

Acquisition of two high quality Irish property portfolios with an aggregate value of €472 million

May 9, 2014 8:00 AM GMT

Kennedy Wilson Europe Real Estate plc (the "**Company**" and, together with its subsidiary undertakings from time to time, the "**Group**"), a closed ended investment fund that invests primarily in real estate and real estate loans in Europe, is pleased to announce that it has entered into a conditional agreement to acquire a portfolio of residential and commercial properties located in Dublin (the "**Central Park Portfolio**") for a total consideration of approximately €88.1 million, comprising approximately €30.7 million of cash and approximately €57.4 million of assumed non-recourse debt (the "**CP Purchase Price**") and a separate conditional agreement to acquire a portfolio of properties located across Dublin, with one in Cork, comprising 7 office and 6 retail properties (the "**Opera Portfolio**"), for a total consideration of approximately €391.4 million, comprising approximately €194.9 million of cash and approximately €196.5 million of assumed non-recourse debt (the "**Opera Purchase Price**").

The properties forming part of the Central Park Portfolio are located in Sandyford, approximately 11km from Dublin city centre in an affluent catchment area of Dublin, comprising 272 residential units, approximately 31,000 square feet of commercial space included in the residential blocks and the partially completed residential block with planning permission for approximately 166 residential units, approximately 14,800 square feet of commercial space and 362 car parking spaces. As at 1 May 2014, the Central Park Portfolio had been valued in accordance with the RICS Red Book by CBRE at €82 million and had an annual gross rental income of approximately €3.8 million, in respect of 93 per cent of the residential space that was occupied, and €23,000, in respect of approximately 2.6 per cent of the commercial space that was occupied. CBRE completed its valuation on the real estate assets and such valuation did not take into account approximately €6.1 million of net current assets held by the entity that is being acquired by the Company.

The properties forming part of the Opera Portfolio comprising 7 office and 6 retail properties, let to tenants including Bank of Ireland, KPMG, Tesco and Mark & Spencer. As at 1 May 2014, the Opera Portfolio had been valued in accordance with the RICS Red Book by CBRE at €390 million, and consisted of, in aggregate, approximately 670,000 square feet and had an annual gross rental income of approximately €24 million. CBRE completed its valuation on the real estate assets and such valuation did not take into account approximately €1.4 million of net current assets held by the entity that is being acquired by the Company.

The Company, through its wholly-owned subsidiaries, entered into a conditional agreement to acquire the Central Park Portfolio from KW EU Investors X, LLC ("**KW EU**") by acquiring the entire issued participating share capital issued by KW Real Estate plc, in respect of its sub-fund KW Irish Real Estate Fund IX ("**KW Irish RE**"), for the CP Purchase Price (the "**Central Park Acquisition**") and a separate conditional agreement to acquire the Opera Portfolio from VF Opera, LLC ("**VF**"), KWF Real Estate Venture XV, LP ("**KWF**") and Kennedy-Wilson Holdings, Inc. ("**KW**" and, together with its subsidiaries, the "**KW Group**") by acquiring the entire issued participating share capital issued by Cavalli Investments plc, in respect of its sub-fund Cavalli Real Estate Fund I ("**Cavalli**"), for the Opera Purchase Price (the "**Opera Acquisition**", together with the Central Park Acquisition, the "**Proposed Transactions**").

The independent directors of the Company (the "**Independent Directors**"), having been advised by KW Investment Management Ltd, which acts as the investment manager of the Company, (the "**Investment Manager**") consider that the Proposed Transactions will create a strong platform for growth and enhance value for shareholders of the Company (the "**Shareholders**"). In particular, the Independent Directors, having been advised by the Investment Manager, believe that the Proposed Transactions will provide the following benefits to the Company:

- the Central Park Portfolio is one of Dublin's prime rental schemes and offers the ability to develop a further 166 units, while the Opera Portfolio includes some of Dublin's best properties with an excellent spread of core long term income and value added asset management opportunities; and

- the Central Park Portfolio and the Opera Portfolio complement and enhance the Group's existing portfolio, and will provide the Group with asset diversification, both geographically and from a tenant base perspective.

As KW is a significant shareholder in the Company, holding together with its associates approximately 12.5 per cent of the share capital of the Company, as well as other factors described below, each of the Central Park Acquisition and the Opera Acquisition is classified as a related party transaction pursuant to Chapter 11 of the Listing Rules (the "**Listing Rules**") of the Financial Conduct Authority (the "**FCA**"). The Proposed Transactions are therefore conditional on, amongst other things, the approval of Shareholders of the Company, other than KW and any of KW's associates (the "**Independent Shareholders**"), at an extraordinary general meeting of the Company. A circular containing further information about the Proposed Transactions and a notice convening an extraordinary general meeting of the Company at which Independent Shareholders will be asked to vote in favour of resolutions to approve the Proposed Transactions (the "**Circular**") will be posted to Shareholders as soon as practicable.

Mary Ricks, director of the Company, commented:

"Our first Irish acquisitions are complementary to our growing portfolio, and reinforce our investment strategy to invest in value-add assets within markets with strong fundamentals and high return potential. We have made excellent progress on our investment pipeline and are ready to take full advantage of opportunities in our core markets."

Upon completion of these two acquisitions, since its IPO in February 2014, the Company's investments will include four portfolios of properties comprising in aggregate 54 office, industrial, retail and multi-family properties across the UK and Ireland, and a portfolio of subordinated loans secured by properties in the UK.

For further information, please contact:

Administrator and Company Secretary to the Company

Andrew McNulty
Ben Durbano

Crestbridge Fund Administrators Limited
+44 (0) 1534 835 600

About Kennedy Wilson Europe Real Estate plc

Kennedy Wilson Europe Real Estate plc is an LSE listed closed ended investment fund that invests primarily in real estate and real estate loans in Europe, initially in the UK, Ireland and Spain, and other European countries on an opportunistic basis. The Company's primary objectives are to generate and grow long-term cash flows to pay dividends and to enhance capital values by way of focused asset management and strategic acquisitions, with the intention of creating value for shareholders. For further information on Kennedy Wilson Europe Real Estate plc, please visit www.kennedywilson europe plc.com.

About Kennedy Wilson

Founded in 1977, Kennedy Wilson is a vertically integrated global real estate investment and services company headquartered in Beverly Hills, CA, with 24 offices in the U.S., U.K., Ireland, Spain and Japan. The company, on its own or with partners, invests opportunistically in a variety of real estate related investments, including commercial, multifamily, loan purchases and originations, residential, and hotels. Kennedy Wilson offers a comprehensive array of real estate services including investment management, property services, auction, conventional sales, brokerage and research. For further information on Kennedy Wilson, please visit www.kennedywilson.com.

KENNEDY WILSON EUROPE REAL ESTATE PLC

Acquisition of two high quality Irish property portfolios with an aggregate value of €472 million

Background to and reasons for the Proposed Transactions

As identified in the prospectus relating to the Company dated 25 February 2014, the directors of the Company (the "**Directors**") believe that there is a strong pipeline of real estate assets in Ireland, in particular with the presence of National Asset Management Agency which is expected to pursue a number of strategies, including the phased and orderly disposal of certain of its assets.

As such, and as set out in the prospectus, in February 2014 the Investment Manager had identified for acquisition by the Group residential assets with a commercial and development component in Dublin, Ireland, which it was actively pursuing. These assets included the Central Park Portfolio which had been acquired by a member of the KW Group with the aim of transferring such assets to the Company in due course. Due to timing and other constraints, it was not possible to transfer the Central Park Portfolio to the Group at the time of the Company's initial public offering in February 2014, however the Independent Directors believe, having been advised by the Investment Manager, that the Central Park Acquisition provides a compelling investment opportunity for the Group.

The Opera Portfolio was acquired by a joint venture consisting of members of the KW Group, VF and certain other equity partners in July 2013. In early 2014, KW's joint venture partners received an unsolicited offer from a third party to acquire its interest in the Opera Portfolio. After hearing of this offer and considering the investment opportunity, the Investment Manager was able to secure such acquisition on behalf of the Company. In the event that the Opera Acquisition is not approved by the Independent Shareholders on or before 17 June 2014, KW will acquire the interests held by its current joint venture partners on substantially similar terms. The Independent Directors believe, having been advised by the Investment Manager, that the Opera Acquisition provides a compelling investment opportunity for the Group.

Information on the Central Park Portfolio and the Opera Portfolio

Central Park Portfolio

The Central Park development is located in Sandyford, approximately 11km from Dublin city centre in an affluent catchment area of Dublin. The acquired properties comprise 281 residential units, 9 of which were sold prior to the acquisition, leaving 272 lettable residential units, 7 ground floor retail units with ground floor restaurant unit and 6 mezzanine level office units along with a mezzanine potential leisure unit. The residential units are a mix of 35 one bed, 185 two beds, 39 three beds and 13 penthouse apartments. Of the 272 apartments in total, 266 of the units are fully fitted out with 259 units let. Two penthouse units are completed to a shell and core standard and a further four units require fit out to enable occupation. Total commercial space extends to approximately 31,000 square feet. 'Block K' comprises a partially built development site with planning permission for 166 residential units and 14,800 square feet of ground floor commercial space. At basement levels there are 362 car parking spaces in total, with 17 allocated to the commercial element of the property.

The Central Park Portfolio is freehold property, let by way of individual residential tenancies producing a current gross rent of approximately €3.8 million per annum. The commercial element of approximately 31,000 square feet is currently 97.4 per cent (29,914 square feet) vacant, while the remainder of the commercial element is let by way of a 15 year lease which has approximately 9.45 years to expiry and a current annual gross rent of €23,000 per annum.

The Central Park Portfolio has been valued in accordance with the RICS Red Book by CBRE as at 1 May 2014 at, in aggregate, €82 million. The CBRE valuation report will be included in full in the Circular and, as at 9 May 2014, CBRE has confirmed to the Company that there has not been any material change in such valuation since 1 May 2014. CBRE

completed its valuation on the real estate assets and such valuation did not take into account approximately €6.1 million of net current assets held by the entity that is being acquired by the Company.

The Central Park Portfolio is managed by a wholly owned and controlled subsidiary of KW, which will continue to manage KW Irish RE and its assets following completion of the Central Park Acquisition. No management fee is currently payable, nor following completion of the Central Park Acquisition will be payable, to such manager in connection with such services.

Opera Portfolio

The Opera Portfolio comprises 7 office and 6 retail properties, let to tenants including Bank of Ireland, KPMG, Tesco and Mark & Spencer, located across Dublin, with one property in Cork.

As at 1 May 2014, the Opera Portfolio consisted of approximately 670,000 square feet and had an annual gross rental income of approximately €24 million. The top five tenants account for approximately 66 per cent of the gross rental income. The lease contracts have a weighted unexpired lease term to expiry of 14.4 years. The portfolio has an occupancy rate of 98.9 per cent.

The Opera Portfolio has been valued in accordance with the RICS Red Book by CBRE as at 1 May 2014 at, in aggregate, €390 million. The CBRE valuation report will be included in full in the Circular and, as at 9 May 2014, CBRE has confirmed to the Company that there has not been any material change in such valuation since 1 May 2014. CBRE completed its valuation on the real estate assets and such valuation did not take into account approximately €1.4 million of net current assets held by the entity that is being acquired by the Company.

The Opera Portfolio is managed by a wholly owned and controlled subsidiary of KW, which will continue to manage Cavalli and its assets following completion of the Opera Acquisition. A fee is currently payable to the manager on a quarterly basis if certain thresholds are met. Following completion of the Opera Acquisition, the manager will continue to manage Cavalli and its assets however no fee shall be payable to such manager for such services.

Financial effect of the Proposed Transactions

The consideration payable by the Company's subsidiary undertakings in connection with the Proposed Transactions will be provided out of the existing cash resources of the Company, to be paid in cash at completion of the Proposed Transactions.

The Independent Directors, having been advised the Investment Manager, believe that the Proposed Transactions will create a strong platform for growth and enhance value for Shareholders. This statement is not meant or intended to be profit forecast, and should not be interpreted to mean that earnings per share of the Company will be a specific amount.

Principal terms of the Central Park Acquisition

Under the terms of the Central Park Acquisition:

- the Company, through its subsidiary undertaking, will acquire the entire issued participating share capital issued by KW Real Estate plc, in respect of its sub-fund KW Irish Real Estate Fund IX;
- the total cash consideration for the Central Park Acquisition is approximately €30.7 million and the Company will assume approximately €57.4 million of non-recourse debt. There will be a net asset value adjustment to the purchase price following completion;
- completion is conditional on the approval by Independent Shareholders of the Central Park Acquisition at an extraordinary general meeting of the Company; and

- completion is also conditional on the approval by Deutsche Bank AG, London Branch pursuant to a facility agreement dated 27 March 2014 in respect of the loan that is secured by the Central Park Portfolio that the Group will assume at completion.

Principal terms of the Opera Acquisition

Under the terms of the Opera Acquisition:

- the Company, through its subsidiary undertaking, will acquire the entire issued participating share capital issued by Cavalli Investments plc, in respect of its sub-fund Cavalli Real Estate Fund I, in which KW holds an equity interest of 25 per cent;
- the total cash consideration for the Opera Acquisition is approximately €194.9 million and the Company will assume approximately €196.5 million of non-recourse debt. There will be a net asset value adjustment to the purchase price following completion;
- completion is conditional on the approval by Independent Shareholders of the Opera Acquisition, at the extraordinary general meeting of the Company;
- completion is also conditional on the approval by The Governor and Company of the Bank of Ireland pursuant to a facility agreement dated 22 July 2013 in respect of the loan that is secured by the Opera Portfolio that the Group will assume at completion;
- VF and KWF have engaged KWF Manager XV, LLC ("**KWFM**"), a wholly-owned and controlled subsidiary of KW, to provide certain services in connection with their investment in Cavalli, in connection with which, such entity would be entitled to a fee of approximately €15 million, calculated by reference to the final agreed or determined consideration payable to VF and KWF on completion of the Opera Acquisition (the "**Fee**"). Such Fee will be paid to the KWFM by the joint venture partners (other than members of the KW Group) that were the original purchasers of the Opera Portfolio in July 2013; and
- in the event that the Opera Acquisition is not approved by Independent Shareholders on or before 17 June 2014 (or such later date as agreed between the parties to the Opera Acquisition) KW will acquire the remaining issued participating shares in the capital of Cavalli not already owned by it from its existing joint venture partners.

Related party aspects of the Proposed Transactions

KW Investment Management Ltd, which acts as the investment manager of the Company, is wholly owned and controlled by KW and is part of the KW Group. Each of KW EU and KWFM is wholly owned and controlled by KW and is part of the KW Group, and KWF is 50 per cent owned and managed by KW. Each of KW EU and KWF is classified as a related party of the Company and its subsidiaries entering into the Proposed Transactions, and KWFM is classified as a related party of the Company in connection with the payment of the Fee, in each case, under the Listing Rules as (a) the KW Group owns significant ownership interests in each of these entities, the Investment Manager is a member of the KW Group, and Mary Ricks and William McMorrow (each a director of the Company) are directors of the Investment Manager and KW, respectively; and (b) KW is a substantial shareholder in the Company, the ultimate parent undertaking of each of the acquiring entities, holding together with its associates approximately 12.5 per cent of the issued share capital of the Company (as at 8 May 2014, being the last practicable date prior to the date of this announcement).

As such, each of the Central Park Acquisition and the Opera Acquisition is classified as a related party transaction pursuant to Chapter 11 of the Listing Rules. The Proposed Transactions are therefore conditional on, amongst other

things, the approval of Independent Shareholders at an extraordinary general meeting of the Company.

The Independent Directors, who have been so advised by Deutsche Bank AG, London Branch, consider each of the Proposed Transactions to be fair and reasonable so far as Shareholders are concerned. In giving advice to the Independent Directors, Deutsche Bank AG, London Branch has taken account of the Independent Directors' commercial assessment of each of the Proposed Transactions.

Further information

A circular, setting out further details of the Proposed Transactions, the action to be taken and a notice convening an extraordinary general meeting of the Company at which Independent Shareholders will be asked to vote in favour of resolutions to approve the Proposed Transactions will be posted to Shareholders as soon as practicable.

IMPORTANT NOTICE

This announcement has been issued by, and is the sole responsibility of, the Company. None of Deutsche Bank AG, London Branch or any of its affiliates, parent undertakings, subsidiary undertakings or subsidiaries of its parent undertakings or any of their respective directors, officers, employees or advisers or any other person accepts any responsibility whatsoever and makes no representation or warranty, express or implied, for or in respect of the contents of this announcement and, without prejudice to the generality of the foregoing, no responsibility or liability is accepted by any of them for any such information or opinions or for any errors or omissions.

Deutsche Bank AG, which is authorised under German Banking law (competent authority: BaFin – Federal Financial Supervisory Authority) and subject to limited regulation by the Financial Conduct Authority and the Prudential Regulatory Authority in the United Kingdom, is acting exclusively for the Company and no one else in connection with the Proposed Transactions and will not be responsible to anyone other than the Company for providing the protections afforded to its clients, or for providing any advice in relation to the Proposed Transactions or any matters referred to herein, and will not regard any other person (whether or not recipient of this document) as its client in relation to the Proposed Transactions.