



KENNEDY WILSON

Kennedy Wilson Europe  
Real Estate Plc (LSE:KWE)

January 2015

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# Disclaimer/Forward-Looking Statements

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# Kennedy Wilson Europe Real Estate Plc

## Overview

- Successfully completed c. £1.0 billion Initial Public Offering (“IPO”) on the London Stock Exchange (“LSE”) (LSE:KWE) in February 2014 and c £0.3 billion secondary offering in October 2014
- Broad investment mandate to invest in European real estate assets and real estate loans
- All IPO net proceeds invested
  - Portfolio investment value of c. £2.0 billion<sup>(1)</sup>
  - Net operating income (“NOI”) c. £130.1 million p.a.<sup>(1)(2)</sup>
- Externally managed by NYSE listed Kennedy-Wilson Holdings, Inc.<sup>(3)</sup> (NYSE:KW)
  - KW is a top-two shareholder in KWE with c.14.9%<sup>(4)</sup> ownership
  - Significant proprietary sourcing capabilities
- £910.4 million of asset financing facilities including the new £352.3 million secured loan facility against the Aviva portfolio; £225 million, undrawn three year unsecured revolving credit facility
- Q3 dividend 4p/share declared, YTD 6p/share; annual run-rate 16p/share or c. 1.5% dividend yield

## Key Investment Highlights Since IPO

- **Delivered on plan** laid out at IPO
- **Disciplined and focused** deployment of capital
- **Attractive counterparty** position solidified in core markets
- **Robust pipeline** of opportunities across Europe
- **Managed balance sheet** for growth and flexibility

1. Portfolio market value based on valuation by external valuers, CBRE, as at 31 August 2014 and net purchase price of acquisitions made after this date: 111 Buckingham Palace Road, London (10-Nov-14), non-performing loan secured by Gardner House, Dublin (19-Nov-14), Aviva portfolio (30-Jan-15 expected completion). GBP equivalent based on €/GBP exchange rate of 0.78 as at 30 September 2014

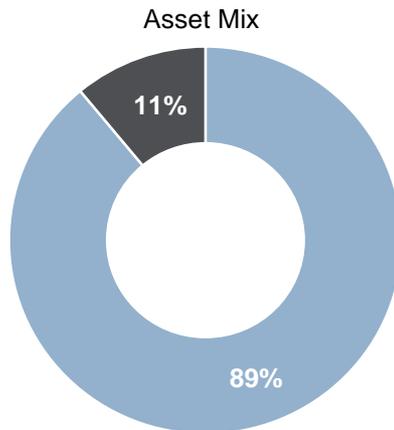
2. Annualised NOI comprises property portfolio net rental income, hotels EBITDA and loan portfolio interest income

3. Through KW Investment Management Ltd, an indirect wholly owned subsidiary of Kennedy-Wilson Holdings, Inc

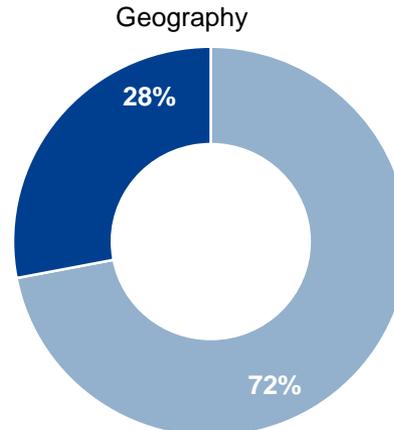
4. Held through the Investment Manager and KW Europe Investors Ltd. Includes shareholding of KW Carried Interest Partner (the executive pool vehicle)

# Diversified Portfolio<sup>(1)</sup>

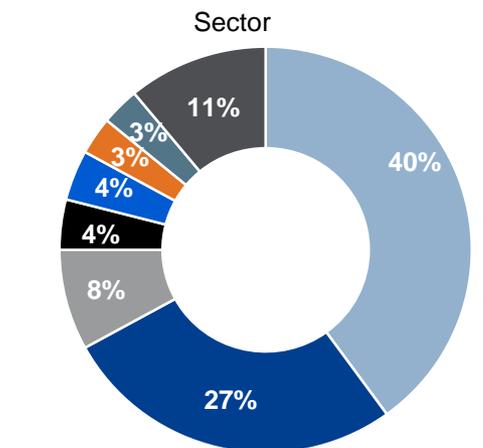
- Investment in 260 real estate assets and 4 loan portfolios secured by 43<sup>(2)</sup> real estate assets
- Portfolio investment value of £2.0 billion
- Annualised NOI<sup>(3)</sup> of £130.1 million
- Weighted average lease term of 8.3 years<sup>(4)</sup> across the property portfolios
- c. 10.1 million sq. ft. of space with combined occupancy of 93%<sup>(5)</sup>
- Moderate gearing with Group LTV c. 32.6%<sup>(6)</sup> with c. £910.4 million of debt financing in place at the asset level



- Real estate assets
- Loan portfolios



- United Kingdom
- Ireland



- Office
- Industrial
- Leisure
- Other
- Retail
- Residential/PRS
- Hotel
- Loans

1. Portfolio market value based on valuation by external valuers, CBRE, as at 31 August 2014 and net purchase price of acquisitions made after this date: 111 Buckingham Palace Road, London (10-Nov-14), non-performing loan secured by Gardner House, Dublin (19-Nov-14), Aviva portfolio (30-Jan-15 expected completion). GBP equivalent based on €/GBP exchange rate of 0.78 as at 30 September 2014  
 2. Includes one real estate loan (secured by 20 real estate assets) in which KWE has a 8.16% interest (Corbo)

3. Annualised NOI comprises property portfolio net rental income, hotels EBITDA and loan portfolio interest income  
 4. Weighted average unexpired lease term ("WAULT") is to the shorter of first break or expiry, weighted by rental income; excluding hotels and residential. WAULT to expiry 9.7 years.  
 5. By area. Based only on property portfolio excluding hotels and loans  
 6. Pro forma completion of the Aviva portfolio, LTV calculated as net debt over investment value (value of investment properties + loans secured by real estate). No drawdown has been made under the revolving credit facility

# Acquisitions Since IPO

(£ in millions)

Portfolio	Location	Asset Class <sup>(1)</sup>	Purchase Price <sup>(3)</sup>	Market Value <sup>(2)</sup>	Net Operating Income Per Annum <sup>(4)</sup>	Occupancy <sup>(5)</sup> (%)	Asset Management Strategy
Tiger	UK	O/I/R	67.0	73.5	7.6	93%	Renegotiate leases/refurbish
Artemis	UK	O/I/R	143.9	158.5	10.5	91%	Achieve market rental growth
Opera <sup>(5)</sup>	Ireland	O/R	299.7	307.2	17.0	91%	Lease up/renegotiate leases
Vantage, Central Park <sup>(5)</sup>	Ireland	PRS/R	69.1	67.5	2.6	85%	Refurbish/complete podium/lease up
Liffey Trust Building <sup>(5)</sup>	Ireland	PRS	11.6	11.6	0.8	96%	Achieve market rental growth
Jupiter	UK	O/I/R	296.0	322.0	23.6	88%	Renegotiate leases/redevelop
Portmarnock Hotel & Golf Links <sup>(5)</sup>	Ireland	H	23.3	23.3	1.1	N/A	Strategic capex/new operator
Marshes Shopping Centre <sup>(5)</sup>	Ireland	R	34.6	35.9	3.0	94%	Renegotiate leases
Fairmont St. Andrews Hotel	UK	H	32.4	34.5	2.2	N/A	Strategic capex/enhance corporate business
111 Buckingham Palace Road	UK	O	204.3	207.5	10.6	100%	Strategic capex/significant rent reviews
Aviva portfolio	UK	O/I/R/L	503.0	503.0	36.1	98%	Work through under managed and under capitalised portfolio
<b>Total Direct Property</b>			<b>1,684.9</b>	<b>1,744.5</b>	<b>115.1</b>	<b>93%</b>	
UK loan portfolio	UK		111.1	115.3	8.3	N/A	Hold loans/consensual disposals
Ireland loan portfolio <sup>(5)</sup>	Ireland		93.0	95.9	6.7	N/A	Direct ownership/consensual disposals
<b>Total Loan Acquisitions</b>			<b>204.1</b>	<b>211.2</b>	<b>15.0</b>		
<b>Total</b>			<b>1,889.0</b>	<b>1,955.7</b>	<b>130.1</b>		

1. O = Office; I = Industrial; R = Retail; PRS = Private rented sector residential; H = Hotels; L = Leisure

2. Portfolio market value based on valuation by external valuers, CBRE, as at 31 August 2014 and net purchase price of acquisitions made after this date: 111 Buckingham Palace Road, London (10-Nov-14), non-performing loan secured by Gardner House, Dublin (19-Nov-14), Aviva portfolio (30-Jan-15 expected completion).

3. Includes assumed non-recourse debt and excludes acquisition costs and expenses

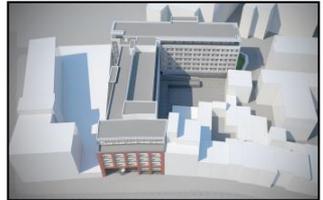
4. Annualised net operating income ("NOI"): property portfolio net rental income, hotels EBITDA and loan portfolio interest income

5. GBP equivalent based on €/GBP exchange rate of 0.78 as at 30 September 2014

# Acquisition Case Studies

		<b>Asset overview</b>	<b>Sourcing</b>	<b>Management strategy</b>
<p><b>111 Buckingham Palace Road</b>  <b>United Kingdom</b>            Closed            November 2014</p>	 	<ul style="list-style-type: none"> <li>• 272,200 sq ft Grade A office</li> <li>• Core Victoria over mainline railway station and Victoria Plaza shopping centre</li> <li>• Floor plates 41,800 sq ft - 67,500 sq ft</li> <li>• 24% under-rented</li> </ul>	<ul style="list-style-type: none"> <li>• Strong relationship with vendor/AIB</li> <li>• Purchased at discount to loan value</li> </ul>	<ul style="list-style-type: none"> <li>• Grow rents through rent reviews and expiries over next 2.5 years</li> <li>• Implement refurbishment of reception area</li> </ul>
<p><b>Elliott Portfolio</b>  <b>Ireland</b>            Closed            September 2014</p>	 	<ul style="list-style-type: none"> <li>• Loan portfolio consisting of one connection with 13 real estate loans secured by 17 real estate assets in Ireland</li> <li>• Aggregate unpaid principal balance of £170.9m</li> </ul>	<ul style="list-style-type: none"> <li>• Leveraged strong relationship with RBS</li> </ul>	<ul style="list-style-type: none"> <li>• Take direct ownership of certain assets in short to medium term</li> <li>• Oversee programme of consensual disposals of remaining loan assets</li> </ul>
<p><b>Jupiter Portfolio</b>  <b>United Kingdom</b>            Closed            June 2014</p>	 	<ul style="list-style-type: none"> <li>• Real estate asset investment totaling 2.5m sq. ft. of floor area:               <ul style="list-style-type: none"> <li>• 9 retail assets</li> <li>• 11 office assets</li> <li>• 1 industrial asset</li> </ul> </li> <li>• Portfolio across the United Kingdom</li> </ul>	<ul style="list-style-type: none"> <li>• Purchased at a discount through initial investment in certain subordinated debt instruments</li> <li>• Negotiated with special servicer and receiver to acquire the underlying portfolio</li> </ul>	<ul style="list-style-type: none"> <li>• Renegotiate major leases</li> <li>• Refurbish/redevelop certain assets</li> </ul>
<p><b>Vantage/ Central Park</b>  <b>Ireland</b>            Closed            June 2014</p>	 	<ul style="list-style-type: none"> <li>• 272 residential units</li> <li>• 31,000 sq. ft. of commercial space</li> <li>• Permission for development of 166 additional units</li> <li>• Located in Sandyford, 11km from Dublin city centre</li> </ul>	<ul style="list-style-type: none"> <li>• Originally acquired by KW from NAMA</li> </ul>	<ul style="list-style-type: none"> <li>• Refurbish apartments</li> <li>• Drive rents</li> <li>• Provide tenant amenities, and develop multifamily units and commercial space</li> </ul>

# Value Added Asset Management Initiatives

<p><b>Croydon Asset and Airport Way, Luton</b> <i>Artemis Portfolio</i></p>			<ul style="list-style-type: none"> <li>Completed a 10-year lease with DHL at prevailing market rents and attractive terms at Croydon asset</li> <li>Completed a 15-year lease with Kitwave One Limited at prevailing market rents and attractive terms at Airport Way, Luton</li> </ul>
<p><b>Rubislaw House</b> <i>Jupiter Portfolio</i></p>			<ul style="list-style-type: none"> <li>Renewed a 15-year lease at market rates with ConocoPhillips with an option to extend for seven years beyond the length of the lease</li> <li>Lease allows for upwards only rent review every 5 years to prevailing market rents, with no rent free periods or capital expenditure commitments from the Group</li> </ul>
<p><b>Baggot Building</b> <i>Opera Portfolio</i></p>			<ul style="list-style-type: none"> <li>Planning permission in place for additional c.31,000 square feet of floor space</li> <li>The Group is in discussion with a potential tenant of good credit to lease the entire Baggot Building</li> </ul>
<p><b>Stillorgan Shopping Centre</b> <i>Opera Portfolio</i></p>			<ul style="list-style-type: none"> <li>Planning approval in place with respect to one of the retail assets for an extension of c. 11,000 sq ft</li> <li>Plans for a refurbishment of the centre close to completion</li> </ul>

Airport Way

Before

After

# Attractive Market Opportunities

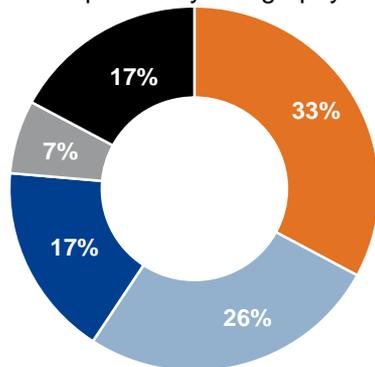
With access to capital, a depth of knowledge of core markets and products, and established proprietary relationships with many sellers, KWE is poised to capitalize on the investment opportunity presented by Europe's robust pipeline of NPLs, CRE loans and REO assets

## Favourable Market Dynamics

- NPL volume in the UK, Ireland and Spain combined is estimated to have nearly tripled to €463 billion from 2008 to 2013
- European banks, financial institutions and asset managers are likely to continue to sell or restructure outstanding gross non-core real estate exposure, estimated at €584 billion
- Recent trend towards "off market" or "selectively marketed" sales processes
- Positive economic trends, increasing property values and capital growth indicate a strengthening of the European economic recovery

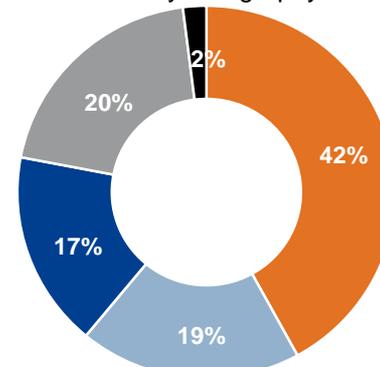
## Four Key Markets Encompass Majority of European Opportunity

Gross Non-Core Real Estate Exposure by Geography<sup>(1)</sup>



■ Spain ■ United Kingdom ■ Ireland ■ Italy ■ Other Europe

Planned 2014 CRE Loans and REO Sales by Geography



■ Spain ■ United Kingdom ■ Ireland ■ Italy ■ Other Europe

Sources: PwC European Portfolio Advisory Group Market Update July 2014; Cushman & Wakefield European Real Estate Loan Sales Market – H1 2014; Cushman & Wakefield European Real Estate Loan Sales Market – February 2014; CoStar UK, JLL Ireland Investors Market Report Q2 2014; CBRE Italy Investment MarketView Q2 2014

1. Excludes France due to lack of market transparency

# Market-Focused Investment Strategy

Market	Market Opportunities	Key Market Trends
 <p>United Kingdom</p>	<ul style="list-style-type: none"> <li>Increased transaction volumes, with CRE loans and REO transactions 47% higher in H1 2014 than FY 2013</li> <li>Lloyds Banking Group brought £1.6 billion of UK collateralised loans to market in the first quarter of 2014</li> <li>RBS holds an estimated <b>€25 billion of non-core real estate loans</b></li> </ul>	<ul style="list-style-type: none"> <li>Office rental growth forecast at 5.9% for 2014               <ul style="list-style-type: none"> <li>2014 growth primarily expected from London and the South East</li> <li>Remainder of UK expected to contribute more meaningfully in 2015</li> </ul> </li> <li>Favourable borrowing environment has driven momentum in UK commercial property markets and transaction volume</li> </ul>
 <p>Ireland</p>	<ul style="list-style-type: none"> <li><b>Increasing number of financial institutions looking to accelerate deleveraging programs</b></li> <li>c. €15 billion of NPL sales by financial institutions in Ireland from 2011-2013               <ul style="list-style-type: none"> <li>€8 billion face value related to Irish assets</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Strong recovery in Dublin office market during H1 2014, particularly Dublin 2 and 4               <ul style="list-style-type: none"> <li>Vacancy at 3% at the end of Q2 2014</li> <li>Prime rents increased 15% to c. €40 per sq. ft.</li> </ul> </li> <li>Residential property values increased by 13% in the 12 months ended July 2014, with Dublin properties growing 23% over the same period</li> </ul>
 <p>Spain</p>	<ul style="list-style-type: none"> <li><b>Spanish real estate market appears to have reached the bottom of the cycle</b> <ul style="list-style-type: none"> <li>Expected to benefit from improved fundamentals in the coming years</li> </ul> </li> <li><b>Total Spanish financial institution exposure to gross real estate loans and assets estimated at €192 billion</b> <ul style="list-style-type: none"> <li>SAREB holds an estimated €102 billion of non-core Spanish CRE loan and REO assets</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Spanish economic recovery has lagged that of the UK and Ireland</li> <li>Real estate market beginning to demonstrate positive indicators such as increasing demand, stabilized vacancy rates and limited new supply levels</li> </ul>
 <p>Italy</p>	<ul style="list-style-type: none"> <li>Estimated <b>€38 billion of Italian bank and asset management agency exposure to gross real estate loans and assets</b></li> <li>Recent estimates indicate Italian <b>closed-end funds due to expire over the next seven years hold c. €5.5 billion of property</b></li> </ul>	<ul style="list-style-type: none"> <li>Italian economy also continues to lag that of the UK and Ireland</li> <li>CRE loan and REO assets sales in Italy were slow in the first half of 2014</li> <li>Improving market sentiment has led to compression of prime office yields in Milan and Rome</li> </ul>

Sources: Colliers International Research & Forecast Report Q2 2014; Savills World Research UK Commercial Market in Minutes June 2014; Cushman & Wakefield European Real Estate Loan Sales Market - H1 2014; Central Statistics Office of Ireland: Quarterly National Accounts; Central Statistics Office of Ireland: Residential Property Price Index; JLL Ireland Investors Market Report Q2 2014; UBS, Spanish Real Estate, From Famine to Feast; International Monetary Fund, World Economic Outlook Database.

# Strong Performance Since IPO

	Plan at IPO	Progress to date
<b>Capital Deployment</b>	<ul style="list-style-type: none"> <li>Capitalise on substantial investment pipeline</li> </ul>	<ul style="list-style-type: none"> <li>£1.4 billion acquisitions since IPO</li> <li>80 direct real estate investments</li> <li>3 loan portfolios secured by 42 real estate assets<sup>(1)</sup></li> </ul>
<b>Value-Added Execution</b>	<ul style="list-style-type: none"> <li>Drive value by active management of properties and loan portfolios</li> </ul>	<ul style="list-style-type: none"> <li>Current portfolio market value 4% greater than purchase value driven by disciplined investing and diligent asset management</li> <li>Recently completed long-term lease negotiations on several properties</li> <li>Continue working towards property refurbishment and re-development</li> </ul>
<b>Balance Sheet and Leverage</b>	<ul style="list-style-type: none"> <li>Expect overall LTV ratio will not exceed 50% (in no case to exceed 65%)</li> <li>Maintain flexibility to allow for execution on opportunistic deals</li> </ul>	<ul style="list-style-type: none"> <li>LTV of c. 26%<sup>(2)</sup></li> <li>Entered into £311 million of asset financing facilities secured against the Tiger, Artemis and Jupiter portfolios and a £225 million undrawn revolving credit facility enhancing ability to remain opportunistic</li> <li>Significant additional flexibility for continued growth</li> </ul>
<b>Dividends</b>	<ul style="list-style-type: none"> <li>Return capital to investors by way of quarterly dividends generated from investment property income</li> </ul>	<ul style="list-style-type: none"> <li>Declared and paid quarterly dividend of 4p/share in November 2014; 6p/share YTD</li> </ul>
<b>Management Team</b>	<ul style="list-style-type: none"> <li>Remain focused on key markets with dedicated group of professionals</li> </ul>	<ul style="list-style-type: none"> <li>Expanded team to more than 60 professionals</li> <li>Located across key markets in the UK, Ireland, Spain and Jersey</li> </ul>

1. Includes one real estate loan (secured by 20 real estate assets) in which KWE has a 8.16% interest (Corbo)  
 2. Pro forma following secondary offering completed in October of £343m, net proceeds

# Strong Management Team

Employs over 70 professionals<sup>(1)</sup> with offices in Dublin, London, Madrid and Jersey

## Kennedy Wilson Europe

### Mary Ricks

Title: CEO/President  
Years in Business: 26

Ireland		United Kingdom		Spain
<b>Peter Collins</b> Title: Managing Director Role: Origination and Acquisitions Years in Business: 30 Previous Employer: Bank of Ireland, Arthur Andersen	<b>Peter McKenna</b> Title: Development Director Role: Real Estate Development Years in Business: 17 Previous Employer: Terry Developments, Farragher Construction	<b>Fiona D'Silva</b> Title: Managing Director Role: Origination and Client Relations Years in Business: 13 Previous Employer: Deutsche Bank, Goldman Sachs	<b>Peter Hewetson</b> Title: Managing Director Role: RE Acquisitions and UK Sales Years in Business: 28 Previous Employer: Bank of Ireland, CBRE	<b>Ronald Lavever</b> Title: Managing Director Role: Business Development and Iberia Years in Business: 23 Previous Employer: Johnson Capital, Lehman Brothers
<b>Stefan Foster</b> Title: Senior Director Role: Acquisitions Years in Business: 16 Previous Employer: Warren Private Clients, CBRE	<b>Alison Rohan</b> Title: Senior Director Role: Portfolio and Asset Management Years in Business: 14 Previous Employer: D2 Private, NAMA, Royal Bank of Scotland	<b>Joan Kramer</b> Title: Managing Director Role: Debt Asset Management / Debt Acquisitions Years in Business: 26 Previous Employer: Marathon Asset Management, Merrill Lynch	<b>Jake Franco</b> Title: Director Role: Portfolio and Asset Management Years in Business: 18 Previous Employer: RREEF, Goldman Sachs	<b>Cristina Perez</b> Title: Managing Director Role: Origination and Acquisitions Years in Business: 18 Previous Employer: Banco Santander, PwC, Goldman Sachs, JP Morgan
<b>Apwinder Foster</b> Title: CFO Role: Finance, Tax and Accounting Years in Business: 14 Previous Employer: Deutsche Bank, Merrill Lynch	<b>Vern Power</b> Title: Senior Director Role: Finance and Accounting Years in Business: 18 Previous Employer: KPMG	<b>Juliana Weiss Dalton</b> Title: Investor Relations Director Role: Head of IR for Europe Years in Business: 15 Previous Employer: LondonMetric, Morgan Stanley	<b>Gautam Doshi</b> Title: Senior Director Role: Financial Analysis and Deal Execution Years in Business: 9 Previous Employer: BlackRock, Goldman Sachs	<b>Padmini Singla</b> Title: General Counsel, Europe Role: Legal for European Business Years in Business: 9 Previous Employer: Ashurst

# KWE – Key Business Terms

<b>Investment Focus</b>	<ul style="list-style-type: none"> <li>– Focus on UK, Ireland and Spanish real estate opportunities</li> <li>– Other European countries, including Italy, on an opportunistic basis</li> <li>– Equity and Debt investments</li> <li>– Potential for joint ventures</li> </ul>
<b>Exclusivity</b>	<ul style="list-style-type: none"> <li>– Entity to have priority access to investments in Europe sourced by Kennedy Wilson</li> <li>– Clear policy on managing any other potential conflicts of interest</li> </ul>
<b>Leverage</b>	<ul style="list-style-type: none"> <li>– Investment Manager expects Group's overall LTV ratio will not exceed 50% at time of borrowing and, in any event, will not exceed 65% at time of borrowing</li> </ul>
<b>Investor Returns</b>	<ul style="list-style-type: none"> <li>– Target investments which on average are expected to generate a total return of 15%<sup>(1)</sup></li> <li>– Expect to pay-out quarterly dividends out of investment property income. Capital gains income to be used to reinvest in opportunities</li> </ul>
<b>Fees</b>	<ul style="list-style-type: none"> <li>– Annual management fee of 1.0% of EPRA NAV paid quarterly</li> <li>– Performance fee of 20% of total shareholder return above a 10% hurdle rate, subject to an annual high watermark</li> <li>– Annual management fee paid 50% in cash and 50% in stock</li> <li>– Performance fee paid 100% in stock <ul style="list-style-type: none"> <li>– Stock has a vesting schedule over 3 years – 1/3 each year</li> <li>– Stock to be bought in market when trading below NAV</li> </ul> </li> </ul>
<b>Governance</b>	<ul style="list-style-type: none"> <li>– Strong, majority independent Board in compliance with UK Corporate Governance Code</li> <li>– Board to oversee and govern role of Investment Manager</li> </ul>
<b>Termination Rights of Investment Management Agreement</b>	<ul style="list-style-type: none"> <li>– Evergreen contract – permanent life unless terminated</li> <li>– No termination for first 3 years</li> <li>– Post the 3 year period; termination is subject to <ul style="list-style-type: none"> <li>– (i) 75% of independent shareholders voting to terminate</li> <li>– (ii) On termination, in certain circumstances, fee of 3 years annual management fee and a performance fee calculated to date of termination, is payable</li> </ul> </li> <li>– If there is a change in control of the Investment Manager, termination is subject to 50% of independent shareholders voting to terminate; no fee payable</li> </ul>

(1) Taking into account any leverage incurred in accordance with the gearing policy as described in the investment policy. Potential investors should note that this is a target return for the Company's investments and not the Company itself. This is a target only and not a profit forecast. There can be no assurance that the target will be met and it should not be taken as an indication of the Company's expected or actual future results. Potential investors should decide for themselves whether or not the total return for the Company's investments is reasonable or achievable in deciding whether to invest in the Ordinary Shares or assume that the Company will make any distributions at all. "Total return" does not account for expenses borne by the Company and/or its investment undertakings including, without limitation, management and performance fees, taxes and organisational or transaction expenses, and should not therefore be regarded as an estimate of the Company's possible after-tax returns on its investments