Kennedy-Wilson Holdings, Inc.
Form 424B3
August 07, 2017
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 4, 2017, Kennedy-Wilson Holdings, Inc. filed with the Securities and Exchange Commission its Quarterly Report on Form 10-Q for the period ended June 30, 2017. 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)
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2017
Or
o 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 incorporation or organization)	(I.R.S. Employer 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 x No o
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 x No o
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	x	Accelerated Filer	o
Non-Accelerated Filer	o	Smaller Reporting Company	o

Emerging Growth Company o

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

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. o

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The number of shares of common stock outstanding as of August 3, 2017 was 114,218,250.

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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, a 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, 2016. 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,” "KW," “Kennedy Wilson,” the "Company," "we," "our," or "us" refers to Kennedy-Wilson Holdings, Inc. and its wholly-owned subsidiaries. The consolidated financial statements of the Company include the results of the Company's consolidated subsidiaries (including KWE).

“KWE” refers to Kennedy Wilson Europe Real Estate plc, a London Stock Exchange-listed company that we externally manage through a wholly-owned subsidiary. In our capacity as external manager of KWE, we are entitled to receive certain (i) management fees equal to 1% of KWE’s adjusted net asset value (EPRA NAV), half of which are paid in cash and the remainder of which is paid are KWE shares; and (ii) performance fees, all of which are paid in KWE shares. In accordance with U.S. GAAP, the financial position and results of KWE are consolidated in our financial statements. We own an approximately 23.80% equity interest in KWE as of June 30, 2017, and throughout this report, we refer to our pro-rata ownership stake (based on our 23.80% equity interest or weighted-average ownership interest during the period, as applicable) in investments made and held directly by KWE and its subsidiaries.

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

"Adjusted EBITDA" represents net income attributable to Kennedy-Wilson Holdings Inc., shareholders before our share of: i) investment interest expense, ii) corporate interest expense, iii) depreciation and amortization, iv) income taxes, v) share-based compensation expense, and vi) preferred stock dividends and accretion of issuance costs. Please also see the reconciliation to GAAP under "Certain Non-GAAP Measures and Reconciliations." Our management uses Adjusted EBITDA to analyze our business because it adjusts net income for items we believe do not accurately reflect the nature of our business going forward or that relate to non-cash compensation expense or noncontrolling interests. Such items may vary for different companies for reasons unrelated to overall operating performance. Additionally, we believe Adjusted EBITDA is useful to investors to assist them in getting a more accurate picture of our results from operations. However, Adjusted EBITDA is not a recognized measurement under GAAP and when analyzing our operating performance, readers should use Adjusted EBITDA in addition to, and not as an alternative for, net income as determined in accordance with GAAP. Because not all companies use identical calculations, our presentation of Adjusted EBITDA may not be comparable to similarly titled measures of other companies. Furthermore, Adjusted EBITDA is not intended to be a measure of free cash flow for our management's discretionary use, as it does not remove all non-cash items (such as acquisition-related gains) or consider certain cash requirements such as tax and debt service payments. The amount shown for Adjusted EBITDA also differs from the amount calculated under similarly titled definitions in our debt instruments, which are further adjusted to reflect certain other cash and non-cash charges and are used to determine compliance with financial covenants and our ability to engage in certain activities, such as incurring additional debt and making certain restricted payments.

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“Adjusted fees’’ refers to Kennedy Wilson’s gross investment management, property services and research fees adjusted to include fees eliminated in consolidation and Kennedy Wilson’s share of fees in unconsolidated service businesses. Please also see the reconciliation to GAAP under "Certain Non-GAAP Measures and Reconciliations". Our management uses Adjusted fees to analyze our investment management and real estate services business because the measure removes required eliminations under GAAP for properties in which the Company provides services but also has an ownership interest. These eliminations understate the economic value of the investment management, property services and research fees and makes the Company comparable to other real estate companies that provide investment management and real estate services but do not have an ownership interest in the properties they manage. Our management believes that adjusting GAAP fees to reflect these amounts eliminated in consolidation presents a more holistic measure of the scope of our investment management and real estate services business.

“Adjusted Net Asset Value’’ is calculated by KWE as net asset value adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallize in a long-term investment property business model such as the fair value of financial derivatives and deferred taxes on property valuation surpluses.

"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, including KWE, and third-party equity providers.

"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, lease rates, and the relative costs of operating properties. Please also see the reconciliation to GAAP under "Certain Non-GAAP Measures and Reconciliations".

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

"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 service businesses.

"Pro-Rata" represents Kennedy Wilson's share calculated by using our proportionate economic ownership of each asset in our portfolio, including our 23.8% ownership in KWE as of June 30, 2017. Please also refer to the pro-rata financial data in our supplemental financial information.

"Property net operating income" is a non-GAAP measure calculated by deducting the Company's Pro-Rata share of rental and hotel operating expenses from the Company's Pro-Rata rental and hotel revenues. Please also see the reconciliation to GAAP under "Certain Non-GAAP Measures and Reconciliations".

"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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PART I
FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

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

	June 30, 2017	December 31, 2016
(Dollars in millions, except share and per share amounts)		
Assets		
Cash and cash equivalents	$569.2	$ 260.2
Cash held by consolidated investments	695.6	625.5
Accounts receivable (including $40.5 and $30.4 of related party)	93.4	71.3
Real estate and acquired in place lease values, net of accumulated depreciation and amortization	6,062.1	5,814.2
Loan purchases and originations	87.2	87.7
Unconsolidated investments (including $330.8 and $329.4 at fair value)	499.0	555.6
Other assets	277.8	244.6
Total assets[1]	$8,284.3	$ 7,659.1
Liabilities and equity		
Liabilities		
Accounts payable	$20.8	$ 11.2
Accrued expenses and other liabilities	431.4	412.1
Line of credit	350.0	—
Investment debt	4,192.8	3,956.1
Senior notes payable	937.6	936.6
Total liabilities[1]	5,932.6	5,316.0
Equity		
Common stock, 114,218,250 and 115,740,906 shares issued and outstanding as of June 30, 2017 and December 31, 2016	—	—
Additional paid-in capital	1,215.9	1,231.4
Accumulated deficit	(132.0)	(112.2)
Accumulated other comprehensive loss	(56.4)	(71.2)
Total Kennedy-Wilson Holdings, Inc. shareholders' equity	1,027.5	1,048.0
Noncontrolling interests	1,324.2	1,295.1
Total equity	2,351.7	2,343.1
Total liabilities and equity	$8,284.3	$ 7,659.1

[1] The assets and liabilities as of June 30, 2017 include $4.8 billion (including cash held by consolidated investments of $0.6 billion and real estate and acquired in place lease values, net of accumulated depreciation and amortization of $3.8 billion) and $2.9 billion (including investment debt of $2.6 billion), respectively, from consolidated variable interest entities ("VIEs"). The assets and liabilities as of December 31, 2016 include $4.5 billion (including cash held by consolidated investments of $0.6 billion and real estate and acquired in place lease values, net of accumulated

depreciation and amortization of $3.6 billion) and $2.7 billion (including investment debt of $2.4 billion), 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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Kennedy-Wilson Holdings, Inc.
Consolidated Statements of Operations
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in millions, except share and per share amounts)	2017	2016	2017	2016
Revenue				
Rental	$123.8	$ 120.3	$248.1	$ 240.2
Hotel	29.0	26.8	58.5	55.9
Sale of real estate	12.8	12.3	13.6	14.2
Investment management, property services and research fees (includes $0.3, $6.5, $10.0, and $17.5 of related party fees)	7.7	13.5	25.2	32.6
Loan purchases, loan originations and other	4.5	3.6	6.5	5.8
Total revenue	177.8	176.5	351.9	348.7
Operating expenses				
Rental operating	36.6	32.8	72.6	63.8
Hotel operating	22.8	23.6	47.2	48.1
Cost of real estate sold	9.6	9.2	10.3	10.6
Commission and marketing	1.7	1.8	3.7	3.5
Compensation and related	45.5	40.5	78.2	86.2
General and administrative	10.0	11.8	19.9	22.0
Depreciation and amortization	52.1	48.9	101.8	97.3
Total operating expenses	178.3	168.6	333.7	331.5
Income from unconsolidated investments	13.4	8.4	35.9	27.6
Operating income	12.9	16.3	54.1	44.8
Non-operating income (expense)				
Gain on sale of real estate	66.3	16.1	71.7	54.5
Acquisition-related gains	—	8.6	—	8.6
Acquisition-related expenses	(0.9)	(6.3)	(1.2)	(8.4)
Interest expense-investment	(35.5)	(33.6)	(69.9)	(66.1)
Interest expense-corporate	(16.6)	(12.2)	(32.2)	(24.3)
Other income	4.4	5.0	4.9	5.7
Income (loss) before (provision for) benefit from income taxes	30.6	(6.1)	27.4	14.8
(Provision for) benefit from income taxes	(8.8)	3.9	(4.6)	3.4
Net income (loss)	21.8	(2.2)	22.8	18.2
Net (income) loss attributable to the noncontrolling interests	(12.4)	1.1	(12.6)	(26.2)
Preferred dividends and accretion of preferred stock issuance costs	—	(0.5)	—	(1.1)
Net income (loss) attributable to Kennedy-Wilson Holdings, Inc. common shareholders	$9.4	$ (1.6)	$10.2	$ (9.1)
Basic income (loss) per share				
Income (loss) per basic	$0.08	$ (0.02)	$0.09	$ (0.09)
Weighted average shares outstanding for basic	111,723,952	109,056,941	111,945,354	109,136,241
Diluted income (loss) per share				
Income (loss) per diluted	$0.08	$ (0.02)	$0.09	$ (0.09)
Weighted average shares outstanding for diluted	111,723,952	109,056,941	111,945,354	109,136,241
Dividends declared per common share	$0.17	$ 0.14	$0.34	$ 0.28

See accompanying notes to consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in millions)	2017	2016	2017	2016
Net income (loss)	$21.8	$(2.2)	$22.8	$18.2
Other comprehensive income (loss), net of tax:				
Unrealized foreign currency translation gain (loss)	99.6	(82.8)	120.8	(60.6)
Unrealized gain on marketable securities	0.1	—	0.1	0.1
Amounts reclassified out of AOCI during the period	—	2.7	—	2.7
Unrealized currency derivative contracts loss	(41.5)	(39.4)	(32.8)	(89.4)
Total other comprehensive income (loss) for the period	58.2	(119.5)	88.1	(147.2)
Comprehensive income (loss)	80.0	(121.7)	110.9	(129.0)
Comprehensive (income) loss attributable to noncontrolling interests	(61.0)	110.6	(85.9)	112.1
Comprehensive income (loss) attributable to Kennedy-Wilson Holdings, Inc. common shareholders	$19.0	$(11.1)	$25.0	$(16.9)

See accompanying notes to consolidated financial statements.

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

(Dollars in millions, except share amounts)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total
Balance at December 31, 2016	115,740,906	$ —	$1,231.4	$ (112.2)	$ (71.2)	$ 1,295.1	$2,343.1
Cumulative effect of ASU 2016-09 adoption[1]	—	—	—	9.3	—	—	9.3
Shares forfeited	(57,000)	—	—	—	—	—	—
Restricted stock grants (RSG)	71,750	—	—	—	—	—	—
Shares retired due to RSG vesting	(1,460,251)	—	(34.0)	—	—	—	(34.0)
Shares retired due to common stock repurchase program	(77,155)	—	(1.4)	(0.2)	—	—	(1.6)
Stock based compensation	—	—	19.9	—	—	—	19.9
Other comprehensive income (loss):							
Unrealized foreign currency translation gain, net of tax	—	—	—	—	28.1	92.7	120.8
Unrealized foreign currency derivative contract loss, net of tax	—	—	—	—	(13.4)	(19.4)	(32.8)
Unrealized gains on marketable securities, net of tax	—	—	—	—	0.1	—	0.1
Common stock dividends	—	—	—	(39.1)	—	—	(39.1)
Net income	—	—	—	10.2		12.6	22.8
Acquisition of Kennedy Wilson Europe (KWE) shares from noncontrolling interest holders	—	—	—	—	—	(3.3)	(3.3)
Contributions from noncontrolling interests	—	—	—	—	—	22.7	22.7
Distributions to noncontrolling interests	—	—	—	—	—	(76.2)	(76.2)
Balance at June 30, 2017	114,218,250	$ —	$1,215.9	$ (132.0)	$ (56.4)	$ 1,324.2	$2,351.7

[1] See Note 2 for further discussion.
See accompanying notes to consolidated financial statements.

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

(Dollars in millions)	Six Months Ended June 30, 2017	2016
Cash flows from operating activities:		
Net income	$22.8	$18.2
Adjustments to reconcile net income to net cash used in operating activities:		
Net gain from sale of real estate	(75.0)	(58.1)
Acquisition-related gain	—	(8.6)
Depreciation and amortization	101.8	97.3
Provision for deferred income taxes	(0.4)	(6.6)
Amortization of deferred loan costs	4.1	5.2
Accretion of interest income on loans	(3.6)	(4.6)
Amortization of discount and accretion of premium on issuance of the senior notes and investment debt	(0.6)	(0.5)
Unrealized net loss (gain) on derivatives	7.0	(6.3)
Income from unconsolidated investments	(35.9)	(28.1)
Operating distributions from unconsolidated investments	57.3	17.9
Operating distributions from loan purchases and originations	2.6	9.1
Share-based compensation	19.9	32.2
Change in assets and liabilities:		
Accounts receivable	(11.6)	(29.7)
Other assets	(13.1)	(14.3)
Accounts payable, accrued expenses and other liabilities	(7.1)	(12.6)
Net cash provided by operating activities	68.2	10.5
Cash flows from investing activities:		
Additions to loans	—	(5.3)
Collections of loans	6.4	138.8
Net proceeds from sale of real estate	243.0	183.4
Purchases of and additions to real estate	(284.9)	(447.5)
Proceeds from settlement of foreign derivative contracts	3.0	25.7
Purchases of foreign derivative contracts	(0.5)	(3.4)
Investment in marketable securities	(0.4)	(0.7)
Proceeds from sale of marketable securities	0.2	—
Distributions from unconsolidated investments	69.0	35.2
Contributions to unconsolidated investments	(36.7)	(45.6)
Net cash used in investing activities	(0.9)	(119.4)
Cash flows from financing activities:		
Borrowings under line of credit	400.0	100.0
Repayment of lines of credit	(50.0)	—
Borrowings under investment debt	166.8	476.5
Repayment of investment debt	(100.6)	(97.5)
Debt issue costs	(0.1)	(3.7)
Repurchase and retirement of common stock	(35.6)	(42.8)
Dividends paid	(37.9)	(31.0)
Costs associated with KWE transaction	(5.5)	—
Acquisition of KWE shares from noncontrolling interest holders	(3.3)	(67.9)
Contributions from noncontrolling interests, excluding KWE	22.7	12.9

Distributions to noncontrolling interests	(76.2)	(73.5)
Net cash provided by financing activities	280.3	273.0
Effect of currency exchange rate changes on cash and cash equivalents	31.5	(39.7)
Net change in cash and cash equivalents[1]	379.1	124.4
Cash and cash equivalents, beginning of period	885.7	731.6
Cash and cash equivalents, end of period	$1,264.8	$856.0

[1] See discussion of non-cash effects in notes to statement of cash flows.

See accompanying notes to consolidated financial statements.

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

Supplemental cash flow information:

	Six Months Ended June 30,	
(Dollars in millions)	2017	2016
Cash paid for:		
Interest[1]	$99.3	$80.2
Income taxes[2]	9.0	7.7

[1] $30.5 million and $28.1 million attributable to noncontrolling interests
[2] $7.0 million and $6.1 million attributable to noncontrolling interests

Supplemental disclosure of non-cash investing and financing activities:

	Six Months Ended June 30,	
(Dollars in millions)	2017	2016
Accrued capital expenditures	$9.3	$19.1
Dividends declared but not paid on common stock	19.5	15.8

During the six months ended June 30, 2016, the Company acquired additional equity interests in a retail property in the Western United States that was 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 $8.6 million during the six months ended June 30, 2016.

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

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 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 and six months ended June 30, 2017 and 2016 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, 2017. 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, 2016. Throughout these unaudited interim consolidated financial statements “KW Group,” is referenced which is defined 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. "KW," “KWH,” “Kennedy Wilson,” the “Company,” “we,” “our,” or “us” are 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 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 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.

KWE

Kennedy Wilson Europe Real Estate Plc (“KWE,” LSE: KWE), a public limited company registered in Jersey 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, 2017, the Company invested $492.6 million and owned approximately 23.8% of KWE’s total issued share capital.

Prior to KWE's formation and for investments that do not meet KWE's investment guidelines, the Company (along with its equity partners) has directly invested in 17 properties and a servicing platform in Europe which had total assets of $934.2 million included in the Company's consolidated balance sheet and $264.2 million of equity as of June 30, 2017. As of June 30, 2017, the Company's weighted average ownership in these investments was 65%.

On April 24, 2017, the Company issued an announcement pursuant to Rule 2.7 of the United Kingdom City Code on Takeovers and Mergers disclosing the terms of a recommended offer by the Company to acquire all of the outstanding shares (other than shares owned by the Company or its subsidiaries or held in treasury) of KWE. Under the terms of the transaction, KWE shareholders would be entitled to receive, for each KWE ordinary share, 0.667 shares of the Company's common stock (the "Original Offer") by means of a court sanctioned scheme of arrangement between the Company and KWE shareholders under Article 125 of the Jersey Companies Law (the "Transaction").

On June 13, 2017, the Company issued a further announcement (the "New Offer Announcement") pursuant to Rule 2.7 of the United Kingdom City Code on Takeovers and Mergers (the "Code") disclosing an agreement between the Company and KWE, to make available a new alternative proposal in connection with the Transaction.

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Under the terms of the New Offer Announcement, KWE shareholders would have the option of electing to receive either: (i) the Original Offer; or (ii) a mixed consideration (the "New Offer") consisting of (a) 300 pence in cash, to be paid by the Company (the "KWH Cash Component"); (b) 250 pence in cash, to be paid by KWE as a special distribution on or around closing of the Transaction (the "KWE Special Distribution"); and (c) 0.3854 shares of the Company's common stock. The availability of the New Offer to KWE shareholders would be conditional upon, among other things, the publication of and approval by the UK Listing Authority of a Prospectus to be published by the Company. The Company will provide a mix and match facility (the "Mix and Match Facility") under which KWE shareholders (other than certain overseas KWE shareholders) who elect to receive the New Offer may, subject to off-setting elections made by other KWE shareholders, elect to vary the proportion of shares of the Company's common stock and cash (but not the KWE Special Distribution) received pursuant to the Transaction. Based on the terms of the New Offer Announcement, if all KWE shareholders elected to receive the New Offer, KWE shareholders (other than the Company and its affiliates) would own approximately 25% and existing KWH shareholders would own approximately 75% of the combined group following the completion of the Transaction. If all KWE shareholders elected to receive the Original Offer, KWE shareholders (other than the Company and its affiliates) would own approximately 36% and existing KWH shareholders would own approximately 64% of the combined group following the completion of the Transaction. In connection with the Transaction, on June 9, 2017, the Company drew $350 million on its revolving credit facility. The funds along with $18.0 million of existing corporate cash were deposited into an escrow account, in accordance with the funds certain requirement of the UK Takeover Code, and such funds will be used to fulfill the KWH Cash Component described above.

In connection with the Transaction, the Company has announced that its Board of Directors intends to increase the first quarterly dividend payable following the effective date of the Transaction from $0.17 per share of KWH common stock to $0.19 per share of KWH common stock.

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 the Company's 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, the Company calculates 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 (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 the Company 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 in the Company's consolidated statements of operations. Total performance fees recognized from inception through June 30, 2017 that may be reversed in future periods if there is negative fund performance totaled $31.1 million. Net performance fees recognized during the six months ended June 30, 2017 and 2016 were $3.8 million and $9.1 million, respectively, and the amounts that have not been received are included in accounts receivable - related parties 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 Subtopic 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 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,

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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 relates to the Company's investment in KWE, which had a corresponding noncontrolling interest balance of $1.1 billion as of June 30, 2017.

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.

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 exchanges 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.

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—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 apply to KW Group’s management and leasing fees (including performance fees), commissions, rental and hotel income. Management is evaluating the impact of the five step model and does not expect it to have a significant impact on the financial statements. ASU 2014-09 will also impact how sales of real estate are reported, which will become subject to ASC Subtopic 610-20 Other Income- Gains and Losses from the Derecognition of Nonfinancial Assets ("Subtopic

610-20"). After review of Subtopic 610-20, management concluded that the new standard is not expected to have a significant impact on the amount, timing or classification of real estate sales in the financial statements or related disclosures based on the Company's current business mix. The new standard will replace most existing revenue recognition in GAAP when it becomes effective for the Company on January 1, 2018. The Company is planning on adopting a modified retrospective transition method when the guidance becomes effective.

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

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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 KW Group'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 March 2016, the FASB issued ASU 2016-07, Simplifying the Transition to the Equity Method of Accounting, which eliminates the requirement for an investor to retroactively apply the equity method when its increase in ownership interest (or degree of influence) in an investee triggers equity method accounting. ASU 2016-07 is effective for all entities in fiscal years beginning after December 15, 2016. The adoption of this standard did not have a material impact on KW Group's consolidated financial statements.

On March 30, 2016, the FASB issued ASU 2016-09, Improvements to Employee Share-Based Payment Accounting, which is intended to improve the accounting for share-based payment transactions as part of the FASB's simplification initiative. The ASU changes seven aspects of the accounting for share-based payment award transactions, including: (1) accounting for income taxes; (2) classification of excess tax benefits on the statement of cash flows; (3) forfeitures; (4) minimum statutory tax withholding requirements; (5) classification of employee taxes paid on the statement of cash flows when an employer withholds shares for tax-withholding purposes; (6) practical expedient - expected term (nonpublic only); and (7) intrinsic value (nonpublic only).

ASU 2016-09 requires excess tax benefits and deficiencies to be recognized as a component of income tax expense rather than equity. An excess tax benefit (windfall) arises when the value of the share-based award on the vesting date is higher than the fair value on the grant date. A tax deficiency (shortfall) arises when the fair value on vesting date is lower than the fair value on the grant date. In addition, ASU 2016-09 eliminated the requirement for excess tax benefits from share-based compensation to reduce current taxes payable prior to being recognized in the financial statement. The inclusion of excess tax benefits and deficiencies as a component of our income tax expense will increase volatility within the Company's tax provision for income taxes as the amount of excess tax benefits or deficiencies from stock-based compensation awards is from now on dependent upon the Company's stock price on the date the awards vest.

On January 1, 2017, KW Group adopted ASU 2016-09 under the modified retrospective approach and recorded the cumulative impact of the accounting change through a reduction to the accumulated deficit of $9.3 million. This amount represents the cumulative excess tax benefits related to share-based compensation as of December 31, 2016 which had not been reflected as a deferred tax asset. As a result of adoption of ASU 2016-09, the excess tax benefits were reclassified to net operating loss carryover, resulting in an increase in our deferred tax asset by $9.3 million as of January 1, 2017.

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 Company does not expect the ASU to have a significant impact on KW Group'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

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adopted for public entities for fiscal years beginning after December 15, 2017. The Company does not expect the ASU to have a significant impact on KW Group's consolidated financial statements.

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 KW Group's consolidated financial statements.

The FASB did not issue any other ASUs during the first six months of 2017 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

KW Group's investment in loan purchases and originations was $87.2 million and $87.7 million at June 30, 2017 and December 31, 2016, respectively.

During the first quarter of 2017, Kennedy Wilson collected, in full, approximately $6.4 million on a loan secured by an office property in San Diego, CA.

KW Group recognized interest income on loans of $4.5 million and $6.5 million during the three and six months ended June 30, 2017, respectively, and $3.6 million and $5.8 million during the three and six months ended June 30, 2016, respectively.

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, 2017 and December 31, 2016:

	June 30,	December 31,
(Dollars in millions)	2017	2016
Land	$1,429.3	$1,383.2
Buildings	4,228.4	4,048.7
Building improvements	461.4	373.5
In-place lease values	409.0	383.1
	6,528.1	6,188.5
Less accumulated depreciation and amortization	(466.0)	(374.3)
Real estate and acquired in place lease values, net of accumulated depreciation and amortization	$6,062.1	$5,814.2

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 8.2 years at June 30, 2017.

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, 2017, KW Group acquired the following consolidated properties:

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(Dollars in millions)		Preliminary Purchase Price Allocation at Acquisition[1]					
Location	Description	Land	Building	Acquired in place lease values[2]	Investment debt	NCI	KWH Shareholders' Equity
Western U.S.	One retail center and one commercial property	$32.9	$ 115.3	$ 16.4	$ 77.0	$0.2	$ 79.8
		$32.9	$ 115.3	$ 16.4	$ 77.0	$0.2	$ 79.8

[1] Excludes acquisition expenses and net other assets. The purchase price allocations for properties acquired during the six months ended June 30, 2017 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 and will be finalized within one year.
[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.

Gains on real estate

During the six months ended June 30, 2017, KW Group recognized the following gains on sale of real estate:

(Dollars in millions)		Gain on sale of real estate		
	Description	Consolidated [1]	NCI	Net of NCI
KW	Two multifamily properties and one retail center in the Western U.S., one commercial development in Ireland and one residential property in the United Kingdom	$62.1	$5.8	$56.3
KWE	15 commercial properties in the United Kingdom and two condo unit sales in Spain	12.9	9.9	3.0
KW Group		$75.0	$15.7	$59.3

[1] Includes both the sale of real estate as a business, which is recognized through 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 June 30, 2017, the maximum potential amount of future payments (undiscounted) Kennedy Wilson could be required to make under the guarantees was approximately $50.9 million which is approximately 1% of investment level debt of Kennedy Wilson and its equity partners. The guarantees expire through 2026, 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 June 30, 2017 and December 31, 2016 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. 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, 2017 occurred as of January 1, 2016.

(Dollars in millions, except for per share data)	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Pro forma revenues	$178.6	$180.7	$354.2	$356.6
Pro forma net income	22.4	1.2	24.1	24.8
Pro forma net income (loss) attributable to Kennedy-Wilson Holdings, Inc. common shareholders	9.9	1.8	11.6	(2.5)
Pro forma net income (loss) per share:				
Basic	$0.09	$0.02	$0.10	$(0.02)
Diluted	$0.09	$0.02	$0.10	$(0.02)

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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 the Company's unconsolidated investments by investment type and geographic location as of June 30, 2017:

(Dollars in millions)	Multifamily	Commercial	Residential and Other	Total
Western U.S.	$ 204.1	$ 58.7	$ 201.3	$464.1
United Kingdom	—	11.1	—	11.1
Spain	—	—	17.5	17.5
Japan	6.4	—	—	6.4
Total	$ 210.5	$ 69.8	$ 218.8	$499.1

The following table details the Company's unconsolidated investments by investment type and geographic location as of December 31, 2016:

(Dollars in millions)	Multifamily	Commercial	Residential and Other	Total
Western U.S.	$ 192.9	$ 65.3	$ 261.6	$519.8
United Kingdom	—	13.8	—	13.8
Spain	—	—	15.9	15.9
Japan	6.1	—	—	6.1
Total	$ 199.0	$ 79.1	$ 277.5	$555.6

During the six months ended June 30, 2017, multifamily investments increased due to investments in four new multifamily properties, which was offset by the sale of one property. Commercial investments decreased due to the sale of two properties. Residential and Other investments decreased due to a land sale, collections on receivables, and condominium unit and lot sales.

Vintage Housing Holdings ("VHH")

The Company owns noncontrolling interests in VHH, a joint venture that holds controlling interests in over 30 syndicated limited partnerships ("LPs") that own multifamily properties via a traditional 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 June 30, 2017 and December 31, 2016, the carrying value in VHH was $95.5 million and $84.2 million, respectively.

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The LPs generate cash flow through their controlling 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. No fair value gains and $12.4 million were recognized through equity income during the three and six months ended June 30, 2017, respectively. The Company recognized $3.8 million and $13.3 million of fair value gains through equity income during the three and six months ended June 30, 2016, 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 LP 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 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. The Company has recognized $1.5 million and $3.2 million in equity income related to operating distributions for the three and six months ended June 30, 2017. The Company has recognized $1.5 million and $3.1 million in equity income related to operating distributions for the three and six months ended June 30, 2016.

Contributions to Joint Ventures

During the six months ended June 30, 2017, Kennedy Wilson contributed $11.5 million to new joint ventures. Kennedy Wilson contributed $25.2 million to existing joint ventures during the six months ended June 30, 2017 to fund the Company's share of development projects, capital expenditures and working capital needs.

Distributions from Joint Ventures

During the six months ended June 30, 2017, Kennedy Wilson received $126.3 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 six months ended June 30, 2017:

	Multifamily		Commercial		Residential and Other		Total	
(Dollars in millions)	Operating	Investing	Operating	Investing	Operating	Investing	Operating	Investing
Western U.S.	$ 15.0	$ 8.6	$ 24.3	$ 16.1	$ 15.7	$ 44.3	$ 55.0	$ 69.0
United Kingdom	—	—	2.3	—	—	—	2.3	—
Total	$ 15.0	$ 8.6	$ 26.6	$ 16.1	$ 15.7	$ 44.3	$ 57.3	$ 69.0

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 KW Group's financial statements.

Capital Commitments

As of June 30, 2017, Kennedy Wilson had unfulfilled capital commitments totaling $70.0 million to four of its joint ventures under the respective operating agreements, including $50.0 million relating to Kennedy Wilson Real Estate Fund VI, LP. The Company may be called upon to contribute additional capital to joint ventures in satisfaction of such capital commitment obligations.

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, 2017:

(Dollars in millions)	Level 1	Level 2	Level 3	Total
Unconsolidated investments	$ —	$—	$ 330.8	$ 330.8
Marketable securities	7.9	—	—	7.9
Currency derivative contracts	—	(85.5)	—	(85.5)
Total	$ 7.9	$ (85.5)	$ 330.8	$ 253.2

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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, 2016:

(Dollars in millions)	Level 1	Level 2	Level 3	Total
Unconsolidated investments	$ —	$—	$329.4	$329.4
Marketable securities	7.5	—	—	7.5
Currency derivative contracts	—	(47.2)	—	(47.2)
Total	$ 7.5	$(47.2)	$329.4	$289.7

Unconsolidated Investments

Kennedy Wilson elected to use the fair value option ("FV Option") for seventeen 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 $282.6 million and $282.4 million at June 30, 2017 and December 31, 2016, respectively, which is included in unconsolidated investments in the accompanying balance sheets.

Additionally, Kennedy Wilson records its investments in KW Property Fund III, L.P., Kennedy Wilson Real Estate Fund IV, and Kennedy Wilson Real Estate Fund V, 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 $48.2 million and $47.0 million at June 30, 2017 and December 31, 2016, respectively, which is included in unconsolidated investments in the accompanying consolidated balance sheets. As of June 30, 2017, Kennedy Wilson had unfunded capital commitments to the Funds in the amount of $16.2 million.

In estimating fair value of real estate held by the Funds and the seventeen 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)	June 30, 2017	December 31, 2016
FV Option	$ 282.6	$ 282.4
Funds	48.2	47.0
Total	$ 330.8	$ 329.4

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 and six months ended June 30, 2017 and 2016:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in millions)	2017	2016	2017	2016
Beginning balance	$375.8	$234.8	$329.4	$223.8
Unrealized and realized gains	5.7	9.0	27.8	26.6
Unrealized and realized losses	(0.1)	—	(1.0)	—
Contributions	5.0	4.3	25.2	20.1
Distributions	(55.2)	(12.0)	(74.5)	(34.9)
Other	(0.4)	0.5	23.9	1.0
Ending balance	$330.8	$236.6	$330.8	$236.6

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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	4.75% - 8.60%	7.25% - 9.75%
Retail	5.50% - 9.00%	7.25% - 11.00%
Multifamily	4.75% - 7.75%	8.00% - 9.75%
Land and condominium units	N/A	8.00% - 15.00%

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 for these types of investments range from 1.53% 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. 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 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. The fixed income portfolio consists mainly of U.S. government and investment grade corporate bonds. 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 30.0 million shares in KWE as the investment is eliminated due to the consolidation of KWE's results in KW Group's consolidated financial statements. Kennedy Wilson's investment in KWE had a market value of approximately $434.0 million (cost basis of $454.9 million, net of realized and unrealized hedging activity) based on a per share price of $14.46 at June 30, 2017. As of June 30, 2017, the Company had fully hedged the foreign currency rate risk of its net investment in KWE through using currency forward contracts and options, with a notional amount of £356.0 million.

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 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 June 30, 2017, KW Group 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.

If the derivative applies for hedge accounting, 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. Ineffective portions of currency derivative contracts and contracts that do not quality for net investment hedges are recognized in the statement of operations within other income.
The fair value of the currency derivative contracts held as of June 30, 2017 and December 31, 2016 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

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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, 2017 and the activity during the six months ended June 30, 2017:

(Dollars in millions)			June 30, 2017		Six Months Ended June 30, 2017		
Currency Hedged	Underlying Currency	Notional	Hedge Asset	Hedge Liability	Change in Unrealized Gains (Losses)	Realized Gains (Losses)	Cash Received (Paid)
Outstanding							
EUR	USD	€ 130.0	$0.3	$ (2.8)	$(6.2)	$ —	$ —
EUR[1]	GBP	€ 360.0	—	(79.8)	(11.0)	—	—
EUR[1][2]	GBP		—	—	(14.5)	—	—
GBP	USD	£ 356.0	6.7	(3.0)	(10.2)	—	(0.5)
GBP[3]	USD	£ 259.7	—	(6.8)	—	(6.8)	—
Yen	USD	¥ 757.0	0.2	(0.3)	(0.1)	—	—
Total Outstanding			7.2	(92.7)	(42.0)	(6.8)	(0.5)
Settled							
GBP	USD		—	—	0.2	0.2	3.0
Total Settled			—	—	0.2	0.2	3.0
Total			7.2	(92.7)	(41.8)	(6.6)	2.5
Noncontrolling interests			—	60.8	19.4	—	—
Total - Kennedy Wilson share			$7.2	$ (31.9)	$(22.4)	$ (6.6)	$ 2.5

(1) Hedge is held by KWE on its wholly-owned subsidiaries.
(2) Relates to KWE's Euro Medium Term Note. See discussion in Note 8.
(3) Relates to hedges on GBP escrow cash that is held by Kennedy Wilson relating to the proposed acquisition of KWE. Derivative losses are offset by realized foreign currency exchange gains on translation of cash.

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 KW Group.

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 June 30, 2017 and December 31, 2016 for the senior notes payable and investment debt were estimated to be approximately $5.5 billion and $5.0 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 $5.5 billion and $4.9 billion at June 30, 2017 and December 31, 2016, respectively. The inputs used to value the Company's senior notes payable and mortgage loans payable 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, 2017	December 31, 2016
Above-market leases, net of accumulated amortization of $37.1 and $28.1 at June 30, 2017 and December 31, 2016, respectively	$ 68.7	$ 72.4
Development project asset	34.1	—
Deferred tax asset, net	28.4	28.4
VAT receivable	27.0	23.2
Goodwill	23.9	23.9
Other, net of accumulated amortization of $6.8 and $5.4 at June 30, 2017 and December 31, 2016, respectively	23.8	19.9
Office furniture and equipment net of accumulated depreciation of $30.9 and $24.4 at June 30, 2017 and December 31, 2016, respectively	23.5	25.4
Straight line rent	18.6	11.7
Prepaid expenses	12.9	10.2
Marketable securities(1)	7.9	20.2
Hedge assets	7.2	7.5
Deposits	1.8	1.8
Other Assets	$ 277.8	$ 244.6

(1) The amount above excludes Kennedy Wilson's 30.0 million shares in KWE as the investment is eliminated due to the consolidation of KWE's results. Kennedy Wilson's investment in KWE had a market value of approximately $434.0 million (cost basis of $454.9 million, net of realized and unrealized hedging activity) based on a per share price of $14.46 at June 30, 2017.

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. Concurrent 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.

The transaction was evaluated based on ASC Topic 360-20. Because adequate initial investment by the buyer was not collected at June 30, 2017, the transaction has been recorded under the installment method. The installment method apportions each cash receipt between cost recovered and profit. The apportionment is in the same ratio as total cost and total profit bear to the sales value. During the quarter ended June 30, 2017, there was $11.8 million of sale of real estate and $8.9 million of cost of real estate sold in the consolidated statement of operations related to the sale of 200 Capital Dock. Consequently the "development project asset" represents the basis which has not yet been relieved under the installment method.

Additional payments from the buyer are due upon completion of certain milestones and when adequate initial and continuing investment requirements have been met, the transaction will be reported under the full accrual method. Because this requirement is expected to be satisfied before construction is completed, continuing involvement associated with construction completion will continue to defer profit recognition related to the construction of the building and which will be recognized in earnings under the percentage of completion basis through completion of the project. The requirements for meeting the full accrual

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method are expected to be completed before December 31, 2017 while the construction is expected to be completed in the third quarter 2018. In the event that the buyer exercises its right to take over the construction of the project, the Capital Dock JV will receive a reduced amount of proceeds from this transaction.

NOTE 8—INVESTMENT DEBT

Investment debt at June 30, 2017 and December 31, 2016 consists of the following:

(Dollars in millions)		Carrying Amount of Investment Debt as of [1]	
Investment Debt by Product Type	Region	June 30, 2017	December 31, 2016
Mortgage debt			
Multifamily [1]	Western U.S.	$1,131.4	$ 1,180.8
Commercial	Western U.S.	363.9	290.2
Residential, Hotel and Other	Western U.S.	49.5	49.8
Commercial [1][2]	Ireland	422.5	331.5
Multifamily [1][2]	Ireland	142.6	131.3
Residential and Other[1][2]	Ireland	39.8	28.0
Hotel	Ireland	82.3	75.7
Commercial [2]	Spain	91.3	84.4
Commercial [1][2]	United Kingdom	621.5	616.9
Secured investment debt		2,944.8	2,788.6
Unsecured investment debt [1][2]	United Kingdom	1,275.4	1,192.4
Investment debt (excluding loan fees)		$4,220.2	$ 3,981.0
Unamortized loan fees		(27.4)	(24.9)
Total Investment debt		$4,192.8	$ 3,956.1

[1] The investment 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 (discount) as of June 30, 2017 and December 31, 2016 was $0.1 million and $0.9 million, respectively.
[2] Kennedy Wilson owned approximately 23.8% and 23.6% of the total issued share capital of KWE as of June 30, 2017 and December 31, 2016, respectively. See the table below for a detailed breakout.

(Dollars in millions)		Carrying amount of investment debt as of [1]	
Types of Property Pledged as Collateral (KWE)	Region	June 30, 2017	December 31, 2016
Commercial [1][2]	Ireland	276.3	254.7
Commercial [1][2]	Spain	91.3	84.4
Commercial [1][2]	United Kingdom	552.4	551.4
Investment debt		$920.0	$ 890.5

Unsecured [1][2]	United Kingdom	1,275.4	1,192.4
Investment debt (excluding loan fees)		$2,195.4	$ 2,082.9
Unamortized loan fees		(12.4)	(13.3)
Total Investment debt		$2,183.0	$ 2,069.6

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(1) The mortgage loan 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 discount as of June 30, 2017 and December 31, 2016 was $4.3 million and $4.1 million, respectively.
(2) Kennedy Wilson owned approximately 23.80% and 23.6% of the total issued share capital of KWE as of June 30, 2017 and December 31, 2016, respectively.

The investment debt had a weighted average interest rate of 3.37% and 3.33% per annum at June 30, 2017 and December 31, 2016, respectively. As of June 30, 2017, 68% of KW Group's investment level debt is fixed rate, 14% is floating rate with interest caps and 18% is floating rate without interest caps, compared to 75% fixed rate, 15% floating rate with interest caps and 10% floating rate without interest caps, as of December 31, 2016.

During the second quarter of 2015, KWE completed its inaugural bond offering of approximately $390.8 million (based on June 30, 2017 rates) (£300 million) in 3.95% fixed-rate senior unsecured bonds due 2022. During the third quarter of 2016, KWE completed an additional offering of approximately $260.5 million (based on June 30, 2017 rates) (£200 million) in 3.95% fixed-rate senior unsecured bonds due 2022. 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, during the fourth quarter of 2015, KWE established a £2.0 billion (approximately $2.6 billion based on June 30, 2017 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. During the fourth quarter of 2015 and second quarter of 2016, KWE drew down under its EMTN Programme, with the issuances of senior unsecured notes for an aggregate principal amount of approximately $628.4 million (based on June 30, 2017 rates) (€550 million) (the "KWE Notes"). The KWE Notes were issued at a discount and have a carrying value of $624.3 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 six months ended June 30, 2017, KW Group recognized a loss of $14.5 million in accumulated other comprehensive income due to the strengthening of the euro against the GBP during the period. The KWE Notes rank pari passu with the KWE Bonds (as defined below), 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 June 30, 2017, 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 $293.1 million (£225 million) based on rates as of June 30, 2017. As of June 30, 2017, the unsecured credit facility was undrawn, with $293.1 million (£225 million) still available based on rates as of June 30, 2017. On July 11, 2017, KWE secured an extension to the terms of the KWE Facility. The KWE Facility, which was due to expire on August 29, 2017, has been extended to the earlier of the date in which the Company acquires all of the outstanding shares (other than shares owned by the Company or its subsidiaries or held in treasury) of KWE and February 28th, 2018 (see Note 1 for further details).

During the six months ended June 30, 2017, one existing mortgage was refinanced, one acquisition was partially financed with a mortgage, and one investment acquired supplemental financing.

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The aggregate maturities of investment debt subsequent to June 30, 2017 are as follows:

(Dollars in millions)	Aggregate Maturities
2017	$ 64.7
2018	168.3
2019	617.6
2020	256.5
2021	103.0
Thereafter	3,010.0
	4,220.1
Debt premium	0.1
Unamortized loan fees	(27.4)
	$ 4,192.8

NOTE 9—SENIOR NOTES

(Dollars in millions)			June 30, 2017			December 31, 2016		
	Interest Rate	Maturity Date	Face Value	Unamortized Net Premium/(Discount)	Carrying Value	Face Value	Unamortized Net Premium/(Discount)	Carrying Value
2042 Notes	7.75%	12/1/2042	$ 55.0	$ —	$ 55.0	$ 55.0	$ —	$ 55.0
2024 Notes	5.88%	4/1/2024	900.0	(2.1)	897.9	900.0	(2.2)	897.8
Senior Notes			$ 955.0	$ (2.1)	$ 952.9	$ 955.0	$ (2.2)	$ 952.8
Unamortized loan fees					(15.3)			(16.2)
Total Senior Notes					$ 937.6			$ 936.6

In August 2016, Kennedy Wilson, Inc., (the "Issuer") completed an additional public offering of $250.0 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 $650 million aggregate principal amount of its 5.875% Senior Notes due 2024 (the “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 a public offering price of 100.0% of their principal amount, plus accrued interest from, and including, April 1, 2016.
The indentures governing the 2024 Notes and 2042 Notes contain 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, to make restricted payments, pay dividends or make any other distributions from restricted subsidiaries, redeem or repurchase capital stock, sell assets or subsidiary stock, engage in transactions with affiliates, create or permit liens on assets, enter into sale/leaseback transactions, and enter into consolidations or mergers. The indentures governing the 2024 and 2042 Notes limit 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. This ratio is measured at the time of incurrence of additional indebtedness. As of June 30, 2017, the maximum balance sheet leverage ratio was 1.27 to 1.00. See Note 15 for the guarantor and non-guarantor financial statements.
NOTE 10—BORROWINGS UNDER LINES OF CREDIT
KW Revolving Facility

During the six months ended June 30, 2017, Kennedy-Wilson, Inc. (the “Borrower”), drew $400.0 million and repaid $50.0 million on the $475 million unsecured revolving credit facility (the “KW Revolving Facility”). As of June 30, 2017, there was $350.0 million outstanding under the KW Revolving Facility, and $125.0 million was still available. As of December 31, 2016, the KW Revolving Facility was undrawn, and $475.0 million was still available. Refer to Note 1 for the use of the funds.

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On December 10, 2015, the Borrower, a wholly-owned subsidiary of Kennedy-Wilson Holdings, Inc. ("KWH") entered into the KW Revolving Facility with a syndicate of lenders including Bank of America, N.A., JP Morgan Chase Bank, N.A., Deutsche Bank AG New York Branch, U.S. Bank N.A., East West Bank, Fifth Third Bank, The Governor and Company of the Bank of Ireland, Compass Bank and City National Bank with Bank of America, N.A., as administrative agent and letter of credit issuer. Loans under the KW Revolving Facility bear interest at a rate equal to LIBOR plus 2.50% or 3.00%, depending on the consolidated leverage ratio as of the applicable measurement date, and have a maturity date of December 10, 2018. Subject to certain conditions precedent and at the Borrower's option, the maturity date of the KW Revolving Facility may be extended by one year.
The KW Revolving Facility has certain covenants that, among other things, limit the Borrower 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 that governs the KW Revolving Facility requires the Borrower 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 1.60 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 $920,660,504.65 plus an amount equal to fifty percent (50%) of net equity proceeds received by the Borrower after September 30, 2015, 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 the greater of 3.5% of consolidated total asset value (as defined in the credit agreement) and $138,187,197, (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 $250 million.
As of June 30, 2017, the Borrower's consolidated leverage ratio was 60.8%, its fixed charge coverage ratio was 3.1 to 1.00, its consolidated tangible net worth was $1,306.5 million, its adjusted secured leverage ratio was 35.4%, its secured recourse leverage ratio was 1.0%, its recourse leverage ratio was 1.04, and liquidity was $1,114.3 million. The obligations of the Borrower pursuant to the Credit Agreement are guaranteed by KWH and certain of its wholly-owned subsidiaries.

NOTE 11—EQUITY

Common Stock Repurchase Program

On February 25, 2016, Kennedy Wilson announced the authorization of a stock repurchase program for up to $100 million. Repurchases under the program may be made in the open market, in privately negotiated transactions or otherwise, with the amount and timing of repurchases depending on market conditions and subject to the Company's discretion. During the six months ended June 30, 2017, Kennedy Wilson repurchased and retired 77,155 shares for $1.6 million under the stock repurchase program. During the six months ended June 30, 2016, Kennedy Wilson repurchased and retired 1,421,252 shares for $28.0 million under the stock repurchase program.

Dividend Distributions

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

	Six Months Ended June	Six Months Ended June

	30, 2017		30, 2016	
(Dollars in millions)	Declared	Paid	Declared	Paid
Preferred Stock				
Series B[(1)]	—	—	1.1	1.1
Total Preferred Stock	—	—	1.1	1.1
Common Stock	39.1	37.9	32.0	29.9
Total [(2)]	$39.1	$37.9	$33.1	$31.0

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(1) The decrease in Series B dividends during the current year is due to the early conversion of the Series B preferred stock into common shares during the fourth quarter of 2016.
(2) The difference between declared and paid is the amount accrued on the consolidated balance sheets.

Share-based Compensation

During the three months ended June 30, 2017 and 2016, KW Group recognized $9.4 million and $14.7 million of compensation expense related to the vesting of restricted stock grants. During the six months ended June 30, 2017 and 2016, KW Group recognized $20.1 million and $32.2 million of compensation expense related to the vesting of restricted stock grants. The decrease for the three and six months ended June 30, 2017 is mainly due to restricted stock that was granted in 2012 under the Company's Amended and Restated 2009 Equity Participation Plan being fully vested as of December 31, 2016.

Upon vesting, the restricted stock granted to employees discussed directly above is net share-settled to cover the withholding tax. Shares that vested during the six months ended June 30, 2017 and 2016 were net-share settled such that the Company withheld shares with value equivalent to the employees' minimum statutory obligation for the applicable income and other employment taxes, and remitted the cash to the appropriate taxing authorities. The total shares withheld during the six months ended June 30, 2017 and 2016 were 1,460,251 shares and 634,692 shares, respectively. During the six months ended June 30, 2017 and 2016, total payments for the employees' tax obligations to the taxing authorities were $34.0 million and $14.6 million, respectively. These activities are reflected as a financing activity within KW Group's consolidated statements of cash flows.

On April 28, 2017, the Board of Director of the Company adopted the Second Amended and Restated 2009 Equity Participation Plan (the "Second Amended and Restated Plan"), subject to approval by the Company's stockholders. On June 15, 2017, the Company's stockholders approved the Second Amended and Restated Plan and the Second Amended and Restated Plan became effective. The Second Amended and Restated Plan amends and restates the Company's Amended and Restated 2009 Equity Participation Plan (the "First Amended and Restated Plan") in its entirety.

The Second Amended and Restated Plan provides for the grant of stock options, stock appreciation rights, restricted stock, restricted stock units, distribution equivalent units, performance stock awards, performance unit awards and stock appreciation rights to eligible employees, directors and consultants of the Company and its affiliates, including awards that are intended to constitute "qualified performance-based compensation" within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended.

A description of the material terms of the Second Amended and Restated Plan was included in the Company's definitive proxy statement on Schedule 14A filed with the Securities and Exchange Commission on April 28, 2017.

Accumulated Other Comprehensive Income

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

(Dollars in millions)	Foreign Currency Translation	Currency Derivative Contracts	Marketable Securities	Total Accumulated Other Comprehensive Income

Balance at December 31, 2016	$ (98.6)	$ 27.5	$ (0.1)	$ (71.2)
Unrealized gains (losses), arising during the period	139.6	(41.8)	0.2	98.0
Noncontrolling interest	(92.7)	19.4	—	(73.3)
Taxes on unrealized gains (losses), arising during the period	(18.8)	9.0	(0.1)	(9.9)
Balance at June 30, 2017	$ (70.5)	$ 14.1	$ —	$ (56.4)

As discussed throughout this report, 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. In many instances, these fluctuations are not reflective of the actual foreign currency exposure of the underlying consolidated subsidiary. For example, the Company is required to translate the activities of KWE into U.S. dollars even though KWE does not invest in U.S. dollar denominated assets. Therefore, it is important 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.

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The local currencies for the Company's interests in foreign operations include the euro, the British pound sterling, and the Japanese yen. The related amounts on KW Group'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, the British pound and the Japanese yen during the six months ended June 30, 2017.

In order to manage currency fluctuations, KW Group entered into currency derivative contracts to manage its exposure to currency fluctuations between its functional currency (U.S. dollar) and the functional currency (Euro, GBP and Yen) of certain of its wholly-owned and consolidated subsidiaries. See note 6 for a more detailed discussion of KW Group's currency derivative contracts.

Noncontrolling Interests

Noncontrolling interests consist of the ownership interests of noncontrolling shareholders in consolidated subsidiaries, and are presented separately on KW Group's balance sheet. As of June 30, 2017 and December 31, 2016 KW Group had noncontrolling interest of $1.3 billion and $1.3 billion, respectively.

Kennedy Wilson owned approximately 23.8% and 23.6% of KWE’s total issued share capital as of June 30, 2017 and December 31, 2016, respectively. The noncontrolling interest holders in KWE had an equity balance of $1.1 billion and $1.3 billion as of June 30, 2017 and December 31, 2016, respectively. Due to the terms provided in the investment management agreement between KWE and a wholly-owned subsidiary of Kennedy Wilson, the results of KWE are consolidated in KW Group's financial statements.

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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 and six months ended June 30, 2017 and 2016:

	Three Months Ended June 30,	Six Months Ended June 30,
(Dollars in millions, except share and per share amounts)		