)	—	(0.1)
Common stock dividends declared	—	—	—	(28.6)	—	—	(28.6)
Net loss	—	—	—	(2.4)	—	1.4	(1.0)
Contributions from noncontrolling interests	—	—	—	—	—	4.1	4.1
Distributions to noncontrolling interests	—	—	—	—	—	(1.2)	(1.2)
Balance at March 31, 2018	150,357,051	\$	—\$1,871.2	\$ (121.5)	\$ (404.3)	\$ 221.3	\$1,566.7

See accompanying notes to consolidated financial statements.

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Kennedy-Wilson Holdings, Inc.

Consolidated Statements of Cash Flows (Unaudited)

	Three Months Ended March 31,	
	2018	2017
(Dollars in millions)		
Cash flows from operating activities:		
Net (loss) income	\$(1.0)	\$0.9
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Net gain from sale of real estate	(29.1)	(5.6)
Depreciation and amortization	55.7	49.7
Above/below and straight-line rent amortization	(4.6)	(2.8)
Benefit from deferred income taxes	(4.5)	(5.8)
Amortization of deferred loan costs	3.1	2.0
Accretion of interest income on loans	(0.6)	(1.8)
Amortization of discount and accretion of premium on issuance of the senior notes and mortgage debt	0.1	(0.1)
Unrealized net loss on derivatives	0.3	0.3
Income from unconsolidated investments	(26.0)	(29.0)
Operating distributions from unconsolidated investments	7.9	17.6
Operating distributions from loan purchases and originations	0.6	1.7
Share-based compensation	9.9	10.5
Change in assets and liabilities:		
Accounts receivable	14.6	8.1
Other assets	(0.1)	(5.2)
Accounts payable, accrued expenses and other liabilities	22.5	(29.3)
Net cash provided by operating activities	48.8	11.2
Cash flows from investing activities:		
Collections of loans	4.5	6.4
Net proceeds from sale of real estate	113.9	40.3
Purchases of and additions to real estate	(190.2)	(47.0)
Additions to non-refundable escrow deposits	(10.4)	—
(Premiums) proceeds from settlement of foreign derivative contracts	(4.2)	2.7
Purchases of foreign derivative contracts	—	(0.4)
Investment in marketable securities	(0.2)	(0.3)
Proceeds from sale of marketable securities	7.2	—
Additions to development project asset	(8.4)	—
Proceeds from development project asset	38.9	—
Distributions from unconsolidated investments	13.1	17.9
Contributions to unconsolidated investments	(18.8)	(28.8)
Net cash used in investing activities	(54.6)	(9.2)
Cash flows from financing activities:		
Borrowings under senior notes payable	246.6	—
Borrowings under line of credit	75.0	—
Repayment of lines of credit	(175.0)	—
Borrowings under investment debt	98.0	24.0
Repayment of investment debt	(29.2)	(56.5)
Repayment of term loan	(75.0)	—
Debt issue costs	(4.6)	(0.1)
Repurchase and retirement of common stock	(22.0)	(29.2)

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KW common stock dividends paid	(29.3)	(18.5)
Acquisition of KWE shares from noncontrolling interest holders	—	(0.8)
KWE closing dividend	(17.2)	—
Contributions from noncontrolling interests, excluding KWE	13.0	8.8
Distributions to noncontrolling interests	(1.2)	(15.9)
Net cash provided by (used in) financing activities	79.1	(88.2)
Effect of currency exchange rate changes on cash and cash equivalents	8.4	8.8
Net change in cash and cash equivalents ⁽¹⁾	81.7	(77.4)
Cash and cash equivalents, beginning of period	351.3	885.7
Cash and cash equivalents, end of period	\$433.0	\$808.3

⁽¹⁾ See discussion of non-cash effects in notes to consolidated statements of cash flows.

See accompanying notes to consolidated financial statements.

Table of ContentsKennedy-Wilson Holdings, Inc.
Consolidated Statements of Cash Flows
(Unaudited)

Supplemental cash flow information:

	Three Months Ended March 31,	
(Dollars in millions)	2018	2017
Cash paid for:		
Interest ⁽¹⁾	\$27.7	\$23.8
Income taxes ⁽²⁾	3.9	8.5

⁽¹⁾ \$2.0 million and \$5.8 million attributable to noncontrolling interests for the three months ended March 31, 2018 and 2017, respectively.

⁽²⁾ \$6.5 million attributable to noncontrolling interests for the three months ended March 31, 2017.

As of March 31, 2018 and December 31, 2017 we have \$45.9 million and \$43.6 million of restricted cash, which is included in cash and cash equivalents, that primarily relates to lender reserves associated with consolidated mortgages that we hold on properties. These reserves typically relate to interest, tax, insurance and future capital expenditures at the properties.

Supplemental disclosure of non-cash investing and financing activities:

	Three Months Ended March 31,	
(Dollars in millions)	2018	2017
Accrued capital expenditures	\$2.7	\$6.6
Dividends declared but not paid on common stock	28.6	19.5

During the three months ended March 31, 2018, the Company gained control over a pool of loans secured by six hotels located in the United Kingdom that were previously accounted for as loan purchases. The assets and liabilities of these properties were consolidated in Kennedy Wilson's financial statements at fair value.

See accompanying notes to consolidated financial statements.

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Kennedy-Wilson Holdings, Inc.
Notes to Consolidated Financial Statements
(Unaudited)

NOTE 1—BASIS OF PRESENTATION

Kennedy Wilson's unaudited interim consolidated financial statements have been prepared pursuant to the rules and regulations of the U.S. Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in the financial statements prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") may have been condensed or omitted pursuant to SEC rules and regulations, although the Company believes that the disclosures are adequate to make their presentation not misleading. In the Company's opinion, all adjustments, consisting of only normal and recurring items, necessary for a fair presentation of the results of operations for the three months ended March 31, 2018 and 2017 have been included. The results of operations for these periods are not necessarily indicative of results that might be expected for the full year ending December 31, 2018. For further information, your attention is directed to the footnote disclosures found in the Company's Annual Report on Form 10-K for the year ended December 31, 2017. Throughout these unaudited interim consolidated financial statements "Kennedy Wilson," is referenced which is defined as the Company and its subsidiaries that are consolidated in its financial statements under U.S. GAAP. All significant intercompany balances and transactions have been eliminated in consolidation. "KW," "KWH," "Kennedy Wilson," the "Company," "we," "our," or "us" also referred to which are defined as Kennedy-Wilson Holdings, Inc. and its wholly-owned subsidiaries.

In addition, throughout these unaudited interim consolidated financial statements, "equity partners" is referred to which is defined as the non-wholly owned subsidiaries that are consolidated in the Company's financial statements under U.S. GAAP, including third-party equity providers.

Kennedy Wilson evaluates its relationships with other entities to identify whether they are variable interest entities ("VIEs") as defined in the ASC Subtopic 810-10, as amended by Accounting Standards Update ("ASU") 2015-02, and to assess whether it is the primary beneficiary of such entities. If the determination is made that Kennedy Wilson is the primary beneficiary, then that entity is included in the consolidated financial statements in accordance with the ASC Subtopic 810-10.

The preparation of the accompanying consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions about future events. These estimates and the underlying assumptions affect the amounts of assets and liabilities reported, disclosure about contingent assets and liabilities, and reported amounts of revenues and expenses. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. See comment in Note 4 about the preliminary nature of the estimates used in relation to acquisitions.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS

REVENUE RECOGNITION—In May 2014, the Financial Accounting Standards Board ("FASB") issued ASC Topic 606, Revenue from Contracts with Customers, which introduced a new five step model to recognize revenue from customer contracts in an effort to increase consistency and comparability throughout global capital markets and across industries. The model identifies the contract, any separate performance obligations in the contract, determines the transaction price, allocates the transaction price and recognizes revenue when the performance obligations are satisfied. Management has concluded that, with the exception of carried interests and incentive fees, the nature of our revenue streams is such that the requirements are generally satisfied at the time that the fee becomes receivable. Consequently, the new standard did not impact the timing of revenue recognition for these revenue streams. The Company has concluded that carried interests, which are a performance-based capital allocation to the Company based on cumulative fund performance to-date, represent equity method investments that are not in the scope of the amended revenue recognition guidance. Effective January 1, 2018, the Company changed its policy for recognition and measurement of carried interest. This accounting policy change did not change the timing or amount of income recognized related to carried interest. Prior to this accounting method change, the performance-based component of the carried interest was recognized within investment management, property services and research fees in the

Consolidated Statements of Operations. Under the equity method of accounting, the Company now recognizes its allocation of carried interest along with its share of income or loss and fair value, proportionate to the Company's equity ownership in each applicable investment as a component of income from unconsolidated investments. The Company has accounted for this change by full retrospective application and prior periods presented have been recast. The impact of adoption was a reclassification of \$32.9 million from other assets to unconsolidated investments on the consolidated balance sheet as of December 31, 2017. During the three months ended March 31, 2018 there was \$10.3 million of performance-based carried interest allocations recorded as a component of income from unconsolidated

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investments. During the three months ended March 31, 2017 there was \$6.5 million of performance-based carried interest allocations which were previously presented as a component of investment management, property services and research fees which have been reclassified to income from unconsolidated investments in the current year presentation.

The Company has concluded that the majority of its performance-based incentive fees are within the scope of the amended revenue recognition guidance. This accounting change delays recognition of unrealized incentive fees compared to the previous standard, however the adoption did not have a material impact on the Company's consolidated financial statements.

ASC Subtopic 610-20, Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets ("Subtopic 610-20") was also adopted effective January 1, 2018. Management concluded that the new standard did not have a significant impact on the amount, timing or classification of real estate sales in the financial statements or related disclosures. This conclusion was based on the Company's current business mix and general approach to sales of real estate which are generally completed without seller financing or continuing involvement that would indicate that a performance obligation is not met at the time the transaction closes. The Company's analysis included evaluation of an in-process development project that will be completed later in 2018 and found that while the evaluation is different under Subtopic 610-20, the recognition required recording the gain on the sale of the land and the development component, as separate performance obligations, under a percentage of completion methodology. However, this conclusion is identical to the manner of reporting the gain on the sale of this real estate under the superseded U.S. GAAP. Consequently, there was no significant impact upon this sale nor any of the other sales already completed. **REAL ESTATE ACQUISITIONS**—The purchase price including any acquisition-related costs of acquired properties is recorded to land, buildings and building improvements and intangible lease value (value of above-market and below-market leases, acquired in-place lease values, and tenant relationships, if any). The ownership of the other interest holders in consolidated subsidiaries is reflected as noncontrolling interests.

The valuations of real estate are based on management estimates of the real estate assets using income and market approaches. The indebtedness securing the real estate is valued, in part, based on third party valuations and management estimates also using an income approach.

NONCONTROLLING INTERESTS—Noncontrolling interest is the portion of equity (net assets) in a subsidiary not attributable, directly or indirectly to the Company. These amounts are reported within equity as a separate component in accordance with ASC Subtopic 810-10, Noncontrolling Interests in Consolidated Financial Statements. Revenues, expenses, gains, losses, net income (loss), and other comprehensive income (loss) are reported in the consolidated statements of operations at the consolidated amounts and net income (loss) and comprehensive income (loss) attributable to noncontrolling interests are separately stated.

FOREIGN CURRENCIES—The financial statements of Kennedy Wilson's subsidiaries located outside the United States are measured using the local currency as this is their functional currency. The assets and liabilities of these subsidiaries are translated at the rates of exchange at the balance sheet date, and income and expenses are translated at the average monthly rate. The foreign currencies include the euro and the British pound sterling. Cumulative translation adjustments, to the extent not included in cumulative net income, are included in the consolidated statement of equity as a component of accumulated other comprehensive income.

Investment level debt is generally incurred in local currencies. Fluctuations in foreign exchanges rates may have a significant impact on the results of our operations. In order to manage the effect of these fluctuations, the Company enters into hedging transactions, in the form of currency derivative contracts, that are designed to reduce its book equity exposure to foreign currencies. See Note 6 for a complete discussion on currency derivative contracts.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES—All derivative instruments are recognized as either assets or liabilities in the balance sheet at their respective fair values. For derivatives designated

in hedging relationships, changes in fair value of cash flow hedges or net investment hedges are recognized in accumulated other comprehensive income, to the extent the derivative is effective at offsetting the changes in the item being hedged until the hedged item affects earnings. Changes in fair value for fair value hedges are recognized in earnings.

Fluctuations in foreign exchange rates may have a significant impact on the Company's results of operations. In order to manage the potential exposure from adverse changes in foreign exchange rates arising from the Company's net investments in foreign operations, the Company may enter into currency derivative contracts to hedge all or portions of the net investments in the Company's non-U.S. dollar denominated foreign operations.

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INCOME TAXES—Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. In accordance with ASC Subtopic 740-10, Accounting for Uncertainty in Income Taxes, the effect of income tax positions is recognized only if those positions are more likely than not to be sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

RECENT ACCOUNTING PRONOUNCEMENTS—On January 1, 2018, Kennedy Wilson adopted ASC Topic 606 and ASC Subtopic 610-20 transition guidance. See discussion above in revenue recognition for more detail.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. ASU 2016-02 is required to be adopted for fiscal years beginning after December 15, 2018. Because Kennedy Wilson's existing operating lease commitments are not material and the accounting for leases by the lessor is substantially unchanged, the Company does not expect the ASU to have a significant impact on its results of operations or financial position.

In August 2016, the FASB issued ASU 2016-15, Classification of Certain Cash Receipts and Cash Payments, which addresses eight classification issues related to the statement of cash flows: (a) debt prepayment or debt extinguishment costs, (b) settlement of zero-coupon bonds, (c) contingent consideration payments made after a business combination (d) proceeds from the settlement of insurance claims, (e) proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies, (f) distributions received from equity method investees, (g) beneficial interests in securitization transactions, and (h) separately identifiable cash flows and application of the predominance principle. ASU 2016-15 is required to be adopted for public entities for fiscal years beginning after December 15, 2017. The adoption of this standard did not have a material impact on Kennedy Wilson's consolidated financial statements.

In January 2017, the FASB issued ASU 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business. The ASU clarifies the definition of a business. The three elements of a business (inputs, processes, and outputs) has not changed, however, the amendment provides a framework to assist entities in evaluating whether these elements are present. The amended framework is not expected to materially impact the Company's financial statements. However, the amendment also includes a provision that when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, the set is not a business. Therefore, real estate acquisitions generally will no longer be considered a business and consequently not be accounted for under Topic 805. The Company has evaluated the likely impacts noting that (1) acquisition related costs will no longer be expensed as incurred and (2) regardless of the market value of a property at

the acquisition date, acquisition related gains will no longer be recorded. ASU 2017-01 is required to be adopted for public entities for fiscal years beginning after December 15, 2017. The adoption of this standard did not have a material impact on Kennedy Wilson's consolidated financial statements, except that the Company no longer records acquisition related gains when acquiring controlling interests in real estate investments.

In January 2017, the FASB issued ASU 2017-04, which requires an entity to no longer perform a hypothetical purchase price allocation to measure goodwill impairment. Instead, impairment will be measured using the difference between the carrying amount and the fair value of the reporting unit. ASU 2017-04 is required to be adopted for public entities that are SEC filers, for annual and interim periods in fiscal years beginning after December 15, 2019. The Company does not expect the ASU to have a significant impact on Kennedy Wilson's consolidated financial statements.

In August 2017, the FASB issued ASU 2017-12 that simplifies the application of hedge accounting guidance in current GAAP and improves the reporting of hedging relationships to better portray the economic results of an entity's risk management

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activities in its consolidated financial statements. Among the simplification updates, the standard eliminates the requirement in current GAAP to separately recognize periodic hedge ineffectiveness. Mismatches between the changes in value of the hedged item and hedging instrument may still occur but they will no longer be separately reported. The standard requires the presentation of the earnings effect of the hedging instrument in the same income statement line item in which the earnings effect of the hedged item is reported. This ASU is effective for public business entities for annual and interim periods in fiscal years beginning after December 15, 2018. The Company does not expect the ASU to have a significant impact on Kennedy Wilson's consolidated financial statements.

In February 2018, the FASB issued ASU 2018-02, which allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act. This ASU is effective for all entities, for annual and interim periods in fiscal years beginning after December 15, 2018. The Company does not expect the ASU to have a significant impact on Kennedy Wilson's consolidated financial statements.

The FASB did not issue any other ASUs during the first three months of 2018 that the Company expects to be applicable and have a material impact on the Company's financial position or results of operations.

RECLASSIFICATIONS—Certain balances included in prior year's financial statements have been reclassified to conform to the current year's presentation.

NOTE 3—LOAN PURCHASES AND ORIGINATIONS

Kennedy Wilson's investment in loan purchases and originations was \$29.7 million and \$84.7 million at March 31, 2018 and December 31, 2017, respectively.

During the three months ended March 31, 2018, Kennedy Wilson collected, in full, \$4.5 million on a loan secured by a beach-front hotel located in Waimea, Hawaii. Additionally, Kennedy Wilson consolidated a loan portfolio into real estate in six hotels located across the United Kingdom that had a carrying value of approximately \$52.8 million as the Company gained control of the underlying properties as of January 1, 2018.

Kennedy Wilson recognized interest income on loans of \$0.6 million during the three months ended March 31, 2018, respectively, and \$2.1 million and during the three months ended March 31, 2017, respectively.

NOTE 4—REAL ESTATE AND IN-PLACE LEASE VALUE

The following table summarizes Kennedy Wilson's investment in consolidated real estate properties at March 31, 2018 and December 31, 2017:

	March 31, 2018	December 31, 2017
(Dollars in millions)		
Land	\$1,569.8	\$1,509.4
Buildings	4,721.9	4,558.0
Building improvements	558.5	511.2
In-place lease values	421.0	417.3
	7,271.2	6,995.9
Less accumulated depreciation and amortization	(605.6)	(552.2)
Real estate and acquired in place lease values, net of accumulated depreciation and amortization	\$6,665.6	\$6,443.7

Real property, including land, buildings, and building improvements, are included in real estate and are generally stated at cost. Buildings and building improvements are depreciated on a straight-line method over their estimated lives not to exceed 40 years. Acquired in-place lease values are recorded at their estimated fair value and depreciated over their respective weighted-average lease term which was 8.6 years at March 31, 2018.

Consolidated Acquisitions

The purchase of property is recorded to land, buildings, building improvements, and intangible lease value (including the value of above-market and below-market leases and acquired in-place lease values) based on their respective estimated fair

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values. The purchase price approximates the fair value of the properties as acquisitions are transacted with third-party willing sellers.

During the three months ended March 31, 2018, Kennedy Wilson acquired the following consolidated properties:

(Dollars in millions)		Preliminary Purchase Price Allocation at Acquisition ⁽¹⁾				
		Land	Building	Acquired in place lease values ⁽²⁾	Investment debt	KWH NCI Shareholders' Equity
Western U.S.	Two multifamily properties and one commercial property	\$45.8	\$ 80.5	\$ 0.6	\$ 83.7	\$ - 43.2
United Kingdom	One residential property	\$4.2	\$ —	\$ —	\$ —	\$ - 4.2
		\$50.0	\$ 80.5	\$ 0.6	\$ 83.7	\$ - 47.4

⁽¹⁾ Excludes net other assets.

⁽²⁾ Includes above and below market leases in this table. Above and below market leases are part of other assets and accrued expenses and other liabilities.

Loans Converted to Real Estate

During the three months ended March 31, 2018, Kennedy Wilson gained control over a pool of loans secured by six hotels located in the United Kingdom that were previously accounted for as loan purchases. The assets and liabilities of these properties were consolidated in Kennedy Wilson's consolidated financial statements at fair value.

Gains on Real Estate

During the three months ended March 31, 2018, Kennedy Wilson recognized the following gains on sale of real estate:

(Dollars in millions)		Gain on sale of real estate
Description		Consolidated Net NCI of NCI
KW	Six commercial properties in the United Kingdom, one residential property in Ireland and one residential property in the Western United States	\$29.1 \$0.6 \$28.5

⁽¹⁾ Includes both gain on sale of real estate and the sale of real estate as assets, which is the net of sale of real estate and cost of real estate sold.

Guarantees

Kennedy Wilson has certain guarantees associated with loans secured by consolidated assets. As of March 31, 2018, the maximum potential amount of future payments (undiscounted) Kennedy Wilson could be required to make under the guarantees was approximately \$84.8 million which is approximately 3% of investment level debt of Kennedy Wilson and its equity partners. The guarantees expire through 2027, and Kennedy Wilson's performance under the guarantees would be required to the extent there is a shortfall upon liquidation between the principal amount of the loan and the net sale proceeds from the property. Based on the Company's evaluation of guarantees under FASB ASC Subtopic 460-10 Estimated Fair Value of Guarantees, the estimated fair value of guarantees made as of March 31,

2018 and December 31, 2017 were immaterial.

Pro Forma Results of Operations

The results of operations of the assets acquired have been included in our consolidated financial statements since the date of their acquisition. Kennedy Wilson's unaudited pro forma results have been prepared for comparative purposes only and do not purport to be indicative of the results of operations that would have occurred had this acquisition been consummated at the beginning of the periods presented.

The pro forma data presented below assumes that the acquisitions during the three months ended March 31, 2018 occurred as of January 1, 2017.

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	Three Months Ended March 31,	
(Dollars in millions, except for per share data)	2018	2017
Pro forma revenues	\$191.3	\$172.4
Pro forma net (loss) income	(0.5)	0.8
Pro forma net (loss) income attributable to Kennedy-Wilson Holdings, Inc. common shareholders	(2.0)	0.6
Pro forma net (loss) income per share:		
Basic	\$(0.01)	\$0.01
Diluted	\$(0.01)	\$0.01

NOTE 5—UNCONSOLIDATED INVESTMENTS

Kennedy Wilson has a number of joint venture interests, generally ranging from 5% to 50%, that were formed to acquire, manage, develop, service and/or sell real estate and invest in loan pools and discounted loan portfolios. Kennedy Wilson has significant influence over these entities, but not control, and accordingly, these investments are accounted for under the equity method.

Joint Venture Holdings

The following table details Kennedy Wilson's investments in joint ventures by investment type and geographic location as of March 31, 2018:

(Dollars in millions)	Multifamily	Commercial	Funds	Residential and Other	Total
Western U.S.	\$ 200.5	\$ 39.9	\$108.8	\$ 184.0	\$533.2
United Kingdom	—	9.7	—	—	9.7
Japan	—	—	—	1.2	1.2
Total	\$ 200.5	\$ 49.6	\$108.8	\$ 185.2	\$544.1

The following table details the Company's unconsolidated investments by investment type and geographic location as of December 31, 2017:

(Dollars in millions)	Multifamily	Commercial	Funds	Residential and Other	Total
Western U.S.	\$ 199.7	\$ 42.1	\$85.3	\$ 179.8	\$506.9
United Kingdom	—	9.9	—	—	9.9
Japan	2.5	—	—	—	2.5
Total	\$ 202.2	\$ 52.0	\$85.3	\$ 179.8	\$519.3

During the three months ended March 31, 2018, multifamily investments decreased due to the sale of a multifamily property. Commercial investments decreased due to the sale of a property. Fund investments increased due to contributions to Funds V and VI. Residential and other investments decreased due to condominium unit and lot sales. Vintage Housing Holdings ("VHH")

The Company owns noncontrolling interests in VHH, a joint venture that holds controlling interests in 43 partnerships that own multifamily properties via a low-income housing tax credit ("LIHTC") structure in the Western United States. The Company accounts for its investment under the equity method as it does not control the investment. As of March 31, 2018 and December 31, 2017, the carrying value in VHH was \$116.0 million and \$114.8 million, respectively.

The partnerships generate cash flow through their interests in entities owning multifamily housing that is predominantly structured with LIHTCs. The Company has elected the fair value option on its unconsolidated investment in VHH. Total equity income recognized were \$11.7 million and \$14.2 million during the three months

ended March 31, 2018 and 2017, respectively and were comprised of fair value gains and operating distributions recognized through equity income. Fair value gains recognized through equity income were \$9.8 million and \$12.4 million during the three months ended March 31, 2018 and 2017, respectively. Fair value gains are primarily generated from resyndications in which VHH dissolves an existing partnership and recapitalizes into a new partnership with tax exempt bonds and tax credits which are sold to a new tax credit partner and, in many cases, yields cash back to VHH. Upon resyndication, VHH retains a GP interest in the partnership and receives various future streams of cash

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flows including; development fees, asset management fees, other GP management fees and distributions from operations. Since the investment is accounted for under the fair value option, operating distributions are recorded as equity income. See Note 6 for additional details. Operating distributions recognized through equity income were \$1.9 million and \$1.8 million for the three months ended March 31, 2018 and 2017, respectively.

Carried Interests

Effective January 1, 2018, Kennedy Wilson adopted ASC Topic 606 and implemented a change in accounting principle related to performance allocations (commonly referred to as “performance fees” or “carried interest”). In connection with the adoption and change in accounting principle, the Company now accounts for performance allocations under the GAAP guidance for equity method investments, presents performance allocations as a component of income from unconsolidated investments, and would present certain incentive fee arrangements, to the extent that we have them, separately in our results. All prior periods have been conformed for these changes. The impact of adoption was a reclassification of \$32.9 million from other assets to unconsolidated investments on the consolidated balance sheet as of December 31, 2017. During the three months ended March 31, 2018 there was \$10.3 million of performance-based carried interest allocations recorded as a component of income from unconsolidated investments. During the three months ended March 31, 2017 there was \$6.5 million of performance-based carried interest allocations which were previously presented as a component of investment management, property services and research fees which have been reclassified to income from unconsolidated investments in the current year presentation.

Contributions to Joint Ventures

During the three months ended March 31, 2018, Kennedy Wilson contributed \$18.8 million to joint ventures, of which \$7.5 million went to new joint ventures with the balance to fund the Company's share of development projects, capital expenditures and working capital needs.

Distributions from Joint Ventures

During the three months ended March 31, 2018, Kennedy Wilson received \$21.0 million in operating and investing distributions from its joint ventures. Operating distributions resulted from operating cash flow generated by the joint venture investments. Investing distributions resulted from the refinancing of property level debt and asset sales.

The following table details cash distributions by investment type and geographic location for the three months ended March 31, 2018:

	Multifamily		Commercial		Funds		Residential and Other		Total	
	Operating	Investing	Operating	Investing	Operating	Investing	Operating	Investing	Operating	Investing
(Dollars in millions) Western U.S.	\$ 6.2	\$ 8.1	\$ 0.6	\$ 2.3	\$ 1.1	\$ 0.5	\$ —	\$ 1.2	\$ 7.9	\$ 12.1
Japan	—	1.0	—	—	—	—	—	—	—	1.0
Total	\$ 6.2	\$ 9.1	\$ 0.6	\$ 2.3	\$ 1.1	\$ 0.5	\$ —	\$ 1.2	\$ 7.9	\$ 13.1

Investing distributions resulted primarily from recapitalizations and the sale of multifamily and commercial properties in the Western United States. Operating distributions resulted from sales distributions in excess of invested basis and operating cash flow generated by the joint venture investments.

Consolidation Considerations

The Company determines the appropriate accounting method with respect to all investments that are not VIEs based on the control-based framework (controlled entities are consolidated) provided by the consolidations guidance in FASB ASC Topic 810. The Company accounts for joint ventures where it is deemed that the Company does not have control through the equity method of accounting while entities the Company controls are consolidated in Kennedy Wilson's financial statements.

Capital Commitments

As of March 31, 2018, Kennedy Wilson had unfulfilled capital commitments totaling \$53.7 million to four of its joint ventures, primarily a closed-end fund managed by Kennedy Wilson, under the respective operating agreements. The Company may be called upon to contribute additional capital to joint ventures in satisfaction of such capital commitment obligations.

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NOTE 6—FAIR VALUE MEASUREMENTS AND THE FAIR VALUE OPTION

The following table presents fair value measurements (including items that are required to be measured at fair value and items for which the fair value option has been elected) as of March 31, 2018:

(Dollars in millions)	Level 1	Level 2	Level 3	Total
Unconsolidated investments	\$ —	\$—	\$406.9	\$406.9
Net currency derivative contracts	—	(116.6)	—	(116.6)
Total	\$ —	\$(116.6)	\$406.9	\$290.3

The following table presents fair value measurements (including items that are required to be measured at fair value and items for which the fair value option has been elected) as of December 31, 2017:

(Dollars in millions)	Level 1	Level 2	Level 3	Total
Unconsolidated investments	\$ —	\$—	\$380.7	\$380.7
Marketable securities	7.5	—	—	7.5
Net currency derivative contracts	—	(100.9)	—	(100.9)
Total	\$ 7.5	\$(100.9)	\$380.7	\$287.3

Unconsolidated Investments

Kennedy Wilson elected to use the fair value option ("FV Option") for eighteen unconsolidated investments to more accurately reflect the timing of the value created in the underlying investments and report those results in current operations. Kennedy Wilson's investment balance in the FV Option investments was \$298.1 million and \$295.4 million at March 31, 2018 and December 31, 2017, respectively, which is included in unconsolidated investments in the accompanying balance sheets.

Additionally, Kennedy Wilson records its investments in Kennedy Wilson Real Estate Fund IV, LP, Kennedy Wilson Real Estate Fund V, LP and Kennedy Wilson Real Estate Fund VI, LP (the "Funds") based upon the net assets that would be allocated to its interests in the Funds assuming the Funds were to liquidate their investments at fair value as of the reporting date. Kennedy Wilson's investment balance in the Funds was \$108.8 million and \$85.3 million at March 31, 2018 and December 31, 2017, respectively, which is included in unconsolidated investments in the accompanying consolidated balance sheets. As of March 31, 2018, Kennedy Wilson had unfunded capital commitments to the Funds in the amount of \$48.5 million.

Effective January 1, 2018, Kennedy Wilson adopted ASC Topic 606 and implemented a change in accounting principle related to performance allocations (commonly referred to as "performance fees" or "carried interest"). These fees will be recorded to unconsolidated investments and are at fair value and are reflected within the Funds investments.

In estimating fair value of real estate held by the Funds and the eighteen FV Option investments, the Company considers significant unobservable inputs such as capitalization and discount rates.

The following table summarizes the Company's investments in unconsolidated investments held at fair value by type:

(Dollars in millions)	March 31, 2018	December 31, 2017
FV Option	\$ 298.1	\$ 295.4
Funds	108.8	85.3
Total	\$ 406.9	\$ 380.7

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The following table presents changes in Level 3 investments, investments in investment companies and investments in joint ventures that elected the fair value option for the three months ended March 31, 2018 and 2017:

(Dollars in millions)	Three Months Ended March 31,	
	2018	2017
Beginning balance	\$380.7	\$356.7
Unrealized and realized gains	29.3	31.0
Unrealized and realized losses	(2.8)	(3.2)
Contributions	14.6	20.2
Distributions	(14.7)	(19.3)
Other	(0.2)	24.3
Ending balance	\$406.9	\$409.7

Unobservable Inputs for Real Estate

The table below describes the range of unobservable inputs for real estate assets:

	Estimated Rates Used for	
	Capitalization Rates	Discount Rates
Office	4.50% - 7.25%	6.50% - 8.00%
Retail	5.75% - 9.50%	7.25% - 11.50%
Multifamily	4.75% - 7.75%	8.00% - 9.75%
Residential	N/A	6.00% - 12.00%

In valuing indebtedness the Company considers significant inputs such as the term of the debt, value of collateral, market loan-to-value ratios, market interest rates and spreads, and credit quality of investment entities. The credit spreads used by Kennedy Wilson for these types of investments range from 1.50% to 3.46%.

The accuracy of estimating fair value for investments utilizing unobservable inputs cannot be determined with precision and cannot be substantiated by comparison to quoted prices in active markets and may not be realized in a current sale or immediate settlement of the asset or liability. Additionally, there are inherent uncertainties in any fair value measurement technique, and changes in the underlying assumptions used, including capitalization rates, discount rates, liquidity risks, and estimates of future cash flows, could significantly affect the fair value measurement amounts.

Marketable Securities

Marketable securities include Kennedy Wilson's investment in publicly traded equity securities and fixed income investments. During the three months ended March 31, 2018 the Company liquidated its marketable security portfolio. The fixed income portfolio consisted mainly of U.S. government and investment grade corporate bonds. The carrying value of marketable securities was a Level 1 valuation as the fair value was based off of unadjusted quoted market prices in active markets for identical securities.

Currency Derivative Contracts

Kennedy Wilson uses foreign currency derivative contracts such as forward contracts and options to manage its foreign currency risk exposure against the effects of a portion of its certain non-U.S. dollar denominated currency net investments. Foreign currency options are valued using a variant of the Black-Scholes model tailored for currency derivatives and the foreign currency forward contracts are valued based on the difference between the contract rate and the forward rate at maturity of the underlying currency applied to the notional value in the underlying currency discounted at a market rate for similar risks. Although the Company has determined that the majority of the inputs

used to value its currency derivative contracts fall within Level 2 of the fair value hierarchy, the counterparty risk adjustments associated with the currency derivative contracts utilize Level 3 inputs. However, as of March 31, 2018, Kennedy Wilson assessed the significance of the impact of the counterparty valuation adjustments on the overall valuation of its derivative positions and determined that the counterparty valuation adjustments are not significant to the overall valuation of its derivative. As a result, the Company has determined that its derivative valuation in its entirety be classified in Level 2 of the fair value hierarchy.

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Changes in fair value are recorded in other comprehensive in the accompanying consolidated statements of comprehensive income as the portion of the currency forward and option contracts used to hedge currency exposure of its certain consolidated subsidiaries qualifies as a net investment hedge under FASB ASC Topic 815.

The fair value of the currency derivative contracts held as of March 31, 2018 and December 31, 2017 are reported in other assets for hedge assets and included in accrued expenses and other liabilities for hedge liabilities on the accompanying balance sheet.

The table below details the currency derivative contracts Kennedy Wilson held as of March 31, 2018 and the activity during the three months ended March 31, 2018. See Note 11 for a complete discussion on other comprehensive income including currency derivative contracts and foreign currency translations.

(Dollars in millions)		March 31, 2018	Three Months Ended March 31, 2018				
			Hedge Asset	Hedge Liability	Change in Unrealized Gains (Losses)	Realized Gains (Losses)	Cash Received (Paid)
Currency Hedged	Underlying Currency	Notional					
Outstanding							
EUR	USD	€ 293.3	\$0.7	\$(13.9)	\$(6.2)	\$ (0.2)	\$ —
EUR ⁽¹⁾	GBP	€ 360.0	—	(72.5)	4.0	—	—
EUR ⁽¹⁾⁽²⁾	GBP	—	—	—	6.8	—	—
GBP	USD	£ 689.4	2.0	(32.9)	(16.8)	(0.1)	—
Total Outstanding			2.7	(119.3)	(12.2)	(0.3)	—
Settled							
GBP	USD	—	—	—	(1.0)	—	(4.2)
Total Settled			—	—	(1.0)	—	(4.2)
Total			\$2.7	\$(119.3)	\$(13.2)⁽³⁾	\$ (0.3)	\$ (4.2)

⁽¹⁾ Hedge is held by KWE on its wholly-owned subsidiaries.

⁽²⁾ Relates to KWE's Euro Medium Term Note. See discussion in Note 9.

⁽³⁾ Excludes deferred tax benefit of \$5.8 million.

The gains recognized through other comprehensive income will remain in accumulated other comprehensive income until the underlying investments they were hedging are substantially liquidated by Kennedy Wilson.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable including related party receivables, accounts payable, accrued expenses and other liabilities, accrued salaries and benefits, and deferred and accrued income taxes approximate fair value due to their short-term maturities. The carrying value of loans (excluding related party loans as they are presumed not to be an arm's length transaction) approximates fair value as the terms are similar to loans with similar characteristics available in the market.

Debt liabilities are accounted for at face value plus net unamortized debt premiums and any fair value adjustments as part of business combinations. The fair value as of March 31, 2018 and December 31, 2017 for mortgages, KW unsecured debt, and KWE unsecured bonds were estimated to be approximately \$6.0 billion and \$5.8 billion, respectively, based on a comparison of the yield that would be required in a current transaction, taking into consideration the risk of the underlying collateral and the Company's credit risk to the current yield of a similar security, compared to their carrying value of \$5.9 billion and \$5.7 billion at March 31, 2018 and December 31, 2017,

respectively. The inputs used to value the Company's mortgages, KW unsecured debt, and KWE unsecured bonds are based on observable inputs for similar assets and quoted prices in markets that are not active and are therefore determined to be Level 2 inputs.

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NOTE 7—OTHER ASSETS

Other assets consist of the following:

(Dollars in millions)	March 31, December 31, 2018 2017	
Above-market leases, net of accumulated amortization of \$48.3 and \$44.3 at March 31, 2018 and December 31, 2017, respectively	\$ 59.8	\$ 63.1
Furniture and equipment net of accumulated depreciation of \$43.6 and \$35.8 at March 31, 2018 and December 31, 2017, respectively	47.5	44.3
Straight line rent	29.0	24.0
Development project asset	27.5	55.3
Goodwill	23.9	23.9
Prepaid expenses	14.5	13.3
Deposits	13.9	3.5
Other, net of accumulated amortization of \$2.6 and \$2.6 at March 31, 2018 and December 31, 2017, respectively	11.1	10.7
Leasing commissions, net of accumulated amortization of \$2.7 and \$2.2 at March 31, 2018 and December 31, 2017, respectively	10.8	10.1
VAT receivable	2.7	5.0
Hedge assets	1.4	2.4
Marketable securities	—	7.5
Other Assets	\$ 242.1	\$ 263.1

Development Project Asset

On May 12, 2017, Kennedy Wilson and its equity partners (the “Capital Dock JV”) sold 200 Capital Dock, a 130,000 ft. office building under construction in Dublin, Ireland. Concurrently with the transaction, the Capital Dock JV entered into a development agreement with the buyer to complete the construction of 200 Capital Dock. The development agreement provides that upon certain events (including the insolvency of the Capital Dock JV and certain delivery deadlines not being met), the buyer may exercise a right to take over the construction of the project.

Because the construction process is not complete but the cost and profit are reasonably estimated, the Company recognizes revenue on this with the percentage-of-completion method for the sale of the building.

Under the percentage-of-completion method, there was \$9.4 million of sale of real estate and \$8.4 million of cost of real estate sold reported in the consolidated statement of operations related to the sale of 200 Capital Dock during the three months ended March 31, 2018. Consequently the "development project asset" represents the basis which has not yet been relieved under the percentage of completion method. The decrease during the period was due to the Company receiving a \$38.9 million milestone payment from the seller.

The remaining revenue and cost will be reported under the percentage-of-completion method through completion of construction, which is expected to continue until the third quarter of 2018. In the event that the buyer exercises its right to take over the construction of the project under the circumstances described above, the Capital Dock JV will receive a reduced amount of proceeds from this transaction.

NOTE 8—MORTGAGE DEBT

The following table details mortgage debt secured by Kennedy Wilson's consolidated properties as of March 31, 2018 and December 31, 2017:

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(Dollars in millions)	Region	Carrying amount of mortgage debt as of ⁽¹⁾	
		March 31, 2018	December 31, 2017
Mortgage Debt by Product Type			
Multifamily ⁽¹⁾	Western U.S.	\$ 1,293.6	\$ 1,227.5
Commercial ⁽¹⁾	United Kingdom	578.2	583.2
Commercial ⁽¹⁾	Ireland	532.5	505.0
Commercial	Western U.S.	386.2	370.7
Multifamily ⁽¹⁾	Ireland	270.2	263.2
Commercial	Spain	97.8	95.5
Hotel	Ireland	88.8	86.4
Hotel	Western U.S.	48.8	49.0
Mortgage debt (excluding loan fees) ⁽¹⁾		3,296.1	3,180.5
Unamortized loan fees		(23.2)	(23.9)
Total Mortgage Debt		\$ 3,272.9	\$ 3,156.6

⁽¹⁾ The mortgage debt payable balances include unamortized debt premiums (discounts). Debt premiums (discounts) represent the difference between the fair value of debt and the principal value of debt assumed in various acquisitions and are amortized into interest expense over the remaining term of the related debt in a manner that approximates the effective interest method. The unamortized loan premium as of March 31, 2018 and December 31, 2017 was \$2.3 million and \$2.4 million, respectively.

The mortgage debt had a weighted average interest rate of 3.40% and 3.35% per annum as of March 31, 2018 and December 31, 2017, respectively. As of March 31, 2018, 72% of Kennedy Wilson's consolidated property level debt was fixed rate, 16% was floating rate with interest caps and 12% was floating rate without interest caps, compared to 74% of Kennedy Wilson's property level debt was fixed rate, 8% was floating rate with interest caps and 18% was floating rate without interest caps, as of December 31, 2017. The weighted average strike price on caps of Kennedy Wilson's variable rate mortgages is 2.64% as of March 31, 2018.

Mortgage Loan Transactions and Maturities

During the three months ended March 31, 2018, three acquisitions were partially financed with mortgages. See Note 4 for more detail on the acquisitions and the mortgage debt associated with them.

The aggregate maturities of mortgage loans subsequent to March 31, 2018 are as follows:

(Dollars in millions)	Aggregate Maturities
2018	\$ 42.9
2019	391.8
2020	167.9
2021	159.6
2022	444.9
Thereafter	2,086.7
	3,293.8
Debt premium	2.3
Unamortized loan fees	(23.2)
Total Mortgage Debt	\$ 3,272.9

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NOTE 9—KW UNSECURED DEBT

The following table details KW unsecured debt as of March 31, 2018 and December 31, 2017:

(Dollars in millions)	March 31, December 31,	
	2018	2017
Credit facility	\$125.0	\$ 300.0
Senior notes ⁽¹⁾	1,144.7	898.1
KW unsecured debt	1,269.7	1,198.1
Unamortized loan fees	(20.8)	(18.7)
Total KW Unsecured Debt	\$1,248.9	\$ 1,179.4

⁽¹⁾ The senior notes balances include unamortized debt premiums (discounts). Debt premiums (discounts) represent the difference between the fair value of debt and the principal value of debt assumed in various acquisitions and are amortized into interest expense over the remaining term of the related debt in a manner that approximates the effective interest method. The unamortized loan premium (discount) as of March 31, 2018 and December 31, 2017 was \$(5.3) million and \$(1.9) million, respectively.

Borrowings Under Credit Facilities

The Company, through a wholly-owned subsidiary, has a \$700 million unsecured revolving credit and term loan facility (the "A&R Facility"). The A&R Facility is comprised of a \$500 million revolving line of credit and a \$200 million term loan facility. Loans under the revolving line of credit bear interest at a rate equal to LIBOR plus between 1.75% and 2.75%, depending on the consolidated leverage ratio as of the applicable measurement date. Loans under the term loan facility bear interest at a rate equal to LIBOR plus between 1.65% and 2.65%, depending on the consolidated leverage ratio as of the applicable measurement date. The A&R Facility has a maturity date of March 31, 2021. Subject to certain conditions precedent and at the Borrower's option, the maturity date of the A&R Facility may be extended by one year.

The A&R Facility has certain covenants as defined within its Amended and Restated Credit Agreement, dated as of October 20, 2017 (the "Credit Agreement") that, among other things, limit the Company and certain of its subsidiaries' ability to incur additional indebtedness, repurchase capital stock or debt, sell assets or subsidiary stock, create or permit liens on assets, engage in transactions with affiliates, enter into sale/leaseback transactions, issue subsidiary equity and enter into consolidations or mergers. The Credit Agreement requires the Company to maintain (i) a maximum consolidated leverage ratio (as defined in the Credit Agreement) of not greater than 65%, measured as of the last day of each fiscal quarter, (ii) a minimum fixed charge coverage ratio (as defined in the Credit Agreement) of not less than 1.70 to 1.00, measured as of the last day of each fiscal quarter for the period of four full fiscal quarters then ended, (iii) a minimum consolidated tangible net worth equal to or greater than the sum of \$1,066,775,300 plus an amount equal to fifty percent (50%) of net equity proceeds received by the Company after the date of the most recent financial statements that are available as of the Closing Date, measured as of the last day of each fiscal quarter, (iv) a maximum recourse leverage ratio (as defined in the Credit Agreement) of not greater than an amount equal to consolidated tangible net worth as of the measurement date multiplied by 1.5, measured as of the last day of each fiscal quarter, (v) a maximum secured recourse leverage ratio (as defined in the Credit Agreement) of not greater than an amount equal to 3.5% of consolidated total asset value (as defined in the Credit Agreement) and \$300,351,000, (vi) a maximum adjusted secured leverage ratio (as defined in the Credit Agreement) of not greater than 55%, measured as of the last day of each fiscal quarter, and (vii) liquidity (as defined in the Credit Agreement) of at least \$75.0 million. As of March 31, 2018, the Company was in compliance with these covenants.

During the three months ended March 31, 2018, the Borrower drew \$75.0 million and repaid \$250.0 million on the A&R Facility. Of the \$250.0 million that was repaid \$175.0 million was related to the revolving line of credit and \$75.0 million was for the term loan facility. The amount repaid on the term loan facility cannot be drawn again. The maximum amount drawn on the A&R Facility at any one point during the three months ended March 31, 2018 was \$375.0 million. As of March 31, 2018, the Company had an outstanding balance of \$125.0 million on the A&R Facility with \$500.0 million available to be drawn under the revolving credit facility.

The average outstanding borrowings under credit facilities was \$281.1 million during the three months ended March 31, 2018.

Senior Notes

On March 2, 2018, Kennedy Wilson, Inc., (the "Issuer") completed an additional private offering of \$250 million aggregate principal amount of 5.875% Senior Notes due 2024 (the "Notes"). The Notes were issued as additional notes under the indenture pursuant to which the Issuer previously issued \$900 million aggregate principal amount of its 5.875% Senior Notes due 2024 (the

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"Initial Notes"). The Notes have substantially identical terms as the Initial Notes and will be treated as a single series with the Initial Notes under the indenture. The Notes were issued and sold at an offering price of 98.625% of their principal amount, plus accrued and unpaid interest from, and including, October 1, 2017.

In connection with the Offering, Kennedy Wilson entered into cross-currency swap agreements totaling \$200.0 million, effectively reducing the fixed annual cash interest cost to 3.831% per year for five years. The agreements have a five-year tenor and, under the terms of the swap agreements, Kennedy Wilson's interest payments on \$200 million aggregate principal amount of the notes will be effectively converted from U.S. dollars to Euros at an average coupon of 3.319% per annum.

Because the swap is managing a pre-existing currency exposure (the overall investment abroad) the accounting will follow foreign currency exchange accounting resulting in recording of other comprehensive income ("OCI") which will be net against other OCI created by the pre-existing exposures. Consequently, the cross-currency swap will have two entries associated with it each period. The interest savings associated with the lower interest rate on euro amounts will be recorded to OCI. The Company will record interest expense at the contractual amount of 5.875% in the income statement. The interest savings that are recorded through OCI will not be recognized in the income statement until the underlying investment that the forward contracts have been designated to have been substantially liquidated.

The indenture governing the Notes contains various restrictive covenants, including, among others, limitations on the Company's ability and the ability of certain of the Company's subsidiaries to incur or guarantee additional indebtedness, make restricted payments, pay dividends or make any other distributions from restricted subsidiaries, redeem or repurchase capital stock, sell assets or subsidiary stocks, engage in transactions with affiliates, create or permit liens on assets, enter into sale/leaseback transactions, and enter into consolidations or mergers. The indenture governing the Notes limits the ability of Kennedy Wilson and its restricted subsidiaries to incur additional indebtedness if, on the date of such incurrence and after giving effect to the new indebtedness, the maximum balance sheet leverage ratio (as defined in the indenture) is greater than 1.50 to 1.00, subject to certain exceptions. As of March 31, 2018, the maximum balance sheet leverage ratio was 1.03 to 1.00. See Note 15 for the guarantor and non-guarantor financial statements.

NOTE 10—KWE UNSECURED BONDS

The following table details KWE unsecured bonds as of March 31, 2018 and December 31, 2017:

(Dollars in millions)	December 31,	
	March 31, 2018	December 31, 2017
KWE Bonds	\$700.8	\$ 675.6
KWE Euro Medium Term Note Programme	674.0	655.7
KWE Unsecured Bonds (excluding loan fees) ⁽¹⁾	1,374.8	1,331.3
Unamortized loan fees	(5.3)	(5.4)
Total KWE Unsecured Bonds	\$1,369.5	\$ 1,325.9

⁽¹⁾ The KWE unsecured bonds balances include unamortized debt premiums (discounts). Debt premiums (discounts) represent the difference between the fair value of debt and the principal value of debt assumed in various acquisitions and are amortized into interest expense over the remaining term of the related debt in a manner that approximates the effective interest method. The unamortized loan premium (discount) as of March 31, 2018 and December 31, 2017 was \$(4.0) million and \$(4.3) million, respectively.

KWE has £500 million of 3.95% fixed-rate senior unsecured bonds due 2022 that have a carrying value of \$700.8 million and \$675.6 million as of March 31, 2018 and December 31, 2017, respectively. KWE effectively reduced the interest rate to 3.35% as a result of it entering into swap arrangements to convert 50% of the proceeds into Euros. In addition, KWE has a £2.0 billion (approximately \$2.8 billion based on March 31, 2018 rates) Euro Medium Term Note ("EMTN") Programme. Under the EMTN Programme, KWE may issue, from time to time, up to £2.0 billion of various types of debt securities in certain markets and currencies. KWE issued senior unsecured notes for an aggregate principal amount of approximately \$677.8 million (based on March 31, 2018 rates) (€550 million) (the "KWE Notes"). The KWE Notes were issued at a discount and have a carrying value of \$674.0 million with an annual fixed coupon of 3.25%, and mature in 2025. As KWE invests proceeds from the KWE Notes to fund equity investments in new euro denominated assets, KWE designates the KWE Notes as net investment hedges under FASB ASC Topic 815. Subsequent fluctuations in foreign currency rates that impact the carrying value of the KWE Notes are recorded to accumulated other comprehensive income. During the three months ended March 31, 2018, Kennedy Wilson recognized a gain of \$6.8 million in accumulated other comprehensive income due to the

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weakening of the euro against the GBP during the period. The KWE Notes rank pari passu with the KWE Bonds, and are subject to the same restrictive covenants.

The trust deed that governs the bonds contains various restrictive covenants for KWE, including, among others, limitations on KWE's and its material subsidiaries' ability to provide certain negative pledges. The trust deed limits the ability of KWE and its subsidiaries to incur additional indebtedness if, on the date of such incurrence and after giving effect to the incurrence of the new indebtedness, (1) KWE's consolidated net indebtedness (as defined in the trust deed) would exceed 60% of KWE's total assets (as calculated pursuant to the terms of the trust deed); and (2) KWE's consolidated secured indebtedness (as defined in the trust deed) would exceed 50% of KWE's total assets (as calculated pursuant to the terms of the trust deed). The trust deed also requires KWE, as of each reporting date, to maintain an interest coverage ratio (as defined in the trust deed) of at least 1.50 to 1.00 and have unencumbered assets of no less than 125% of its unsecured indebtedness (as defined in the trust deed). As of March 31, 2018, KWE was in compliance with these covenants.

NOTE 11—EQUITY

Common Stock Repurchase Program

On March 20, 2018 the Company announced a \$250.0 million stock repurchase plan authorized by its board of directors. Repurchases 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 repurchases dependent on market conditions and subject to the company's discretion. Kennedy Wilson had a \$100 million stock repurchase program that expired on February 25, 2018.

During the three months ended March 31, 2018, Kennedy Wilson repurchased and retired 1,132,018 shares for \$20.0 million under the stock repurchase program. During the three months ended March 31, 2017, Kennedy Wilson repurchased and retired 77,155 shares for \$1.7 million under the previous stock repurchase program. See Note 16 for share repurchase activity subsequent to March 31, 2018.

Dividend Distributions

During the following periods, Kennedy Wilson declared and paid the following cash distributions on its common stock:

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
(Dollars in millions) Declared ⁽¹⁾	\$28.6	\$19.5
Common Stock Paid	\$29.3	\$18.5

⁽¹⁾ The difference between declared and paid is the amount accrued on the consolidated balance sheets.

Share-based Compensation

During the three months ended March 31, 2018 and 2017, Kennedy Wilson recognized \$9.9 million and \$10.7 million of compensation expense related to the vesting of restricted stock grants. The decrease for the three months ended March 31, 2018 is mainly due to shares which fully vested in 2017.

Generally, upon vesting, the restricted stock granted to employees is net share-settled such that the Company will withhold shares with value equivalent to the employees' minimum statutory obligation for the applicable income and other employment taxes, and remit the cash to the appropriate taxing authorities. Only a certain amount of the restricted shares that vested during the three months ended March 31, 2018 were net share settled. The employees'

minimum statutory obligation for the restricted shares which were not net share-settled were funded by the employees and remitted to the appropriate taxing authorities. However, all of the restricted shares that vested during 2017 were net-share settled. The total shares withheld during the three months ended March 31, 2018 and 2017 were 112,115 shares and 1,114,903 shares, respectively. During the three months ended March 31, 2018 and 2017, total payments for the employees' tax obligations to the taxing authorities for the shares which were net-share settled were \$1.9 million and \$27.5 million, respectively. These activities are reflected as a financing activity within Kennedy Wilson's consolidated statements of cash flows.

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Accumulated Other Comprehensive Income

The following table summarizes the changes in each component of accumulated other comprehensive loss, net of taxes:

	Foreign Currency Translation	Currency Derivative Contracts	Marketable Securities	Total Accumulated Other Comprehensive Loss ⁽¹⁾
(Dollars in millions)				
Balance at December 31, 2017	\$ (46.6)	\$ (22.2)	\$ 0.1	\$ (68.7)
Unrealized gains (losses), arising during the period	37.5	(13.2)	—	24.3
Amounts reclassified out of AOCI during the period	—	—	(0.1)	(0.1)
Noncontrolling interest	(5.1)	—	—	(5.1)
Deferred taxes on unrealized (losses) gains, arising during the period	(2.1)	5.8	—	3.7
Balance at March 31, 2018	\$ (16.3)	\$ (29.6)	\$ —	\$ (45.9)

⁽¹⁾ As a result of the KWE Transaction the Company was required to record inception to date accumulated other comprehensive losses of \$358.4 million associated with noncontrolling interest holders of KWE. This amount has been excluded from the beginning and ending balances of the table to give a more appropriate depiction of the Company's accumulated other comprehensive loss activity. If this amount is included the accumulated other comprehensive loss is \$404.3 million and \$427.1 million as of March 31, 2018 and December 31, 2017, respectively. The Company is required under U.S. GAAP to consolidate certain non-wholly owned subsidiaries or investments that it controls. As such, the Company's financial statements reflect currency translation adjustments and related hedging activities on a gross basis. It is helpful to look at the provided currency translation and currency derivative adjustment information net of noncontrolling interests to get a more accurate understanding of the actual currency exposure for the Company.

The local currencies for the Company's interests in foreign operations include the euro and the British pound sterling. The related amounts on Kennedy Wilson's balance sheets are translated into U.S. dollars at the exchange rates at the respective financial statement date, while amounts on its statements of operations are translated at the average exchange rates during the respective period. The decrease in the unrealized losses on foreign currency translation is a result of the weakening of the U.S. dollar against the euro and the British pound during the three months ended March 31, 2018.

In order to manage currency fluctuations, Kennedy Wilson entered into currency derivative contracts to manage its exposure to currency fluctuations between its functional currency (U.S. dollar) and the functional currency (euro and the British pound) of certain of its wholly-owned and consolidated subsidiaries. See Note 6 for a more detailed discussion of Kennedy Wilson's currency derivative contracts.

Noncontrolling Interests

Noncontrolling interests consist of the ownership interests of noncontrolling shareholders in consolidated subsidiaries, and are presented separately on Kennedy Wilson's balance sheet. As of March 31, 2018 and December 31, 2017, Kennedy Wilson had noncontrolling interest of \$221.3 million and \$211.9 million, respectively.

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NOTE 12—EARNINGS PER SHARE

In accordance with FASB ASC Topic 260-10-45, Earnings Per Share, the Company uses the two-class method to calculate earnings per share. Basic earnings per share is calculated based on dividends declared (“distributed earnings”) and the rights of common shares and participating securities in any undistributed earnings, which represents net income remaining after deduction of dividends declared during the period. Participating securities, which include unvested restricted stock, are included in the computation of earnings per share pursuant to the two-class method. The undistributed earnings are allocated to all outstanding common shares and participating securities based on the relative percentage of each security to the total number of outstanding securities. Basic earnings per common share and participating securities represent the summation of the distributed and undistributed earnings per common share and participating security divided by the total weighted average number of common shares outstanding and the total weighted average number of participating securities outstanding during the respective periods. The Company only presents the earnings per share attributable to the common shareholders.

Net losses, after deducting the dividends to participating securities, are allocated in full to the common shares since the participating security holders do not have an obligation to share in the losses, based on the contractual rights and obligations of the participating securities. The following is a summary of the elements used in calculating basic and diluted income (loss) per share for the three months ended March 31, 2018 and 2017:

(Dollars in millions, except share and per share amounts)	Three Months Ended	
	March 31,	March 31,
	2018	2017
Net (loss) income attributable to Kennedy-Wilson Holdings, Inc. common shareholders	\$(2.4)	\$ 0.8
Dividends allocated to participating securities	(0.2)	(0.3)
Net (loss) income attributable to Kennedy-Wilson Holdings, Inc. common shareholders, net of allocation to participating securities	(2.6)	0.5
Dividends declared on common shares	(28.4)	(19.3)
Undistributed losses attributable to Kennedy-Wilson Holdings, Inc. common shareholders, net of allocation to participating securities	\$(31.0)	\$ (18.8)
Distributed earnings per share	\$0.19	\$ 0.17
Undistributed losses per share	(0.21)	(0.17)
(Loss) income per basic and diluted	(0.02)	—
Weighted average shares outstanding for basic and diluted ⁽¹⁾	147,941,982	167,447
Dividends declared per common share	\$0.19	\$ 0.17

⁽¹⁾ For the three months ended March 31, 2018, a total of 1,139,460 and potentially dilutive securities have not been included in the diluted weight average shares as they are anti-dilutive. For the three months ended March 31, 2017, a total of 1,111,243 and potentially dilutive securities have not been included in the diluted weighted average shares as they are anti-dilutive. Potentially anti-dilutive securities include unvested restricted stock grants.

NOTE 13—SEGMENT INFORMATION

Kennedy Wilson is a global real estate investment company. The Company owns, operates, and invests in real estate both on its own and through our investment management platform. To complement its investment business, the Company also provides real estate services primarily to financial services clients.

Kennedy Wilson’s segment disclosure with respect to the determination of segment profit or loss and segment assets is based on these two core segments: KW Investments and KW Investment Management and Real Estate Services

(IMRES).

KW Investments

KW Investments invests in multifamily, office, retail, and residential properties as well as loans secured by real estate in the Western U.S., United Kingdom, Ireland, Spain, Italy and Japan. The Company has an average ownership interest across all investments of approximately 61% as of March 31, 2018.

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When it has partners, those partners include financial institutions, foundations, endowments, high net worth individuals and other institutional investors. In these instances, the Company is typically the general partner in the arrangement with a promoted interest in the profits of its investments beyond the Company's ownership percentage. These promoted interests are typically fees earned by IMRES as described below.

KW Investment Management and Real Estate Services (IMRES)

IMRES encompasses the Company fee generating businesses which includes both the Company's investment management platform as well as the Company's third-party services business. The Company's clients include shareholders of KWE, financial institutions, institutional investors, insurance companies, developers, builders and government agencies. IMRES has five main lines of business: investment management, property services, research, brokerage, and auction and conventional sales. These five business lines generate revenue for the Company's through fees and commissions.

The Company manages approximately 53 million square feet of properties for the Company and its investment partners (including KWE) in the United States, Europe, and Asia, which includes assets the Company has ownership interests in and third party owned assets. With 24 offices throughout the United States, the United Kingdom, Ireland, Jersey, Spain and Japan, the Company has the capabilities and resources to provide investment management and property services to real estate owners as well as the experience, as a real estate investor, to understand client concerns. The managers of IMRES have an extensive track record in their respective lines of business and in the real estate community as a whole.

Additionally, IMRES plays a critical role in supporting the Company's investment strategy by providing local market intelligence and real-time data for evaluating investments, generating proprietary transaction flow and creating value through efficient implementation of asset management or repositioning strategies.

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The following tables summarize income activity by segment for the three months ended March 31, 2018 and 2017 and balance sheet data as of March 31, 2018 and December 31, 2017:

(Dollars in millions)	Three Months Ended March 31, 2018			Total
	Investment Management Estate Services	Real Estate Services	Corporate	
Revenue				
Rental	\$ 134.3	\$ —	\$ —	\$ 134.3
Hotel	36.3	—	—	36.3
Investment management, property services and research fees	—	10.1	—	10.1
Sale of real estate	9.4	—	—	9.4
Loans and other	0.6	—	—	0.6
Total revenue	180.6	10.1	—	190.7
Operating expenses				
Rental operating	41.6	—	—	41.6
Hotel operating	30.8	—	—	30.8
Cost of real estate sold	8.4	—	—	8.4
Commission and marketing	—	1.4	—	1.4
Compensation and related	16.2	8.8	14.6	39.6
General and administrative	7.2	2.9	1.3	11.4
Depreciation and amortization	55.7	—	—	55.7
Total operating expenses	159.9	13.1	15.9	188.9
Income from unconsolidated investments, net of depreciation and amortization	15.7	10.3	—	26.0
Operating income (loss)	36.4	7.3	(15.9)	27.8
Non-operating income (expense):				
Gain on sale of real estate	28.0	—	—	28.0
Interest expense	(38.9)	—	(20.0)	(58.9)
Other non-operating expenses	—	—	(0.5)	(0.5)
Benefit from income taxes	0.6	—	2.0	2.6
Total non-operating loss	(10.3)	—	(18.5)	(28.8)
Net income (loss)	26.1	7.3	(34.4)	(1.0)
Net income attributable to the noncontrolling interests	(1.4)	—	—	(1.4)
Net income (loss) attributable to Kennedy-Wilson Holdings, Inc. common shareholders	\$ 24.7	\$ 7.3	\$ (34.4)	\$ (2.4)

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Kennedy-Wilson Holdings, Inc.
Notes to Consolidated Financial Statements
(Unaudited)

(Dollars in millions)	Three Months Ended March 31, 2017			Corporate Total
	Investment Management Estate Services	Real		
Revenue				
Rental	\$ 124.3	\$ —	\$ —	\$ 124.3
Hotel	29.5	—	—	29.5
Investment management, property services and research fees	—	11.0	—	11.0
Sale of real estate	0.8	—	—	0.8
Loans and other	2.1	—	—	2.1
Total revenue	156.7	11.0	—	167.7
Operating expenses				
Rental operating	36.0	—	—	36.0
Hotel operating	24.4	—	—	24.4
Cost of real estate sold	0.7	—	—	0.7
Commission and marketing	—	2.0	—	2.0
Compensation and related	10.6	8.9	13.2	32.7
General and administrative	6.1	2.9	1.0	10.0
Depreciation and amortization	49.7	—	—	49.7
Total operating expenses	127.5	13.8	14.2	155.5
Income from unconsolidated investments, net of depreciation and amortization	21.6	7.4	—	29.0
Operating income (loss)	50.8	4.6	(14.2)	41.2
Non-operating income (expense):				
Gain on sale of real estate	5.4	—	—	5.4
Acquisition-related expenses	(0.3)	—	—	(0.3)
Interest expense	(34.4)	—	(15.6)	(50.0)
Other non-operating expenses	0.7	—	(0.2)	0.5
(Provision for) benefit from income taxes	(0.9)	—	5.0	4.1
Total non-operating loss	(29.5)	—	(10.8)	(40.3)
Net income (loss)	21.3	4.6	(25.0)	0.9
Net income attributable to the noncontrolling interests	(0.1)	—	—	(0.1)
Net income (loss) attributable to Kennedy-Wilson Holdings, Inc. common shareholders	\$ 21.2	\$ 4.6	\$ (25.0)	\$ 0.8

(Dollars in millions)	March 31, 2018	December 31, 2017
Total assets		
Investments	\$ 7,793.4	\$ 7,563.7
Investment management and real estate services	56.1	70.5
Corporate	113.3	90.6
Total assets	\$ 7,962.8	\$ 7,724.8

NOTE 14—INCOME TAXES

In determining the quarterly provisions for income taxes, the Company calculates income tax expense based on actual year-to-date income and statutory tax rates. The year-to-date income tax expense reflects the impact of income allocated to

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Kennedy-Wilson Holdings, Inc.
Notes to Consolidated Financial Statements
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noncontrolling interest which is generally not subject to corporate tax as well as the Company's tax adjustments associated with uncertain tax positions.

During the three months ended March 31, 2018, Kennedy Wilson generated pretax book loss of \$3.6 million related to its global operations and recorded a tax benefit of \$2.6 million. The difference between the U.S. federal rate of 21% and the Company's effective rate is primarily attributable to non-taxable gains from sale of real estate and non-deductible depreciation in certain foreign jurisdictions and U.S. foreign tax credit benefit for local taxes incurred by foreign subsidiaries.

During March 2018, Kennedy Wilson elected to treat KWE as a partnership for U.S. tax purposes retroactive to December 29, 2017. Due to unrealized foreign exchange losses not yet deductible for tax purposes and the consideration paid to acquire the non-controlling interests in KWE exceeding the book carrying value of the non-controlling interests in KWE, the Company's tax basis in KWE exceeded its book carrying value at December 29, 2017 and March 31, 2018. Prior to the election to treat KWE as a partnership, KWE was taxed as a controlled foreign corporation. As a controlled foreign corporation, the Company was precluded from recognizing a deferred tax asset for its tax basis in excess of book carrying value for its investment in KWE as the excess tax basis from the investment was not expected to reverse in the foreseeable future. However, as a result of the conversion of KWE to a partnership for U.S. tax purposes, the Company was required to record a deferred tax asset of \$108.6 million related to its excess tax basis over book carrying value for its investment in KWE. As a significant portion of the excess tax basis would only reverse upon a strengthening of foreign currencies or upon a disposition of KWE, the Company determined that a valuation allowance of \$108.6 million was required for the tax basis that was in excess of the Company's carrying value for its investment in KWE.

U.S. tax reform legislation, commonly referred to as the Tax Cuts and Jobs Act (the "Tax Bill"), was signed into law on December 22, 2017. The Tax Bill amends a range of U.S. federal tax rules applicable to individuals, businesses, and international taxation with most provisions taking effect beginning January 1, 2018. These changes include lowering the federal corporate income tax rate from 35% to 21% and imposing a repatriation tax on deemed repatriate earnings of foreign subsidiaries. Due to the nature of our business operations, a majority of our foreign income is taxed currently in the U.S. For those foreign subsidiaries where there is no current U.S. tax inclusion, we have estimated that no repatriation tax is due as those foreign subsidiaries do not have aggregated positive unrepatriated foreign earnings. Due to the complexity in applying its provisions, we made reasonable estimates of the effects and recorded provisional impact of the Tax Bill in the financial statements as of December 31, 2017 and March 31, 2018. As we gather additional data and review further guidance that might be issued by the Internal Revenue Service, Department of Treasury, or state taxing authorities, and changes in our assumptions and interpretations, we may make adjustment to the provisional amounts. Those adjustments may materially affect our provision for income taxes and effective tax rate in the period in which the adjustments were made. The adjustments made in the first quarter of 2018 were not significant. The accounting for the tax effects of the Tax Bill will be completed later in 2018.

Kennedy-Wilson Holdings, Inc.
Notes to Consolidated Financial Statements
(Unaudited)

NOTE 15—GUARANTOR AND NON-GUARANTOR FINANCIAL STATEMENTS

The following consolidating financial information and condensed consolidating financial information include:

(1) Condensed consolidating balance sheets as of March 31, 2018 and December 31, 2017; consolidating statements of operations for the three months ended March 31, 2018 and 2017; consolidating statements of comprehensive income for the three months ended March 31, 2018 and 2017; and condensed consolidating statements of cash flows for the three months ended March 31, 2018 and 2017, of (a) Kennedy-Wilson Holdings, Inc., as the parent, (b) Kennedy-Wilson, Inc., as the subsidiary issuer, (c) the guarantor subsidiaries, (d) the non-guarantor subsidiaries and (e) Kennedy-Wilson Holdings, Inc. on a consolidated basis; and

(2) Elimination entries necessary to consolidate Kennedy-Wilson Holdings, Inc., as the parent, with Kennedy-Wilson, Inc. and its guarantor and non-guarantor subsidiaries.

Kennedy Wilson owns 100% of all of the guarantor subsidiaries, and, as a result, in accordance with Rule 3-10(d) of Regulation S-X promulgated by the SEC, no separate financial statements are required for these subsidiaries as of and for the three months ended March 31, 2018 or 2017.

Kennedy-Wilson Holdings, Inc.
Notes to Consolidated Financial Statements
(Unaudited)

CONDENSED CONSOLIDATING BALANCE SHEET
AS OF MARCH 31, 2018

(Dollars in millions)	Parent	Kennedy-Wilson Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Elimination	Consolidated Total
Assets						
Cash and cash equivalents	\$—	\$ 44.4	\$ 35.5	\$ 353.1	\$—	\$ 433.0
Accounts receivable	—	—	12.5	35.8	—	48.3
Loan purchases and originations	—	—	1.3	28.4	—	29.7
Real estate and acquired in place lease values, net of accumulated depreciation and amortization	—	—	1,868.1	4,797.5	—	6,665.6
Unconsolidated investments	—	19.7	355.4	169.0	—	544.1
Investments in and advances to consolidated subsidiaries	1,374.0	2,704.7	1,658.1	—	(5,736.8)	—
Other assets	—	—	40.4	201.7	—	242.1
Total assets	\$1,374.0	\$ 2,768.8	\$ 3,971.3	\$ 5,585.5	\$(5,736.8)	\$ 7,962.8
Liabilities and equity						
Liabilities						
Accounts payable	\$—	\$ 0.9	\$ 1.7	\$ 21.0	\$—	\$ 23.6
Accrued expenses and other liabilities	28.6	145.0	45.5	262.1	—	481.2
Mortgage debt	—	—	1,219.4	2,053.5	—	3,272.9
KW unsecured debt	—	1,248.9	—	—	—	1,248.9
KWE unsecured bonds	—	—	—	1,369.5	—	1,369.5
Total liabilities	28.6	1,394.8	1,266.6	3,706.1	—	6,396.1
Equity						
Kennedy-Wilson Holdings, Inc. shareholders' equity	1,345.4	1,374.0	2,704.7	1,658.1	(5,736.8)	1,345.4
Noncontrolling interests	—	—	—	221.3	—	221.3
Total equity	1,345.4	1,374.0	2,704.7	1,879.4	(5,736.8)	1,566.7
Total liabilities and equity	\$1,374.0	\$ 2,768.8	\$ 3,971.3	\$ 5,585.5	\$(5,736.8)	\$ 7,962.8

Kennedy-Wilson Holdings, Inc.
Notes to Consolidated Financial Statements
(Unaudited)

CONDENSED CONSOLIDATING BALANCE SHEET
AS OF DECEMBER 31, 2017

(Dollars in millions)	Parent	Kennedy-Wilson Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Elimination	Consolidated Total
Assets						
Cash and cash equivalents	\$—	\$ 33.4	\$ 54.9	\$ 263.0	\$—	\$ 351.3
Accounts receivable	—	0.9	10.1	51.7	—	62.7
Loan purchases and originations	—	—	5.8	78.9	—	84.7
Real estate and acquired in place lease values, net of accumulated depreciation and amortization	—	—	1,750.0	4,693.7	—	6,443.7
Unconsolidated investments	—	20.2	331.2	167.9	—	519.3
Investments in and advances to consolidated subsidiaries	1,394.5	2,642.1	1,629.4	—	(5,666.0)	—
Other assets	—	—	40.2	222.9	—	263.1
Total assets	\$1,394.5	\$ 2,696.6	\$ 3,821.6	\$ 5,478.1	\$(5,666.0)	\$ 7,724.8
Liabilities						
Accounts payable	\$—	\$ 0.8	\$ 2.5	\$ 16.2	\$—	19.5
Accrued expense and other liabilities	28.9	121.9	39.7	275.4	—	465.9
Mortgage debt	—	—	1,137.3	2,019.3	—	3,156.6
KW unsecured debt	—	1,179.4	—	—	—	1,179.4
KWE unsecured bonds	—	—	—	1,325.9	—	1,325.9
Total liabilities	28.9	1,302.1	1,179.5	3,636.8	—	6,147.3
Equity						
Kennedy-Wilson Holdings, Inc. shareholders' equity	1,365.6	1,394.5	2,642.1	1,629.4	(5,666.0)	1,365.6
Noncontrolling interests	—	—	—	211.9	—	211.9
Total equity	1,365.6	1,394.5	2,642.1	1,841.3	(5,666.0)	1,577.5
Total liabilities and equity	\$1,394.5	\$ 2,696.6	\$ 3,821.6	\$ 5,478.1	\$(5,666.0)	\$ 7,724.8

Kennedy-Wilson Holdings, Inc.
Notes to Consolidated Financial Statements
(Unaudited)

CONSOLIDATING STATEMENT OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2018

(Dollars in millions)	Parent	Kennedy-Wilson Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Elimination	Consolidated Total
Revenue						
Rental	\$ —	\$ —	\$ 42.7	\$ 91.6	\$ —	\$ 134.3
Hotel	—	—	—	36.3	—	36.3
Sale of real estate	—	—	—	9.4	—	9.4
Investment management, property services and research fees	—	—	9.4	0.7	—	10.1
Loan purchases, loan originations and other	—	—	0.1	0.5	—	0.6
Total revenue	—	—	52.2	138.5	—	190.7
Operating expenses						
Rental operating	—	—	13.5	28.1	—	41.6
Hotel operating	—	—	—	30.8	—	30.8
Cost of real estate sold	—	—	—	8.4	—	8.4
Commission and marketing	—	—	1.4	—	—	1.4
Compensation and related	9.9	13.6	14.8	1.3	—	39.6
General and administrative	—	3.9	5.0	2.5	—	11.4
Depreciation and amortization	—	0.4	14.8	40.5	—	55.7
Total operating expenses	9.9	17.9	49.5	111.6	—	188.9
(Loss) income from unconsolidated subsidiaries	—	(0.9)	16.2	10.7	—	26.0
Income from consolidated subsidiaries	8.9	45.9	37.5	—	(92.3)	—
Operating income (loss)	(1.0)	27.1	56.4	37.6	(92.3)	27.8
Non-operating income (expense)						
Gain on sale of real estate	—	—	—	28.0	—	28.0
Acquisition-related expenses	—	—	—	—	—	—
Interest expense	—	(20.0)	(11.5)	(27.4)	—	(58.9)
Other (loss) income	—	(0.2)	(0.1)	(0.2)	—	(0.5)
(Loss) income before benefit from (provision for) income taxes	(1.0)	6.9	44.8	38.0	(92.3)	(3.6)
Benefit from (provision for) income taxes	—	2.0	1.1	(0.5)	—	2.6
Net (loss) income	(1.0)	8.9	45.9	37.5	(92.3)	(1.0)
Net income attributable to the noncontrolling interests	—	—	—	(1.4)	—	(1.4)
Net (loss) income attributable to Kennedy-Wilson Holdings, Inc. common shareholders	\$(1.0)	\$ 8.9	\$ 45.9	\$ 36.1	\$ (92.3)	\$ (2.4)

Kennedy-Wilson Holdings, Inc.
Notes to Consolidated Financial Statements
(Unaudited)

CONSOLIDATING STATEMENT OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2017

(Dollars in millions)	Parent	Kennedy-Wilson Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Elimination	Consolidated Total
Revenue						
Rental	\$ —	\$ —	\$ 33.1	\$ 91.2	\$ —	\$ 124.3
Hotel	—	—	—	29.5	—	29.5
Sale of real estate	—	—	—	0.8	—	0.8
Investment management, property services and research fees	—	—	9.0	2.0	—	11.0
Loan purchases, loan originations and other	—	—	0.3	1.8	—	2.1
Total revenue	—	—	42.4	125.3	—	167.7
Operating expenses						
Rental operating	—	—	13.2	22.8	—	36.0
Hotel operating	—	—	—	24.4	—	24.4
Cost of real estate sold	—	—	—	0.7	—	0.7
Commission and marketing	—	—	1.9	0.1	—	2.0
Compensation and related	10.7	7.2	12.7	2.1	—	32.7
General and administrative	—	2.9	4.5	2.6	—	10.0
Depreciation and amortization	—	0.4	11.6	37.7	—	49.7
Total operating expenses	10.7	10.5	43.9	90.4	—	155.5
Income from unconsolidated investments	—	1.2	13.4	14.4	—	29.0
Income from consolidated subsidiaries	11.6	31.6	26.6	—	(69.8)	—
Operating income	0.9	22.3	38.5	49.3	(69.8)	41.2
Non-operating income (expense)						
Gain on sale of real estate	—	—	—	5.4	—	5.4
Acquisition-related expenses	—	—	—	(0.3)	—	(0.3)
Interest expense	—	(15.6)	(8.4)	(26.0)	—	(50.0)
Other (loss) income	—	(0.2)	—	0.7	—	0.5
Income before benefit from (provision for) income taxes	0.9	6.5	30.1	29.1	(69.8)	(3.2)
Benefit from (provision for) income taxes	—	5.1	1.5	(2.5)	—	4.1
Net income	0.9	11.6	31.6	26.6	(69.8)	0.9
Net income attributable to the noncontrolling interests	—	—	—	(0.1)	—	(0.1)
Net income attributable to Kennedy-Wilson Holdings, Inc. common shareholders	\$ 0.9	\$ 11.6	\$ 31.6	\$ 26.5	\$ (69.8)	\$ 0.8

Kennedy-Wilson Holdings, Inc.
Notes to Consolidated Financial Statements
(Unaudited)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2018

(Dollars in millions)	Parent	Kennedy-Wilson Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Elimination	Consolidated Total
Net (loss) income	\$ (1.0)	\$ 8.9	\$ 45.9	\$ 37.5	\$ (92.3)	\$ (1.0)
Other comprehensive income, net of tax:						
Unrealized foreign currency translation gain	35.4	35.4	18.4	35.3	(89.1)	35.4
Amounts reclassified out of AOCI during the period	(0.1)	(0.1)	—	—	0.1	(0.1)
Unrealized currency derivative contracts loss	(7.4)	(7.4)	(18.2)	10.8	14.8	(7.4)
Total other comprehensive income for the period	\$ 27.9	\$ 27.9	\$ 0.2	\$ 46.1	\$ (74.2)	\$ 27.9
Comprehensive income	\$ 26.9	\$ 36.8	\$ 46.1	\$ 83.6	\$ (166.5)	\$ 26.9
Comprehensive income attributable to noncontrolling interests	—	—	—	(6.5)	—	(6.5)
Comprehensive income (loss) attributable to Kennedy-Wilson Holdings, Inc.	\$ 26.9	\$ 36.8	\$ 46.1	\$ 77.1	\$ (166.5)	\$ 20.4

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2017

(Dollars in millions)	Parent	Kennedy-Wilson Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Elimination	Consolidated Total
Net income	\$ 0.9	\$ 11.6	\$ 31.6	\$ 26.6	\$ (69.8)	\$ 0.9
Other comprehensive income, net of tax:						
Unrealized foreign currency translation gain	21.2	21.2	3.9	19.3	(44.4)	21.2
Unrealized currency derivative contracts gain (loss)	8.7	8.7	(2.0)	10.7	(17.4)	8.7
Total other comprehensive income for the period	\$ 29.9	\$ 29.9	\$ 1.9	\$ 30.0	\$ (61.8)	\$ 29.9
Comprehensive income	\$ 30.8	\$ 41.5	\$ 33.5	\$ 56.6	\$ (131.6)	\$ 30.8
Comprehensive income attributable to noncontrolling interests	—	—	—	(24.9)	—	(24.9)
Comprehensive income attributable to Kennedy-Wilson Holdings, Inc.	\$ 30.8	\$ 41.5	\$ 33.5	\$ 31.7	\$ (131.6)	\$ 5.9

Kennedy-Wilson Holdings, Inc.
Notes to Consolidated Financial Statements
(Unaudited)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2018

(Dollars in millions)	Parent	Kennedy-Wilson Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Consolidated Total
Net cash provided by (used in) operating activities	\$0.5	\$ (12.9)	\$ 11.9	\$ 49.3	\$ 48.8
Cash flows from investing activities:					
Collections of loans	—	—	4.5	—	4.5
Net proceeds from sale of real estate	—	—	—	113.9	113.9
Purchases of and additions to real estate	—	—	(132.1)	(58.1)	(190.2)
Additions to non-refundable escrow deposits	—	—	—	(10.4)	(10.4)
Proceeds from settlement of foreign derivative contracts	—	(4.2)	—	—	(4.2)
Investment in marketable securities	—	(0.2)	—	—	(0.2)
Proceeds from sale of marketable securities	—	—	7.2	—	7.2
Distributions from unconsolidated investments	—	—	5.1	8.0	13.1
Contributions to unconsolidated investments	—	—	(9.8)	(9.0)	(18.8)
Additions to development project assets	—	—	—	(8.4)	(8.4)
Proceeds from development project assets	—	—	—	38.9	38.9
Distributions from (investments in) consolidated subsidiaries, net	50.8	(39.5)	12.1	(23.4)	—
Net cash provided by (used in) investing activities	50.8	(43.9)	(113.0)	51.5	(54.6)
Cash flows from financing activities:					
Borrowing under senior notes payable	—	246.6	—	—	246.6
Borrowings under line of credit	—	75.0	—	—	75.0
Repayment of line of credit	—	(175.0)	—	—	(175.0)
Repayment of term loan	—	(75.0)	—	—	(75.0)
Borrowings under investment debt	—	—	83.7	14.3	98.0
Repayment of investment debt	—	—	(1.1)	(28.1)	(29.2)
Debt issue costs	—	(3.8)	(0.8)	—	(4.6)
Repurchase and retirement of common stock	(22.0)	—	—	—	(22.0)
Dividends paid	(29.3)	—	—	—	(29.3)
KWE closing dividend	—	—	—	(17.2)	(17.2)
Contributions from noncontrolling interests	—	—	—	13.0	13.0
Distributions to noncontrolling interests	—	—	—	(1.2)	(1.2)
Net cash (used in) provided by financing activities	(51.3)	67.8	81.8	(19.2)	79.1
Effect of currency exchange rate changes on cash and cash equivalents	—	—	—	8.4	8.4
Net change in cash and cash equivalents	—	11.0	(19.3)	90.0	81.7
Cash and cash equivalents, beginning of period	—	33.4	54.8	263.1	351.3
Cash and cash equivalents, end of period	\$—	\$ 44.4	\$ 35.5	\$ 353.1	\$ 433.0

Kennedy-Wilson Holdings, Inc.
Notes to Consolidated Financial Statements
(Unaudited)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2017

(Dollars in millions)	Parent	Kennedy-Wilson Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Consolidated Total
Net cash (used in) provided by operating activities	\$ 2.6	\$ (50.6	) \$ 34.5	\$ 24.7	\$ 11.2
Cash flows from investing activities:					
Collections of loans	—	—	6.4	—	6.4
Net proceeds from sale of real estate	—	—	—	40.3	40.3
Purchases of and additions to real estate	—	—	(6.0	) (41.0	) (47.0
Proceeds from settlement of foreign derivative contracts	—	2.7	—	—	2.7
Purchases of foreign derivative contracts	—	(0.4	) —	—	(0.4
Investment in marketable securities	—	—	(0.3	) —	(0.3
Distributions from unconsolidated investments	—	—	16.7	1.2	17.9
Contributions to unconsolidated investments	—	—	(23.1	) (5.7	) (28.8
Distributions from (investments in) consolidated subsidiaries, net	45.1	16.6	(18.5	) (43.2) —
Net cash provided by (used in) investing activities	45.1	18.9	(24.8	) (48.4	) (9.2
Cash flows from financing activities:					
Borrowings under investment debt	—	—	—	24.0	24.0
Repayment of investment debt	—	—	(1.6	) (54.9	) (56.5
Debt issue costs	—	(0.1	) —	—	(0.1
Repurchase and retirement of common stock	(29.2)	—	—	—	(29.2
Dividends paid	(18.5)	—	—	—	(18.5
Acquisition of KWE shares from noncontrolling interest holders	—	—	—	(0.8	) (0.8
Contributions from noncontrolling interests, excluding KWE	—	—	—	8.8	8.8
Distributions to noncontrolling interests	—	—	—	(15.9	) (15.9
Net cash (used in) provided by financing activities	(47.7)	(0.1	) (1.6	) (38.8	) (88.2
Effect of currency exchange rate changes on cash and cash equivalents	—	—	—	8.8	8.8
Net change in cash and cash equivalents	—	(31.8	) 8.1	(53.7	) (77.4
Cash and cash equivalents, beginning of period	—	106.0	45.4	734.3	885.7
Cash and cash equivalents, end of period	\$ —	\$ 74.2	\$ 53.5	\$ 680.6	\$ 808.3

Kennedy-Wilson Holdings, Inc.
Notes to Consolidated Financial Statements
(Unaudited)

NOTE 16—SUBSEQUENT EVENTS

As of May 2, 2018, the Company has repurchased and retired 6,444,356 shares for \$113.0 million since March 31, 2018.

Subsequent to March 31, 2018, the Company drew \$150.0 million and repaid \$50.0 million on its revolving credit facility.

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Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations contains forward-looking statements within the meaning of the federal securities laws. See the discussion under the heading “Forward-looking Statements” elsewhere in this report. Unless specifically noted otherwise, as used throughout this Management’s Discussion and Analysis section, “we,” “our,” “us,” “the Company” or “Kennedy Wilson” refers to Kennedy-Wilson Holdings, Inc. and its wholly-owned subsidiaries. “Equity partners” refers to third-party equity providers and non-wholly-owned subsidiaries that we consolidate in our financial statements under U.S. GAAP. Please refer to “Non-GAAP Measures and Certain Definitions” for definitions of certain terms used throughout this Management’s Discussion and Analysis Section.

Overview

Kennedy Wilson 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 primarily on multifamily and office properties located in the Western United States, United Kingdom and Ireland. To complement our investment business, the Company also provides real estate services primarily to financial services clients.

Our value is primarily derived from our ownership in income producing real estate assets. We have an ownership interest in over 53 million square feet of property globally, including 27,508 multifamily rental units and 19.0 million square feet of commercial property. In addition to our core income producing real estate, we engage in redevelopment and value add initiatives through which we enhance cash flows or reposition assets to increase sale value.

Additionally, our investment management and property services businesses manage over \$16 billion of IMRES AUM, the majority of which we have an ownership interest in and the balance we manage for third parties.

We have 511 employees in 24 offices throughout the United States, the United Kingdom, Ireland, Jersey, Spain and Japan.

The following is our business model:

Identify countries and markets with an attractive investment landscape

- Establish operating platforms or service businesses in our target markets

Develop local intelligence and create long-lasting relationships; primarily with financial institutions

Leverage relationships and local knowledge to drive proprietary investment opportunities with a focus on off-market transactions that we expect will result in above average cash flows and returns over the long term

Acquire high quality assets, either on our own or with strategic partners, utilizing cash from our balance sheet (funded by cash flows from operations, refinancing of current investments or the sale of equity or debt securities) and typically financing them on a long-term basis

Reposition assets and enhance cash flows post-acquisition

Explore development opportunities on underutilized portions of assets; primarily excess land with little or no basis adjacent to income producing properties

Continuously evaluate and selectively harvest asset and entity value through strategic realizations

Utilize our services businesses to meet client needs, strengthen relationships with financial institutions, and position us as a valuable resource and partner to these institutions for any future real estate opportunities

The real estate business is cyclical. Real estate cycles are generally impacted by many factors including availability of equity and debt capital, borrowing cost, rent levels, and asset values. Our strategy has resulted in a strong track record of creating both asset and entity value for the benefit of our shareholders and partners over these various real estate cycles.

Business Segments

Our operations are defined by two core business units: KW Investments and KW Investment Management and Real Estate Services (IMRES).

KW Investments invests our capital in real estate-related assets utilizing a mixture of wholly owned investments and investments made with equity partners.

IMRES encompasses our fee generating businesses which is comprised of our investment management platform, property services and research platforms. These businesses offer a comprehensive line of real estate services for the full lifecycle of real estate ownership to clients that include financial institutions, institutional investors, insurance companies, developers, builders and government agencies.

Our segments have a symbiotic relationship and work closely together. IMRES plays a critical role in supporting our investment strategy by providing local market intelligence and real-time data for evaluating investments, generating proprietary transaction flow and creating value through efficient implementation of asset management or repositioning strategies. KW Investments provides clients the ability to utilize the capabilities of IMRES.

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KWE Transaction

On October 20, 2017, the Company purchased the remaining 76% of Kennedy Wilson Europe Real Estate Limited ("KWE") shares it did not previously own for \$1.4 billion ("KWE Transaction"), which represented a discount of approximately \$260 million to the original value of the shares when issued. As part of the acquisition consideration, the Company issued 37.2 million shares of common stock valued at \$722.2 million. Due to KWE's previous consolidation by the Company, the carrying value of the remaining 76% non-controlling interest in KWE was \$1.1 billion, which included the cumulative effects of depreciation and foreign currency losses. As a result of paying a premium above carrying value, Kennedy-Wilson Holdings, Inc. shareholders' equity only increased by \$322.4 million. KWE has been consolidated in our financial results since its launch in 2014 with amounts not owned by us being allocated to noncontrolling interests.

During the three months ended March 31, 2017, we owned approximately 23.65% of KWE. During the current period we owned 100% of KWE and there was no allocation of financial results to noncontrolling interests.

KW Investments

We invest our capital in real estate assets and loans secured by real estate either on our own or through our investment management platform. When we have partners, we are typically the general partner in the arrangement with a promoted interest in the profits of our investments beyond our ownership percentage. We have an average ownership interest across all investments of approximately 61% as of March 31, 2018. Our equity partners include financial institutions, foundations, endowments, high net worth individuals and other institutional investors.

During the three months ended March 31, 2018, together with our equity partners, we acquired \$299.0 million of real estate and loans secured by real estate of which we have an ownership interest of 51%. These acquisitions were comprised of the following: 31% multifamily, 59% commercial and 10% residential and other.

The following are product types we invest in through the KW Investments segment:

Multifamily

We pursue multifamily acquisition opportunities where we believe we can unlock value through a myriad of strategies, including institutional management, asset rehabilitation, repositioning and creative recapitalization. We focus primarily on apartments in supply-constrained, infill markets.

As of March 31, 2018, we hold investments in 27,508 multifamily apartment units across 101 properties primarily located in the Western United States, Ireland and United Kingdom. Within our Western United States portfolio 49% is located in the Pacific Northwest primarily in the greater Seattle and Portland markets. The rest of the Western United States portfolio is in Northern and Southern California and the Mountain States region of Utah and Idaho.

Through our investment in the Vintage Housing Holdings ("VHH") partnership, we also utilize low-income housing tax credit structures for income-and-age restricted properties. VHH, provides homes for nearly 6,000 income-qualified seniors, families and people with disabilities across the Western United States. VHH's affordable housing portfolio is expected to continue growing, with another 1,961 units currently under development or undergoing entitlements.

Commercial

As of March 31, 2018, we hold investments in 220 commercial properties, totaling over 19.0 million square feet, predominately in the United Kingdom and Ireland with additional investments in Italy, the Pacific Northwest and Southern California.

We acquire office buildings that typically have value-add opportunities that can benefit from our asset management expertise. After acquisition, the properties are generally repositioned to enhance market value.

Our retail portfolio has different characteristics based on the geographic markets the properties are located in. In Europe we have a mixture of high street retail, suburban shopping centers and leisure assets which are mainly located in the United Kingdom as well as Dublin and Madrid. In our Western United States retail portfolio we invest in shopping centers that are generally grocery anchored.

Our industrial portfolio is mainly distribution centers located in the United Kingdom.

Hotel

We acquire hotels in certain opportunistic situations in which we are able to purchase at a discount to replacement value or can implement our value-add investment approach. As of March 31, 2018, we own 13 hotels with 2,060 hotel rooms located in Ireland, the United Kingdom, Northern California, and the Mountain States.

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Residential, Loan and Other

In certain cases, we may pursue for sale housing acquisition opportunities, including land for entitlements, finished lots, urban infill housing sites and partially finished and finished housing projects. On certain income-producing acquisitions, there are adjacent land parcels to which we assign little or no basis and for which we may pursue entitlement activities or, in some cases, development or re-development opportunities.

We acquire and/or originate loans secured by real estate. Our acquisitions and originations include individual notes on all real estate property types as well as portfolios of loans purchased from financial institutions, corporations and government agencies. We deliver value through loan resolutions, discounted payoffs, and sales. We also convert certain loans into a direct ownership in the underlying real estate collateral.

Our loan investment portfolio is principally related to loans acquired at a discount from their contractual balance due as a result of deteriorated credit quality of the borrower. Such loans are underwritten by us based on the value of the underlying real estate collateral. Due to the discounted purchase price, we seek and are generally able to accomplish near term realization of the loan in a cash settlement or by obtaining title to the property. Accordingly, the credit quality of the borrower is not of substantial importance to our evaluation of the risk of recovery from the investment. This group also includes our investment in liquid non-real estate investments which include investment funds that hold marketable securities and private equity investments.

As of March 31, 2018, we hold 23 investments which is comprised of 461 residential units/lots, 4,009 acres, and six unresolved loans with a gross asset value of \$226.9 million.

KW Investment Management and Real Estate Services (IMRES)

IMRES includes our investment management business as well as our complementary third party real estate services business.

Investment Management

Our investment management platform utilizes a number of different investment vehicles for which we provide acquisition, asset management and financing, and other investment-related services, and typically includes a co-investment from us. We usually provide investment management services on our consolidated investment portfolio as well as investments with strategic partners many of whom have separate account agreements with us. Through our fund management business we have three active closed end funds for which we seek to generate attractive, risk adjusted returns.

Commingled funds

We have three active closed end funds that we manage and on which receive investment management fees. Most recently, we completed the investment phase for our fifth value-add fund, Kennedy Wilson Real Estate Fund V, LP ("Fund V"), a \$500 million private fund targeting the Western U.S. We are the largest investor in the fund with a 12% interest. Fund V has a current portfolio of 19 investments with an aggregate purchase price of \$1.0 billion. While we have historically focused on sourcing investors and investments in the U.S. with respect to our commingled funds, we are exploring the possibilities of expanding the business to Europe.

Separate accounts

We have a few equity partners that have separate account agreements with us. As part of the agreement we act as the general partner and receive investment management fees including potential performance fees.

KWE

Prior to the KWE Transaction that was completed in the fourth quarter of 2017, we externally managed KWE through one of our wholly-owned subsidiaries, whom we refer to as KWE Manager, pursuant to an investment management agreement whereby we were entitled to receive certain management and performance fees.

Property Services

We manage and advise on office, retail and residential real estate for third-party clients, fund investors, and investments held by us. In addition to earning property management fees, consulting fees, lease commissions, construction management fees, disposition fees, and accounting fees, the Property Services group gives us insight into local markets and potential acquisitions.

This also includes our brokerage business which represents tenants and landlords on every aspect of site selection, negotiation and occupancy. The division also specializes in innovative marketing programs tailored to client objectives for all types of investment grade and income-producing real estate. The division's property marketing programs combine proven techniques with its detailed market knowledge to create optimum results. Auction and conventional sales are also part of our property services group. We provide innovative marketing and sales strategies for all types of commercial and residential real estate, including single family homes, mixed-use

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developments, estate homes, multifamily dwellings, new home projects, and conversions. Generally the division's auction sales business is countercyclical to the traditional sales real estate market and has been a bellwether for us in forecasting market conditions.

Research

Meyers Research LLC (“Meyers”), a Kennedy Wilson company, is a premier real estate consulting practice and provider of data and analytics for the residential real estate development and new home construction industry. Meyers’ offers a national perspective as well as local expertise to homebuilders, multifamily developers, lenders and financial institutions. These relationships have led to investment opportunities with homebuilders in the Western U.S. region. We believe that Zonda™, a Meyers innovation, is the housing industry's most comprehensive solution for smart business analysis, real-time market data reporting and economic and housing data in one place and on-the-go. Kennedy Wilson has hired an adviser and is currently exploring strategic options for this business.

Kennedy Wilson Europe Real Estate Limited (LSE: KWE)

Prior to the Transaction, KWE was externally managed by one of our wholly-owned subsidiaries, KWE Manager pursuant to an investment management agreement whereby are entitled to receive certain management and performance fees. KWE Manager was entitled to an annual management fee (payable quarterly in arrears) equal to 1% of KWE’s adjusted net asset value and certain performance fees. The management fee payable to KWE Manager is paid half in cash and half in shares of KWE. During the three months ended March 31, 2017, KWH earned \$4.8 million in management fees from KWE. As KWE is now owned 100% by KWH, there was no management fee that was earned during the current period.

Due to the terms of the investment management agreement and Kennedy Wilson's equity ownership interest in KWE, pursuant to the guidance set forth in FASB Accounting Standards Codification Subtopic 810 - Consolidation (“Subtopic 810”), the results and financial position of KWE are consolidated in our financial statements. As such, fees earned by KWE Manager are eliminated in the attached consolidated financial statements.

During March 2018, Kennedy Wilson elected to treat KWE as a partnership for U.S. tax purposes retroactive to December 29, 2017. Due to unrealized foreign exchange losses not yet deductible for tax purposes and the consideration paid to acquire the non-controlling interests in KWE exceeding the book carrying value of the non-controlling interests in KWE, the Company’s tax basis in KWE exceeded its book carrying value at December 29, 2017 and March 31, 2018. Prior to the election to treat KWE as a partnership, KWE was taxed as a controlled foreign corporation. As a controlled foreign corporation, the Company was precluded from recognizing a deferred tax asset for its tax basis in excess of book carrying value for its investment in KWE as the excess tax basis from the investment was not expected to reverse in the foreseeable future. However, as a result of the conversion of KWE to a partnership for U.S. tax purposes, the Company was required to record a deferred tax asset of \$108.6 million related to its excess tax basis over book carrying value for its investment in KWE. As a significant portion of the excess tax basis would only reverse upon a strengthening of foreign currencies or upon a disposition of KWE, the Company determined that a valuation allowance of -\$108.6 million was required for the tax basis that was in excess of the Company’s carrying value for its investment in KWE.

Tax Bill

U.S. tax reform legislation, commonly referred to as the Tax Cuts and Jobs Act (the “Tax Bill”), was signed into law on December 22, 2017. The Tax Bill amends a range of U.S. federal tax rules applicable to individuals, businesses, and international taxation with most provisions taking effect beginning January 1, 2018. These changes include lowering the federal corporate income tax rate from 35% to 21% and imposing a repatriation tax on deemed repatriate earnings of foreign subsidiaries. Due to the nature of our business operations, a majority of our foreign income is taxed currently in the U.S. For those foreign subsidiaries where there is no current U.S. tax inclusion, we have estimated that no repatriation tax is due as those foreign subsidiaries do not have aggregated positive unrepatriated foreign earnings. Due to the complexity in applying its provisions, we made reasonable estimates of the effects and recorded provisional impact of the Tax Bill in the financial statements as of December 31, 2017 and March 31, 2018.

As we gather additional data and review further guidance that might be issued by the Internal Revenue Service, Department of Treasury, or state taxing authorities, and changes in our assumptions and interpretations, we may make adjustment to the provisional amounts. Those adjustments may materially affect our provision for income taxes and

effective tax rate in the period in which the adjustments were made. The adjustments made in the first quarter of 2018 were not significant. The accounting for the tax effects of the Tax Bill will be completed later in 2018.

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Selected Financial Data

In order to help the user of the financial statements understand our growth, we have included certain five-year selected financial data. The following table shows selected financial items for the three months ended March 31, 2018 through 2014.

(Dollars in millions, except per share amounts)	Three Months Ended March 31,				
	2018	2017	2016	2015	2014
GAAP					
Revenues	\$190.7	\$167.7	\$172.1	\$137.7	\$51.5
Net (loss) income attributable to Kennedy-Wilson Holdings, Inc. common shareholders	(2.4)	0.8	(7.4)	(3.5)	10.5
Basic (loss) income per share of common stock	(0.02)	—	(0.07)	(0.05)	0.12
Diluted (loss) income per share of common stock	(0.02)	—	(0.07)	(0.05)	0.12
Dividends declared per share of common stock					
Adjusted EBITDA	122.6	77.3	71.8	53.7	69.2
Adjusted EBITDA percentage change	59 %	8 %	34 %	(22)%	— %
Adjusted Net Income	63.2	42.7	38.3	30.5	34.3
Adjusted Net Income percentage change	48 %	11 %	26 %	(11)%	— %
Adjusted Fees	23.2	27.6	30.0	27.1	18.2
Adjusted Fees percentage change	(16)%	(8)%	36 %	49 %	— %

(1) Please refer to "Certain Non-GAAP Measures and Reconciliations" for a reconciliation of certain non-GAAP items to U.S. GAAP.

The following tables show selected financial items as of March 31, 2018 and as of December 31, 2017 through 2014:

(in millions)	March 31,	December 31,			
	2018	2017	2016	2015	2014
Cash and cash equivalents	\$433.0	\$351.3	\$885.7	\$731.6	\$937.7
Total assets	7,962.8	7,724.8	7,656.6	7,595.6	6,297.6
Mortgage debt	3,272.9	3,156.6	2,770.4	2,772.5	2,175.7
KW unsecured debt	1,248.9	1,179.4	934.1	688.8	813.1
KWE unsecured bonds	1,369.5	1,325.9	1,185.7	885.0	—
Kennedy Wilson equity	1,345.4	1,365.6	1,048.0	1,133.8	901.1
Noncontrolling interests	221.3	211.9	1,295.1	1,731.3	2,142.8
Total equity	1,566.7	1,577.5	2,343.1	2,865.1	3,043.9
Common shares outstanding	150.4	151.6	115.7	114.5	96.1

Investment Management and Real Estate Services Assets under Management (IMRES AUM)

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.

The table below details the changes our IMRES AUM for the three months ended March 31, 2018:

(in millions)	December 31, 2017	Increases	Decreases	March 31, 2018
IMRES AUM	\$ 15,729.4	\$ 905.6	\$ (380.6)	\$ 16,254.4

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IMRES AUM increased 3% to approximately \$16 billion as of March 31, 2018. The increases are primarily due to new acquisitions and appreciation in the value of investments we own. The decreases are primarily due to dispositions and fewer assets under management in our property services group.

Foreign currency and currency derivative instruments

Please refer to item 3. Quantitative and Qualitative Disclosures About Market Risk for our discussion regarding foreign currency and currency derivative instruments.

Change in accounting policy

Effective January 1, 2018, Kennedy Wilson adopted ASC Topic 606 and implemented a change in accounting principle related to performance allocations (commonly referred to as “performance fees” or “carried interest”). In connection with the adoption and change in accounting principle, the Company now accounts for performance allocations under the GAAP guidance for equity method investments, presents performance allocations as a component of income from unconsolidated investments, and would present certain incentive fee arrangements, to the extent that we have them, separately in our results. All prior periods have been conformed for these changes.

The impact of adoption was a reclassification of \$32.9 million from other assets to unconsolidated investments on the consolidated balance sheet as of December 31, 2017. During the three months ended March 31, 2018 there was \$10.3 million of performance-based carried interest allocations recorded as a component of income from unconsolidated investments. During the three months ended March 31, 2017 there was \$6.5 million of performance-based carried interest allocations which were previously presented as a component of investment management, property services and research fees which have been reclassified to income from unconsolidated investments in the current year presentation.

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Results of Operations

Kennedy Wilson Consolidated Financial Results: Three Months Ended March 31, 2018 Compared to the Three Months Ended March 31, 2017

(Dollars in millions)	Three Months Ended March 31, 2018			Corporate Total
	Investment Estate Services	Real Estate Services	Management	
Revenue				
Rental	\$134.3	\$ —	\$ —	\$134.3
Hotel	36.3	—	—	36.3
Investment management, property services and research fees	—	10.1	—	10.1
Sale of real estate	9.4	—	—	9.4
Loans and other	0.6	—	—	0.6
Total revenue	180.6	10.1	—	190.7
Operating expenses				
Rental operating	41.6	—	—	41.6
Hotel operating	30.8	—	—	30.8
Cost of real estate sold	8.4	—	—	8.4
Commission and marketing	—	1.4	—	1.4
Compensation and related	16.2	8.8	14.6	39.6
General and administrative	7.2	2.9	1.3	11.4
Depreciation and amortization	55.7	—	—	55.7
Total operating expenses	159.9	13.1	15.9	188.9
Income from unconsolidated investments, net of depreciation and amortization	15.7	10.3	—	26.0
Operating income (loss)	36.4	7.3	(15.9)	27.8
Non-operating income (expense):				
Gain on sale of real estate	28.0	—	—	28.0
Interest expense	(38.9)	—	(20.0)	(58.9)
Other non-operating expenses	—	—	(0.5)	(0.5)
Benefit from income taxes	0.6	—	2.0	2.6
Total non-operating loss	(10.3)	—	(18.5)	(28.8)
Net income (loss)	26.1	7.3	(34.4)	(1.0)
Add back (less):				
Interest expense	38.9	—	20.0	58.9
Kennedy Wilson's share of interest expense included in unconsolidated investments	5.1	—	—	5.1
Depreciation and amortization	55.7	—	—	55.7
Kennedy Wilson's share of depreciation and amortization included in unconsolidated investments	3.5	—	—	3.5
Provision for (benefit from) income taxes	(0.6)	—	(2.0)	(2.6)
Fees eliminated in consolidation	(2.8)	2.8	—	—
EBITDA attributable to noncontrolling interests ⁽²⁾	(6.9)	—	—	(6.9)
Share-based compensation	—	—	9.9	9.9
Adjusted EBITDA ⁽¹⁾	\$119.0	\$ 10.1	\$ (6.5)	\$122.6

⁽¹⁾ See "Non-GAAP Measures and Certain Definitions" section for definitions and discussion of Adjusted EBITDA.

(2) \$5.6 million of depreciation, amortization, taxes and interest were attributable to noncontrolling interest for the three months ended March 31, 2018.

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(Dollars in millions)	Three Months Ended March 31, 2017			Corporate Total
	Investment Management Estate Services	Real Estate Services	Investment Management Estate Services	
Revenue				
Rental	\$124.3	\$	—	—\$124.3
Hotel	29.5	—	—	29.5
Investment management, property services and research fees	—	11.0	—	11.0
Sale of real estate	0.8	—	—	0.8
Loans and other	2.1	—	—	2.1
Total revenue	156.7	11.0	—	167.7
Operating expenses				
Rental operating	36.0	—	—	36.0
Hotel operating	24.4	—	—	24.4
Cost of real estate sold	0.7	—	—	0.7
Commission and marketing	—	2.0	—	2.0
Compensation and related	10.6	8.9	13.2	32.7
General and administrative	6.1	2.9	1.0	10.0
Depreciation and amortization	49.7	—	—	49.7
Total operating expenses	127.5	13.8	14.2	155.5
Income from unconsolidated investments, net of depreciation and amortization	21.6	7.4	—	29.0
Operating income (loss)	50.8	4.6		