

Kennedy-Wilson Holdings, Inc.
Form 424B3
August 11, 2015
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 August 10, 2015, Kennedy-Wilson Holdings, Inc. filed with the Securities and Exchange Commission its Quarterly Report on Form 10-Q for the quarter ended June 30, 2015 which is reproduced below as Appendix A to this filing.

The exhibits filed with the Annual 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, 9701 Wilshire Blvd., Suite 700, 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.

Table of Contents

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 June 30, 2015

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
(State or other jurisdiction of
incorporation or organization)
9701 Wilshire Blvd., Suite 700
Beverly Hills, CA 90212
(Address of principal executive offices)
Registrant's telephone number, including area code:
(310) 887-6400

26-0508760
(I.R.S. Employer
Identification No.)

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 or a smaller reporting company.

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

Large Accelerated Filer Accelerated Filer

Non-Accelerated Filer Smaller Reporting Company

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

The number of shares of common stock outstanding as of August 10, 2015 was 112,882,859.

Index

PART I FINANCIAL INFORMATION

Item 1.	<u>Financial Statements (Unaudited)</u>	<u>1</u>
	<u>Consolidated Balance Sheets</u>	<u>1</u>
	<u>Consolidated Statements of Operations</u>	<u>2</u>
	<u>Consolidated Statements of Comprehensive (Loss) Income</u>	<u>3</u>
	<u>Consolidated Statement of Equity</u>	<u>4</u>
	<u>Consolidated Statements of Cash Flows</u>	<u>5</u>
	<u>Notes to Consolidated Financial Statements</u>	<u>7</u>
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>38</u>
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>62</u>
Item 4.	<u>Controls and Procedures</u>	<u>64</u>

PART II OTHER INFORMATION 65

Item 1.	<u>Legal Proceedings</u>	<u>65</u>
Item 1A.	<u>Risk Factors</u>	<u>65</u>
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>65</u>
Item 3.	<u>Defaults Upon Senior Securities</u>	<u>65</u>
Item 4.	<u>Mine Safety Disclosure</u>	<u>65</u>
Item 5.	<u>Other Information</u>	<u>65</u>
Item 6.	<u>Exhibits</u>	<u>65</u>

SIGNATURE 66

Table of Contents

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. These statements are not guarantees of future performance, rely on a number of assumptions concerning future events, many of which are outside of our control, and involve known and unknown risks and uncertainties that could cause our actual results, performance or achievement, or industry results to differ materially from any future results, performance or achievements, expressed or implied by such forward-looking statements. These risks and uncertainties may include the 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, 2014. 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

“KWH,” “Kennedy Wilson,” the “Company,” “we,” “our,” or “us” refer to Kennedy-Wilson Holdings, Inc. and its wholly-owned subsidiaries.

“KWE” refers to Kennedy Wilson Europe Real Estate plc, a London Stock Exchange listed company that we externally manage through a wholly-owned subsidiary. The results of KWE are consolidated in our financial statements due to our control of KWE as of June 30, 2015. We own an approximately 16.2% equity interest in KWE and throughout this report, we refer to our pro-rata ownership stake in investments made and held directly by KWE.

“KW Group” refers to Kennedy Wilson and its consolidated subsidiaries that we consolidate in our financial statements under U.S. GAAP, including KWE.

“Acquisition-related gains” Acquisition-related gains consist of non-cash gains recognized by the Company or its consolidated subsidiaries upon a GAAP required fair value measurement due to a business combination. These gains are typically recognized when a loan is converted into consolidated real estate owned and the fair value of the underlying real estate exceeds the basis in the previously held loan. These gains also arise when the Company acquires control of an unconsolidated investment. The gain amount is based upon the fair value of the Company’s or its consolidated subsidiaries’ equity in the investment in excess of the carrying amount of the equity directly preceding the change of control.

“Adjusted EBITDA” represents Consolidated EBITDA, as defined below, adjusted to exclude corporate merger and acquisition-related expenses, share-based compensation expense for the Company and EBITDA attributable to noncontrolling interests. Our management uses Adjusted EBITDA to analyze our business because it adjusts Consolidated EBITDA for items we believe do not accurately reflect the nature of our business going forward or that relate to non-cash compensation expense or noncontrolling interests. Such items may vary for different companies for reasons unrelated to overall operating performance. Additionally, we believe Adjusted EBITDA is useful to investors to assist them in getting a more accurate picture of our results from operations. However, Consolidated EBITDA and Adjusted EBITDA are not recognized measurements under GAAP and when analyzing our operating performance, readers should use Consolidated EBITDA and Adjusted EBITDA in addition to, and not as an alternative for, net income as determined in accordance with GAAP. Because not all companies use identical calculations, our presentation of Consolidated EBITDA and Adjusted EBITDA may not be comparable to similarly titled measures of other companies. Furthermore, Consolidated EBITDA and Adjusted EBITDA are not intended to be a measure of free

cash flow for our management's discretionary use, as 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 amounts shown for Consolidated EBITDA and Adjusted EBITDA also differ from the amounts calculated under similarly titled definitions in our debt instruments, which are further adjusted to reflect certain other cash and non-cash charges and are used to determine compliance with financial covenants and our ability to engage in certain activities, such as incurring additional debt and making certain restricted payments.

"Adjusted fees" refers to the Company's investment management, property services and research fees adjusted to include fees eliminated in consolidation and Kennedy Wilson's share of fees in unconsolidated service businesses.

"Adjusted Net Asset Value" is calculated by KWE, in accordance with the standards set forth by EPRA, as net asset value adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to be realized

Table of Contents

in a long-term investment property business model such as the fair value of financial derivatives and deferred taxes on property valuation surpluses.

"Adjusted Net Income" represents Consolidated Adjusted Net Income as defined below, adjusted to exclude net income attributable to noncontrolling interests, before depreciation and amortization.

"Assets under Management" ("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 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 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 AUM. The estimated value of development properties is included at estimated completion cost.

"Cap rate" represents the net operating income of an investment for the year preceding its acquisition or disposition divided by the purchase or sale price. Cap rates set forth herein only include data from income-producing properties.

Cap rates represent historical performance and are not a guarantee of future net operating income. Properties for which a cap rate is provided may not continue to perform at that cap rate.

"Consolidated Adjusted Net Income" represents net income before depreciation and amortization, our share of depreciation and amortization included in income from unconsolidated investments and share-based compensation expense.

"Consolidated EBITDA" represents net income before interest expense, our share of interest expense included in income from investments in unconsolidated investments, depreciation and amortization, our share of depreciation and amortization included in income from unconsolidated investments, loss on early extinguishment of corporate debt and income taxes. We do not adjust Consolidated EBITDA for gains or losses on the extinguishment of mortgage debt as we are in the business of purchasing discounted notes secured by real estate and, in connection with these note purchases, we may resolve these loans through discounted payoffs with the borrowers. Consolidated EBITDA is not a recognized term under U.S. generally accepted accounting principles, or GAAP, and does not purport to be an alternative to net earnings as a measure of operating performance or to cash flows from operating activities as a measure of liquidity. Additionally, Consolidated EBITDA is not intended to be a measure of free cash flow available for 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 interest payments, tax payments and debt service requirements. Our presentation of Consolidated EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results as reported under GAAP. Our management believes Consolidated EBITDA is useful in evaluating our operating performance compared to that of other companies in our industry because the calculation of Consolidated EBITDA generally eliminates the effects of financing and income taxes and the accounting effects of capital spending and acquisitions. Such items may vary for different companies for reasons unrelated to overall operating performance. Additionally, we believe Consolidated EBITDA is useful to investors to assist them in getting a more accurate picture of our results from operations.

"Consolidated investment account" refers to the sum of the Company's equity in: cash held by consolidated investments, consolidated real estate and acquired in-place leases, unconsolidated investments and consolidated loans gross of accumulated depreciation and amortization.

"Equity partners" refers to subsidiaries that we consolidate in our financial statements under U.S. GAAP (other than wholly-owned subsidiaries), including KWE, and third-party equity providers.

"Investment account" refers to the consolidated investment account presented after noncontrolling interest in invested assets gross of accumulated depreciation and amortization.

"Net operating income" or "NOI" is a non-GAAP measure representing the income produced by a property incorporating the operating revenues and expenses.

"Operating associates" generally refer to individuals that are employed by or affiliated with third-party consultants, contractors, property managers or other service providers that we manage and oversee on a day-to-day basis with respect to our investments and services businesses.

“Same property” refers to properties in which Kennedy Wilson and its consolidated subsidiaries has an ownership interest during the entire span of both periods being compared.

Table of ContentsPART I
FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

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

	June 30, 2015	December 31, 2014
(Dollars in millions, except share and per share amounts)		
Assets		
Cash and cash equivalents	\$188.6	\$174.6
Cash held by consolidated investments	804.0	763.1
Accounts receivable (including \$25.3 and \$18.0 of related party)	64.3	55.6
Loan purchases and originations (including \$38.7 and \$0 of related party)	453.1	313.4
Real estate and acquired in place lease values, net of accumulated depreciation and amortization	4,986.7	4,228.1
Unconsolidated investments (including \$186.6 and \$85.9 at fair value)	551.4	492.2
Other assets	298.9	305.1
Total assets	\$7,347.0	\$6,332.1
Liabilities and equity		
Liabilities		
Accounts payable	14.9	11.7
Accrued expenses and other liabilities	305.1	253.2
Investment debt	3,277.9	2,195.9
Senior notes payable	702.5	702.4
Line of credit	—	125.0
Total liabilities	4,300.4	3,288.2
Equity		
Cumulative preferred stock, \$0.0001 par value per share: 1,000,000 shares authorized \$1,000 per share liquidation preference	—	—
Common stock, 112,882,859 and 96,091,446 shares issued and outstanding as of June 30, 2015 and December 31, 2014	—	—
Additional paid-in capital	1,209.1	991.3
Accumulated deficit	(60.2	) (62.0)
Accumulated other comprehensive loss	(33.6	) (28.2)
Total Kennedy-Wilson Holdings, Inc. shareholders' equity	1,115.3	901.1
Noncontrolling interests	1,931.3	2,142.8
Total equity	3,046.6	3,043.9
Total liabilities and equity	\$7,347.0	\$6,332.1
See accompanying notes to consolidated financial statements.		

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

(Dollars in millions, except share and per share amounts)	Three Months Ended		Six Months Ended June	
	June 30, 2015	2014	30, 2015	2014
Revenue				
Investment management, property services and research fees (includes \$9.2, \$33.3, \$18.7, and \$40.6 of related party fees)	\$ 15.5	\$ 39.0	\$ 31.9	\$ 52.1
Rental	98.3	37.8	188.7	53.7
Hotel	23.3	4.8	46.7	14.1
Sale of real estate	—	6.1	2.1	17.4
Loan purchases, loan originations and other	3.4	4.3	8.8	6.0
Total revenue	140.5	92.0	278.2	143.3
Operating expenses				
Commission and marketing	1.8	0.9	3.2	1.8
Rental operating	24.5	11.2	49.1	16.9
Hotel operating	21.8	6.7	43.4	15.2
Cost of real estate sold	—	3.9	1.5	13.5
Compensation and related	44.0	32.2	70.2	52.8
General and administrative	11.8	8.4	21.3	16.5
Depreciation and amortization	38.0	25.3	74.6	32.6
Total operating expenses	141.9	88.6	263.3	149.3
Income from unconsolidated investments	17.0	31.0	28.2	33.8
Operating income	15.6	34.4	43.1	27.8
Non-operating income (expense)				
Gain on sale of real estate	34.5	—	40.1	—
Acquisition-related gains	53.1	86.0	57.3	170.3
Acquisition-related expenses	(2.0)	(7.6)	(20.1)	(11.6)
Interest expense-investment	(27.2)	(11.1)	(46.6)	(16.4)
Interest expense-corporate	(10.8)	(14.7)	(23.8)	(25.2)
Other income	2.8	2.1	3.6	2.9
Income before provision for income taxes	66.0	89.1	53.6	147.8
Provision for income taxes	(36.1)	(25.4)	(28.0)	(34.2)
Net income	29.9	63.7	25.6	113.6
Net loss (income) attributable to the noncontrolling interests	1.9	(25.3)	4.7	(62.7)
Preferred dividends and accretion of preferred stock issuance costs	(0.6)	(2.1)	(2.6)	(4.1)
Net income attributable to Kennedy-Wilson Holdings, Inc. common shareholders	\$ 31.2	\$ 36.3	\$ 27.7	\$ 46.8
Basic earnings per share				
Income per basic	\$ 0.29	\$ 0.39	\$ 0.27	\$ 0.51
Weighted average shares outstanding for basic	103,721,472	89,140,498	97,669,080	88,645,002
Diluted earnings per share				
Income per diluted	\$ 0.27	\$ 0.38	\$ 0.27	\$ 0.50
Weighted average shares outstanding for diluted	111,428,358	102,115,350	103,936,881	101,435,250
Dividends declared per common share	\$ 0.12	\$ 0.09	\$ 0.24	\$ 0.18

See accompanying notes to consolidated financial statements.

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

(Dollars in millions)	Three Months Ended June 30,		Six Months Ended June 30,		
	2015	2014	2015	2014	
Net income	\$29.9	\$63.7	\$25.6	\$113.6	
Other comprehensive income (loss), net of tax:					
Unrealized foreign currency translation gain (loss)	68.7	23.1	(36.2	) 21.9
Unrealized gain on marketable securities	—	—	0.1	—	
Amounts reclassified out of AOCI during the period	10.3	(8.3) 10.0	(7.1)
Unrealized currency derivative contracts and other (loss) gain	(3.4) (2.1) 15.0	(3.6)
Total other comprehensive gain (loss) for the period	75.6	12.7	(11.1	) 11.2
Comprehensive income	105.5	76.4	14.5	124.8	
Comprehensive (income) loss attributable to noncontrolling interests ⁽¹⁾	(58.9) (44.1) 10.4	(81.5)
Comprehensive income attributable to Kennedy-Wilson Holdings, Inc. common shareholders	\$46.6	\$32.3	\$24.9	\$43.3	

⁽¹⁾ Comprehensive income attributable to noncontrolling interest includes allocation of unrealized currency translation losses and currency derivative contracts.

See accompanying notes to consolidated financial statements.

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

(Dollars in millions, except share amounts)	Preferred Stock		Common Stock		Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total
	Shares	Amount	Shares	Amount					
Balance at December 31, 2014	132,550	\$—	96,091,446	\$—	\$991.3	\$ (62.0)	\$ (28.2)	\$ 2,142.8	\$3,043.9
Issuance of 8,625,000 shares, net	—	—	8,625,000	—	215.0	—	—	—	215.0
Shares forfeited	—	—	(26,024)	—	—	—	—	—	—
RSG Grants	—	—	41,400	—	—	—	—	—	—
Shares retired due to RSG Vesting	—	—	(403,911)	—	(11.3)	—	—	—	(11.3)
Conversion of preferred stock to common stock	(100,000)	—	8,554,948	—	—	—	—	—	—
Stock based compensation	—	—	—	—	14.1	—	—	—	14.1
Other comprehensive income (loss):									
Unrealized foreign currency translation loss, net of tax	—	—	—	—	—	—	(6.4)	(10.7)	(17.1)
Unrealized foreign currency derivative contract gain, net of tax	—	—	—	—	—	—	1.0	5.0	6.0
Preferred stock dividends	—	—	—	—	—	(2.6)	—	—	(2.6)
Common stock dividends	—	—	—	—	—	(25.9)	—	—	(25.9)
Net income	—	—	—	—	—	30.3	—	(4.7)	25.6
Acquisition of Kennedy Wilson Europe (KWE) shares from noncontrolling interest holders	—	—	—	—	—	—	—	(24.4)	(24.4)
Contributions from noncontrolling interests, excluding KWE	—	—	—	—	—	—	—	6.4	6.4
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(183.1)	(183.1)

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Balance at June 30, 2015	32,550	\$—	112,882,859	\$—	\$1,209.1	\$ (60.2)	\$ (33.6)	\$ 1,931.3	\$3,046.6
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See accompanying notes to consolidated financial statements.

Table of Contents

Kennedy-Wilson Holdings, Inc.

Consolidated Statements of Cash Flows (Unaudited)

(Dollars in millions)	Six Months Ended June 30,	
	2015	2014
Cash flows from operating activities:		
Net income	\$25.6	\$113.6
Adjustments to reconcile net income to net cash provided by operating activities:		
Net gain from sale of real estate	(40.8)	) (3.9)
Acquisition-related gain	(57.3)	) (170.3)
Depreciation and amortization	74.6	32.6
Provision for deferred income taxes	0.9	34.2
Amortization of deferred loan costs	3.2	1.6
Amortization of discount and accretion of premium on issuance of the senior notes and investment debt	(9.2)	) (1.2)
Unrealized net gains on derivatives	(1.8)) —
Income from unconsolidated investments and loan purchases and originations	(32.0)	) (34.1)
Operating distributions from unconsolidated investments	33.1	57.7
Operating distributions from loan purchases and originations	4.1	—
Stock-based compensation	14.1	3.4
Change in assets and liabilities:		
Accounts receivable	(4.2)	) (15.8)
Other assets	0.9	(4.4)
Accounts payable, accrued expenses and other liabilities	26.1	51.7
Net cash provided by operating activities	37.3	65.1
Cash flows from investing activities:		
Additions to loans	(233.5)	) (373.3)
Collections of loans	4.6	18.7
Net proceeds from sale of real estate	504.0	15.0
Purchases of and additions to real estate	(986.7)	) (1,289.8)
Additions to nonrefundable escrow deposits	(3.4)) —
Proceeds from settlement of foreign derivative contracts	35.8	—
Purchases of foreign derivative contracts	(5.2)) —
Investment in marketable securities	—	(6.9)
Proceeds from sale of marketable securities	6.2	—
Distributions from unconsolidated investments	33.9	55.6
Contributions to unconsolidated investments	(128.6)	) (106.0)
Net cash used in investing activities	(772.9)	) (1,686.7)
Cash flows from financing activities:		
Borrowings under senior notes payable	—	297.2
Borrowings under line of credit	75.0	90.0
Repayment of line of credit	(200.0)	) (90.0)
Borrowings under investment debt	1,574.4	295.2
Repayment of investment debt	(605.0)	) (14.0)
Debt issue costs	(13.1)	) (11.3)
Issuance of common stock	215.0	190.7
Repurchase and retirement of common stock	(11.3)	) (2.6)
Proceeds from the issuance of KWE shares, net	—	1,351.1
Dividends paid	(23.6)) (18.1)
Change in restricted cash	—	(42.6)

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Acquisition of KWE shares from noncontrolling interest holders	(24.4) (16.8)
Contributions from noncontrolling interests, excluding KWE	6.4	8.6	
Distributions to noncontrolling interests	(183.1	) (13.5)
Net cash provided by financing activities	810.3	2,023.9	
Effect of currency exchange rate changes on cash and cash equivalents	(19.8	) 19.2	
Net change in cash and cash equivalents ⁽¹⁾	54.9	421.5	
Cash and cash equivalents, beginning of period	937.7	178.2	
Cash and cash equivalents, end of period	\$992.6	\$599.7	

⁽¹⁾ See discussion of non-cash effects in notes to statement 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:

(Dollars in millions)	Six Months Ended June 30,	
	2015	2014
Cash paid for:		
Interest	\$59.7	\$34.7
Income taxes	2.7	0.1

Supplemental disclosure of non-cash investing and financing activities:

(Dollars in millions)	June 30,	
	2015	2014
Accrued capital expenditures	\$5.0	\$—
Dividends declared but not paid on common stock	13.5	8.2

On May 19, 2015, all 100,000 outstanding shares of the Series A Preferred Stock were mandatorily converted into an aggregate of 8,554,948 shares of the Company's common stock, \$0.0001 par value per share, based on a conversion price of approximately \$11.69 per share of Common Stock.

During the six months ended June 30, 2015, KWE foreclosed on two notes secured by office buildings located in Dublin, Ireland and the Company acquired additional equity interests in a multifamily and commercial property in the Western United States that were previously unconsolidated. The assets and liabilities of these properties were consolidated in KW Group's financial statements at fair value in accordance with FASB ASC Topic 805 Business Combinations. As the fair value of the KW Group's interests in these properties were in excess of their carrying value of their ownership interest, KW Group recorded acquisition-related gains of \$57.3 million. See Note 4 for more detail. On February 28, 2014, Kennedy Wilson contributed its 50% interest in an unconsolidated investment which held 14 commercial, retail, and industrial properties portfolio to KWE as part of Kennedy Wilson's subscription in KWE's initial public offering as described in note 1.

On March 31, 2014 and June 30, 2014, Kennedy Wilson amended the existing operating agreements governing certain of its investments with certain of its equity partners thereby allowing Kennedy Wilson to gain control of these operating properties. As a result of obtaining control, the assets and liabilities of these properties were consolidated in KW Group's financial statements at fair value in accordance with FASB ASC Topic 805 Business Combinations. As the fair value of our interests in these properties were in excess of their carrying value of their ownership interest, we recorded acquisition-related gains of \$80.5 million for the quarter ended March 31, 2014, of which \$40.3 million was allocated to noncontrolling equity partners.

During the six months ended June 30, 2014, Kennedy Wilson foreclosed on a 133,000 square foot retail center and an adjacent 2.4 acre vacant lot in Van Nuys, CA. As a result of the foreclosure, the Company was required to consolidate the assets and liabilities of the retail center at fair value under ASC Topic 805 Business Combinations and recorded the vacant lot at fair market value.

See accompanying notes to consolidated financial statements.

Table of Contents

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

NOTE 1—BASIS OF PRESENTATION

KW Group'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 we believe that the disclosures are adequate to make their presentation not misleading. In our opinion, all adjustments, consisting of only normal and recurring items, necessary for a fair presentation of the results of operations for the three and six months ended June 30, 2015 and 2014 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, 2015. For further information, your attention is directed to the footnote disclosures found in our Annual Report on Form 10-K for the year ended December 31, 2014. Throughout this unaudited interim consolidated financial statements we refer to "KW Group," which we define as the Company and its subsidiaries that are consolidated in its financial statements under U.S. GAAP (including KWE as defined below). All significant intercompany balances and transactions have been eliminated in consolidation. We also refer to "KWH," "Kennedy Wilson," the "Company," "we," "our," or "us" which we define as Kennedy-Wilson Holdings, Inc. and its wholly-owned subsidiaries.

Kennedy Wilson Europe Real Estate Plc ("KWE," LSE: KWE), a Jersey investment company formed to invest in real estate and real estate-related assets in Europe, closed its initial public offering ("IPO") on the London Stock Exchange during the quarter ended March 31, 2014. KWE is externally managed by a wholly-owned subsidiary of Kennedy Wilson incorporated in Jersey pursuant to an investment management agreement. Due to the terms provided in the investment management agreement and Kennedy Wilson's equity ownership interest in KWE, pursuant to the guidance set forth in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Subtopic 810 - Consolidation ("Subtopic 810"), the Company is required to consolidate KWE's results in its consolidated financial statements. As of June 30, 2015, the Company has invested \$295.5 million of cash and contributed \$58.3 million of assets into KWE which represents a 16.2% ownership interest of KWE's total issued share capital as of June 30, 2015.

In addition to its investment in KWE, prior to KWE's formation the Company (along with its equity partners) directly invested in 15 properties, four loan pools and a servicing platform in Europe which have total assets of \$914.3 million included in the Company's consolidated balance sheet as of June 30, 2015. Kennedy Wilson's total equity in these investments was \$270.0 million and the Company's weighted average ownership in these investments was 57.6% as of June 30, 2015.

In addition, throughout these unaudited interim consolidated financial statements, we refer to our "equity partners," which we define as the subsidiaries that we consolidate in our financial statements under U.S. GAAP (other than wholly-owned subsidiaries), including KWE, and 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 FASB ASC Subtopic 810-10 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—Performance fees or carried interests are allocated to the general partner, special limited partner or asset manager of our real estate funds and loan pool participations based on the cumulative performance of the funds and loan pools and are subject to preferred return thresholds of the limited partners and participants. At the end of each reporting period, we calculate the performance fee that would be due to the general partner, special limited partner or asset manager's interests for a fund or loan pool, pursuant to the fund agreement or participation agreements, as if the fair value of the underlying investments were realized as of such date, irrespective of whether such amounts have been realized. As the fair value of underlying investments varies between reporting periods, it is necessary to make adjustments to amounts recorded as performance fees to reflect either

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

(a) positive performance resulting in an increase in the performance fee allocated to the general partner or asset manager or (b) negative performance that would cause the amount due to us to be less than the amount previously recognized as revenue, resulting in a negative adjustment to performance fees allocated to the general partner or asset manager. A majority of the performance fees are recognized in investment management revenue, and substantially all of the carried interest is recognized in income from unconsolidated investments in our consolidated statements of operations. Total performance fees recognized from inception through June 30, 2015 that may be reversed in future periods if there is negative fund or loan pool performance totaled \$22.8 million. Performance fees accrued as of June 30, 2015 and December 31, 2014 were \$22.8 million and \$15.8 million, respectively, and are included in accounts receivable in the accompanying consolidated balance sheet.

REAL ESTATE ACQUISITIONS—The purchase price 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) based on their respective estimated fair values in accordance with ASC Subtopics 805-10 Business Combinations. Acquisition-related costs are expensed as incurred. 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 interests 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.

The largest component of noncontrolling interest is the Company's investment in KWE which had a balance of \$1.7 billion as of June 30, 2015.

FOREIGN CURRENCIES—The financial statements of KW Group'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, the British pound sterling, and the Japanese yen. 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.

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 exchanges rates may have a significant impact on the results of our operations. In order to manage the effect of these fluctuations, we generally hedge our book equity exposure to changes in foreign currency rates through currency forward contracts and options. We typically hedge 50%-100% of book equity exposure against these foreign currencies.

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 April 10, 2014, the FASB issued ASU 2014-08, which amends the definition of discontinued operations and requires additional disclosures for disposal transactions that do not meet the revised

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

discontinued operations criteria. ASU 2014-08 is required to be adopted for fiscal years beginning after December 15, 2014, with early adoption permitted. Our early adoption of this pronouncement on January 1, 2014 did not have a material impact on KW Group's consolidated financial statements in the year of adoption.

In May 2014, the FASB issued ASU 2014-09 Revenue from Contracts with Customers, a 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 will identify the contract, identify any separate performance obligations in the contract, determine the transaction price, allocate the transaction price and recognize revenue when the performance obligation is satisfied. The new standard will replace most existing revenue recognition in GAAP when it becomes effective for the Company on January 1, 2018. We have not yet selected a transition method nor has it determined the effect of the standard on its ongoing financial reporting.

In February 2015, the FASB issued ASU 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis, which makes certain changes to both the variable interest model and the voting model, including changes to (1) the identification of variable interests (fees paid to a decision maker or service provider), (2) the variable interest entity characteristics for a limited partnership or similar entity and (3) the primary beneficiary determination. ASU 2015-02 is effective for KW Group beginning January 1, 2016. Early adoption is permitted. KW Group is still evaluating the impact the adoption of this standard will have on the consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03 Simplifying the Presentation of Debt Issuance Costs to reduce the complexity of financial statement presentation pursuant to which debt issuance costs will be presented as a direct deduction from the carrying amount of debt liabilities as opposed to a deferred charge recognized as an asset. ASU 2015-03 is required to be adopted for fiscal years beginning after December 15, 2015 and the Company does not expect its adoption to have a material impact on KW Group's consolidated financial statements.

The FASB did not issue any other ASCs during the first six months of 2015 that we expect to be applicable and have a material impact on our 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

KW Group's investment in loan purchases and originations was \$453.1 million and \$313.4 million at June 30, 2015 and December 31, 2014, respectively.

During the second quarter of 2015, KWH originated a loan to an existing joint venture in an amount equal to approximately \$38.7 million. With the proceeds of such loan, the joint venture purchased a note secured by a resort in Kona, Hawaii, for approximately \$38.7 million. Additionally, during the second quarter of 2015, KWE acquired a nonperforming loan secured by a residential property in London, England, for \$108.4 million.

During the fourth quarter of 2014, KWE acquired the loans secured by an office building in Dublin, Ireland for \$53.0 million. During the first quarter of 2015, KWE converted the loans into a 100% direct ownership interest in the office building. Additionally, during the first quarter of 2015, KWE acquired eight loans secured by eight hotels located throughout the United Kingdom for \$95.2 million.

KW Group recognized interest income on loans of \$3.4 million and \$8.8 million during the three and six months ended June 30, 2015, respectively, and \$4.3 million and \$6.0 million during three and six months ended June 30, 2014, respectively.

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

NOTE 4—REAL ESTATE AND IN-PLACE LEASE VALUE

The following table summarizes KW Group's investment in consolidated real estate properties at June 30, 2015 and December 31, 2014, respectively:

(Dollars in millions)	June 30, 2015	December 31, 2014
Land	\$1,257.5	\$1,046.9
Buildings	3,403.8	2,945.1
Building improvements	138.8	75.1
In-place lease value	366.2	282.6
	5,166.3	4,349.7
Less accumulated depreciation and amortization	(179.6	) (121.6
Real estate and acquired in place lease values, net of accumulated depreciation and amortization	\$4,986.7	\$4,228.1

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 8.1 years at June 30, 2015.

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, acquired in-place lease values, and tenant relationships, if any) based on their respective estimated fair values. The purchase price generally approximates the fair value of the properties as acquisitions are generally transacted with third-party willing sellers.

During the six months ended June 30, 2015, KW Group acquired the following consolidated properties:

(Dollars in millions)		Preliminary Purchase Price Allocation at Acquisition ⁽¹⁾					
Location	Description	Land	Building	Acquired in place lease values ⁽²⁾	Investment debt	NCI ⁽³⁾	KWH Shareholders' Equity
Western U.S.	449k square feet of commercial properties and 1,216 multifamily units ⁽⁶⁾	\$115.1	\$263.1	\$18.9	\$244.7	\$6.1	\$146.3
United Kingdom	Portfolio of 171 commercial, retail, and industrial properties ⁽⁴⁾	265.5	407.8	73.6	512.0	197.3	37.6
Ireland	Three properties that total 149k square feet ⁽⁴⁾⁽⁵⁾	21.0	68.4	9.8	—	82.7	16.5
Spain	Two development projects ⁽⁴⁾	—	43.9	—	—	36.8	7.1
		\$401.6	\$783.2	\$102.3	\$756.7	\$322.9	\$207.5

⁽¹⁾ Excludes acquisition expenses and net other assets. The purchase price allocations for properties acquired during the six months ended June 30, 2015 are based on preliminary measurements of fair value that are subject to change. These allocations represent the Company's current best estimates of fair value.

⁽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.

⁽³⁾ Noncontrolling interest amounts associated with acquisition.

(4) These portfolios of properties were directly acquired and are held by KWE. Kennedy Wilson owns approximately 16.2% of the total issued share capital of KWE as of June 30, 2015.

(5) KWE recognized an acquisition-related gain of \$10.1 million on these transaction as the property was previously a mortgage note that KWE foreclosed on and converted to real estate. As the fair value of the assets was in excess of the basis in the previously held mortgage notes, KWE recognized an acquisition-related gain upon conversion.

(6) Prior to June 30, 2015, properties included within this group were accounted for under equity method. KW Group purchased the third party equity partners' interests and consolidated the properties resulting in acquisition-related gains of \$47.2 million.

Gains on real estate

10

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

KW Group sold its investment in its Japanese multifamily portfolio, which resulted in a gain of \$33.5 million before noncontrolling interest and KWE sold seven commercial properties during the year, which resulted in a gain of \$6.6 million before noncontrolling interest. These gains are presented net as a component of non-operating income (expense) as the properties were treated as businesses at acquisition. Acquisition-related gains of \$57.3 million were also recognized for acquiring additional equity interests in a multifamily and commercial property in the Western United States and the conversion of mortgage notes held by KWE into commercial real estate properties in Dublin.

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. KW Group'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 and six months ended June 30, 2015 occurred as of January 1, 2014.

(Dollars in millions, except for per share data)	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Pro forma revenues	\$146.7	\$117.4	\$298.4	\$194.2
Pro forma net income (loss) attributable to Kennedy-Wilson Holdings, Inc. common shareholders ⁽¹⁾	32.2	38.9	30.5	51.9
Pro forma net income (loss) per share:				
Basic	\$0.30	\$0.42	\$0.30	\$0.56
Diluted	\$0.28	\$0.40	\$0.29	\$0.55

⁽¹⁾ Excludes the effects of acquisition-related gains.

NOTE 5—UNCONSOLIDATED INVESTMENTS

KW Group has unconsolidated investments through real estate related joint ventures and loan pool participations. The following table details its investments in joint ventures and loan pool participations as of June 30, 2015 and December 31, 2014:

(Dollars in millions)	June 30, 2015	December 31, 2014
Investments in joint ventures	\$502.6	\$435.8
Investments in loan pool participations	48.8	56.4
Total	\$551.4	\$492.2

Investments in Joint Ventures

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

As of June 30, 2015 and December 31, 2014, Kennedy Wilson's investment in joint ventures totaled \$502.6 million and \$435.8 million, respectively.

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

The following table details our investments in joint ventures by investment type and geographic location as of June 30, 2015:

(Dollars in millions)	Multifamily	Commercial	Loan	Residential	Other	Total
Western U.S.	\$221.0	\$79.5	\$50.6	\$77.2	\$11.9	\$440.2
Japan	5.0	—	—	—	—	5.0
United Kingdom	—	27.8	—	—	—	27.8
Spain	—	—	—	—	29.6	29.6
Total	\$226.0	\$107.3	\$50.6	\$77.2	\$41.5	\$502.6

The following table details our investments in joint ventures by investment type and geographic location as of December 31, 2014:

(Dollars in millions)	Multifamily	Commercial	Loan	Residential	Other	Total
Western U.S.	\$134.5	\$110.3	\$50.3	\$71.0	\$9.3	\$375.4
United Kingdom	—	31.5	—	—	—	31.5
Spain	—	—	—	—	28.9	28.9
Total	\$134.5	\$141.8	\$50.3	\$71.0	\$38.2	\$435.8

Vintage Housing Holdings ("VHH")

During the second quarter of 2015, the Company purchased a 61% noncontrolling interest for \$78.7 million in VHH, an existing venture that holds controlling interests in 30 syndicated limited partnerships ("LPs") that own multifamily properties via a traditional low-income tax credit structure in the Western United States. The remaining 39% is held by one non-affiliated entity who is appointed as the manager. Neither party controls VHH, and, accordingly, the Company will account for its investment under the equity method.

The LPs generate cash flow through their controlling interests in entities owning multifamily housing that is predominantly structured with low income housing credits to benefit the LPs. The Company has elected the fair value option on its unconsolidated investment in VHH. During the quarter, the Company recognized a \$12.9 million fair value gain through income from unconsolidated investments due to various factors including a long period between the execution of binding agreements between the parties and the closing of the transaction. During that interim period, various beneficial valuation events occurred such as a \$2.1 million distribution from the investment that the Company received, which contributed to the value of the investment reported at June 30, 2015 exceeding the amount of the Company's initial investment.

VHH is KW Group's largest joint venture investment; there were no other investments that represented more than 10% of the joint venture balance as of June 30, 2015 or December 31, 2014.

Contributions to Joint Ventures

During the six months ended June 30, 2015, Kennedy Wilson contributed \$85.6 million to new joint ventures as an initial investment, including the \$78.7 million for the VHH investment discussed above. In addition, Kennedy Wilson contributed \$43.0 million to existing joint ventures to fund our share of a development project, to pay off external debt and for capital expenditures and working capital needs.

Distributions from Joint Ventures and Investments in Loan Pools

During the six months ended June 30, 2015, Kennedy Wilson received \$67.0 million in operating and investing distributions from its joint ventures and loan pools. Investing distributions resulted from the refinancing of property level debt and asset sales. Operating distributions resulted from operating cash flow generated by the joint venture investments.

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

The following table details cash distributions by investment type and geographic location for the six months ended June 30, 2015:

	Multifamily		Commercial		Loan Pools		Residential and Other		Total	
	Operating	Investing	Operating	Investing	Operating	Investing	Operating	Investing	Operating	Investing
(Dollars in millions)										
Western U.S.	\$14.3	\$5.2	\$8.3	18.0	\$—	\$2.2	4.8	\$0.1	\$27.4	\$25.5
United Kingdom	—	—	1.1	1.6	3.1	1.7	—	—	4.2	3.3
Ireland	—	—	—	—	1.5	5.1	—	—	1.5	5.1
Total	\$14.3	\$5.2	\$9.4	\$19.6	\$4.6	\$9.0	\$4.8	\$0.1	\$33.1	\$33.9

Consolidation Considerations

We determine 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. Kennedy Wilson's determination considers specific factors cited under FASB ASC Topic 810-20 Control of Partnerships and Similar Entities which presumes that control is held by the general partner (and managing member equivalents in limited liability companies). Limited partners' substantive participation rights may overcome this presumption of control. We account for joint ventures where it is deemed that we do not have control through the equity method of accounting while entities we control are consolidated in KW Group's financial statements.

Capital Commitments

As of June 30, 2015, Kennedy Wilson has unfulfilled capital commitments totaling \$28.1 million to four of its joint ventures. We may be called upon to contribute additional capital to joint ventures in satisfaction of such capital commitment obligations. Subsequent to June 30, 2015, the Company made an additional \$25.0 million commitment to one of its joint ventures.

Guarantees

Kennedy Wilson has certain guarantees associated with loans secured by consolidated assets or assets held directly or in various joint ventures. As of June 30, 2015, the maximum potential amount of future payments (undiscounted) Kennedy Wilson could be required to make under the guarantees was approximately \$54.4 million which is approximately 1% of investment level debt of Kennedy Wilson and its equity partners. The guarantees expire through 2025, 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 our evaluation of guarantees under FASB ASC Subtopic 460-10 Estimated Fair Value of Guarantees, the estimated fair value of guarantees made as of June 30, 2015 and December 31, 2014 was immaterial.

Investments in loan pool participation

As of June 30, 2015 and December 31, 2014, KW Group's investment in loan pool participations totaled \$48.8 million and \$56.4 million, respectively.

The following table presents the income from unconsolidated investments for loan pools and foreign currency gain and (loss) recognized by KW Group during the three and six months ended June 30, 2015 and 2014 for the loan pools that were outstanding:

(Dollars in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Income from unconsolidated investments - loan pools	\$3.0	\$2.5	\$6.1	\$4.6

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Foreign currency translation gain (loss) ⁽¹⁾	2.3	0.2	(0.3) 0.4
Total	\$5.3	\$2.7	\$5.8	\$5.0

⁽¹⁾ Excludes impact of currency derivative contracts. These amounts are recognized through the Statement of Comprehensive Income (Loss).

13

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

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 June 30, 2015:

(Dollars in millions)	Level 1	Level 2	Level 3	Total
Marketable securities	\$0.3	\$—	\$—	\$0.3
Unconsolidated investments	—	—	186.6	186.6
Currency forward contracts	—	29.5	—	29.5
Currency option contracts	—	(1.6	) —	(1.6
Total	\$0.3	\$27.9	\$186.6	\$214.8

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, 2014:

(Dollars in millions)	Level 1	Level 2	Level 3	Total
Marketable securities	\$6.5	\$—	\$—	\$6.5
Unconsolidated investments	—	—	85.9	85.9
Currency forward contracts	—	23.9	—	23.9
Currency option contracts	—	6.7	—	6.7
Total	\$6.5	\$30.6	\$85.9	\$123.0

Marketable Securities

Marketable securities include Kennedy Wilson's investment in publicly traded equity securities. The carrying value of marketable securities is a level 1 valuation as the fair value is based off of unadjusted quoted market prices in active markets for identical securities. The amount above excludes Kennedy Wilson's 22.0 million shares in KWE as the investment is eliminated due to the consolidation of KWE's results in KW Group's financial statements. Based on the June 30, 2015 share price, Kennedy Wilson's investment in KWE had a market value of approximately \$392.3 million (cost basis of \$363.4 million) based on a per share price of \$17.86 at June 30, 2015. As of June 30, 2015, the Company had hedged 83.9% of the foreign currency rate risk of its net investment in KWE by entering into currency forward contracts and options, which had a fair value of \$3.3 million.

Fair Value and Fair Value Option - Unconsolidated Investments

Kennedy Wilson records its investments in certain funds it manages and sponsors ("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 \$22.0 million and \$24.9 million at June 30, 2015 and December 31, 2014, respectively, which is included in unconsolidated investments in the accompanying consolidated balance sheets. As of June 30, 2015, Kennedy Wilson had unfunded capital commitments to the Funds in the amount of \$28.1 million.

Kennedy Wilson elected to use the fair value option ("FV Option") for five 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 \$164.6 million and \$61.0 million at June 30, 2015 and December 31, 2014, respectively, which is included in unconsolidated investments in the accompanying balance sheets. The increase in the fair value option investments related to the Company's investment in VHH during the second quarter. Refer to Note 5 for more detail.

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

The following table summarizes our investments in unconsolidated investments held at fair value by type:

14

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

(Dollars in millions)	June 30, 2015	December 31, 2014
Funds	\$22.0	\$24.9
FV Option	164.6	61.0
Total	\$186.6	\$85.9

The following table presents changes in Level 3 investments for the three and six months ended June 30, 2015 and 2014:

(Dollars in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Beginning balance	\$89.6	\$82.0	\$85.9	\$81.1
Unrealized gains	13.0	—	18.2	—
Unrealized losses	(0.1	) —	(0.1) —
Contributions	89.3	1.0	91.2	2.4
Distributions	(5.2	) (4.5	) (8.3	) (5.0
Other	—	—	(0.3) —
Ending balance	\$186.6	\$78.5	\$186.6	\$78.5

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	5.25% - 8.25%	7.00% - 11.00%
Retail	6.70% - 7.00%	8.00% - 9.00%
Hotel	6.50%	7.50%
Multifamily	4.40% - 6.50%	4.90% - 10.75%
Loan	n/a	12.00% - 25.50%
Land and condominium units	n/a	8.00% - 9.00%

In valuing real estate, related assets and indebtedness, we consider 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 for these types of investments range from 1.00% to 4.84%.

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. As such, estimated fair value 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 cap rates, discount rates, liquidity risks, and estimates of future cash flows, could significantly affect the fair value measurement amounts.

Currency derivative contracts

KW Group 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 we have 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 June 30, 2015, KW Group

assessed the significance of the impact of the counterparty valuation adjustments on the overall valuation of its currency derivative contracts and determined that the counterparty valuation adjustments are not significant to the overall valuation

15

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

of its currency derivative contracts. As a result, we have determined that the valuation of our derivative instruments in its entirety be classified in Level 2 of the fair value hierarchy.

Changes in fair value are recorded in other comprehensive income in the accompanying consolidated statements of comprehensive income (loss) as the portion of the currency derivative contracts used to hedge foreign currency exposure of its certain net investments in foreign operations qualifies as a net investment hedge under FASB ASC Topic 815. The fair value of the currency derivative contracts held as of June 30, 2015 are reported in other assets for hedge assets and included in accrued expenses and other liabilities for hedge liabilities on the balance sheet. See note 11 for a complete discussion on other comprehensive income including currency derivative contracts and foreign currency translations.

The table below details the currency derivative contracts KW Group held as of June 30, 2015:

(Dollars in millions)								Change in Unrealized Gains (Losses) Six Months Ended June 30, 2015
Currency Hedged	Type	Underlying Currency	Notional Amount	Trade Date	Settlement/Expiration Date	Forward Rate/Strike Price	Fair Value	
EUR	Forward	USD	€20.0	6/25/2014	6/27/2019	1.4471	\$4.9	\$2.2
EUR ⁽²⁾	Option	USD	€130.0	3/10/2015 - 3/19/2015	3/7/2019 - 3/19/2020	1.0700 - 1.0960	(2.9)	(2.9)
GBP	Forward	USD	£92.5	2/25/2014 - 10/9/14	10/9/2018 - 10/15/2019	1.5943 - 1.6371	4.4	0.6
GBP	Option	USD	£94.2	1/7/2015 - 5/12/2015	1/7/2016 - 5/12/2020	1.4245 - 1.5260	(1.1)	(2.4)
EUR ⁽¹⁾	Forward	GBP	€135.0	6/18/2014 - 6/15/2015	6/15/2016 - 11/12/2019	.7313 - .8621	20.3	13.8
EUR ⁽¹⁾	Option	GBP	€175.0	3/13/2015 - 6/3/2015	3/15/2018 - 6/3/2020	.707 - .750	2.4	2.4
YEN	Forward	USD	¥495.0	6/23/2015	6/25/2020	111.2600	(0.1)	(0.1)
Total ⁽³⁾							\$27.9	\$13.6

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

⁽²⁾ For the six months ended June 30, 2015, \$1.2 million loss recognized through results of operations due to portion of hedge not designated as a net investment hedge.

⁽³⁾ Hedges are presented gross in the consolidated balance sheet. Hedge assets are included in other assets and hedge liabilities are included in other liabilities.

In addition to the hedge assets held above there was \$10.2 million of unrealized gains recognized through other comprehensive income on currency derivative contracts that were settled during the period. These gains will remain in accumulated other comprehensive income until the underlying investments they were hedging are substantially liquidated by KW Group. There was also \$15.0 million of gains recognized through the income statement associated with currency derivative contracts that were related to the Company's sale of its Japanese multifamily portfolio.

KW Group also enters into zero-cost collar option contracts to hedge a portion of its net investment in certain non-U.S. dollar denominated foreign operations. The strike prices above represent the put strike prices associated with those contracts. KW Group will participate in the currency appreciation up to the strike price of the call options, which

it sold to offset the cost of the purchased put options.

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

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

to be an arm's length transaction) approximates fair value as the terms are similar to loans with similar characteristics available in the market.

We account for our debt liabilities at face value plus net unamortized debt premiums and any fair value adjustments as part of business combinations. The fair value as of June 30, 2015 and December 31, 2014 for the senior notes payable, investment debt and junior subordinated debentures were estimated to be approximately \$3,958.1 million and \$3,044.8 million, 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 our credit risk to the current yield of a similar security, compared to their carrying value of \$3,980.4 million and \$3,023.3 million at June 30, 2015 and December 31, 2014, respectively. The inputs used to value our senior notes payable, borrowings under lines of credit, mortgage loans payable and junior subordinated debentures 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.

NOTE 7—OTHER ASSETS

Other assets consist of the following:

(Dollars in millions)	June 30, 2015	December 31, 2014
Above-market leases, net of accumulated amortization of \$13.0 and \$6.7 at June 30, 2015 and December 31, 2014, respectively	93.9	71.6
Deposits	1.7	49.9
Other, net of accumulated amortization of \$2.4 and \$1.8 at June 30, 2015 and December 31, 2014, respectively	30.7	25.8
Loan fees, net of accumulated amortization of \$7.6 and \$5.0 at June 30, 2015 and December 31, 2014, respectively	45.0	36.0
Hedge Assets	32.2	30.6
Goodwill	23.9	23.9
Office furniture and equipment net of accumulated depreciation of \$7.3 and \$5.7 at June 30, 2015 and December 31, 2014, respectively	20.6	22.0
Marketable securities ⁽¹⁾	0.3	6.5
Prepaid expenses	15.2	11.2
Deferred tax asset, net	35.4	27.6
Other Assets	\$298.9	\$305.1

⁽¹⁾ The amount above excludes Kennedy Wilson's 22.0 million shares in KWE as the investment is eliminated due to the consolidation of KWE's results. Based on the closing price of KWE shares on June 30, 2015, the fair value of Kennedy Wilson's investment in KWE is \$392.3 million.

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

NOTE 8—INVESTMENT DEBT

Investment debt at June 30, 2015 and December 31, 2014 consists of the following:

(Dollars in millions)	Region	Carrying Amount of Investment Debt as of ⁽¹⁾	
		June 30, 2015	December 31, 2014
Investment Debt by Product Type			
Multifamily ⁽¹⁾	Western U.S.	\$793.7	\$565.5
Commercial	Western U.S.	222.5	131.0
Hotel	Western U.S.	39.2	37.2
Multifamily ⁽¹⁾	Japan	—	242.9
Commercial	Japan	2.0	2.1
Commercial ⁽¹⁾⁽²⁾	Ireland	390.7	412.5
Multifamily ⁽¹⁾⁽³⁾	Ireland	192.1	133.6
Residential and Other ⁽¹⁾⁽⁵⁾	Ireland	—	29.0
Hotel	Ireland	80.3	72.9
Residential and Other ⁽⁷⁾	Spain	3.4	—
Commercial ⁽¹⁾⁽⁴⁾	United Kingdom	1,089.8	569.2
Unsecured ⁽⁶⁾	United Kingdom	464.2	—
Investment debt		\$3,277.9	\$2,195.9

⁽¹⁾ The investment debt payable balances include unamortized debt premiums. Debt premiums represent the excess of the fair value of debt over 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 June 30, 2015 and December 31, 2014 was \$2.1 million and \$15.4 million.

⁽²⁾ Includes \$294.6 million and \$323.8 million of investment debt on properties that were acquired and held by KWE as of June 30, 2015 and December 31, 2014, respectively. Kennedy Wilson owns approximately 16.2% of the total issued share capital of KWE as of June 30, 2015.

⁽³⁾ Includes \$52.9 million and \$40.3 million of investment debt on properties that were acquired and held by KWE as of June 30, 2015 and December 31, 2014, respectively. Kennedy Wilson owns approximately 16.2% of the total issued share capital of KWE as of June 30, 2015.

⁽⁴⁾ Includes \$1,001.2 million and \$483.0 million of investment debt on properties that were acquired and held by KWE as of June 30, 2015 and December 31, 2014, respectively. Kennedy Wilson owns approximately 16.2% of the total issued share capital of KWE as of June 30, 2015.

⁽⁵⁾ Includes \$0.0 million and \$14.6 million of investment debt on properties that were acquired and held by KWE as of June 30, 2015 and December 31, 2014, respectively. Kennedy Wilson owns approximately 16.2% of the total issued share capital of KWE as of June 30, 2015.

⁽⁶⁾ Includes \$464.2 million and \$0.0 million of unsecured debt held by KWE as of June 30, 2015 and December 31, 2014, respectively. Kennedy Wilson owns approximately 16.2% of the total issued share capital of KWE as of June 30, 2015.

⁽⁷⁾ Includes \$3.4 million and \$0.0 million of investment debt held by KWE as of June 30, 2015 and December 31, 2014, respectively. Kennedy Wilson owns approximately 16.2% of the total issued share capital of KWE as of June 30, 2015.

The investment debt had a weighted average interest rate of 3.15% and 3.03% per annum at June 30, 2015 and December 31, 2014, respectively. As of June 30, 2015, 62% of KW Group's investment level debt is fixed rate, 20% is floating rate with interest caps and 18% is floating rate without interest caps, compared to 43% fixed rate, 38% floating rate with interest caps and 19% floating rate without interest caps, as of December 31, 2014.

In addition, during the second quarter of 2015, KWE completed its inaugural bond offering of approximately \$471.8 million (£300 million) in 3.95% fixed-rate senior unsecured bonds due 2022. The bonds were issued at a discount and have a carrying value of \$464.2 million at June 30, 2015. 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.

The trust deed that governs the bonds contain 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

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

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 June 30, 2015, KWE was in compliance with these covenants.

In August 2014, KWE entered into a three-year unsecured floating rate revolving debt facility ("KWE Facility") with Bank of America Merrill Lynch, Deutsche Bank, and J.P. Morgan Chase of approximately \$353.8 million (£225 million) based on rates as of June 30, 2015. During the six months ended June 30, 2015, KWE drew \$55.7 million and repaid \$56.0 million on its unsecured credit facility to fund acquisitions. The maximum amount drawn on the unsecured credit facility at any one point during the six months ended June 30, 2015 was \$56.0 million. The difference in amounts is based on different exchange rates at the time of the initial draw-downs and subsequent repayment. As of June 30, 2015, the unsecured credit facility was undrawn and \$353.8 million (£225 million) based on rates as of June 30, 2015 was still available.