

Half-year results

For the period ended 30 June 2017

4 August 2017

KWE investment proposition: H1 2017 achievements

Solid operational performance

- 1 Excellent leasing momentum
- 2 Strong cash flows from existing portfolio
- 3 Accretive capex deployment
- 4 Strong track record of crystallising value through sales

KWE investment proposition: Excellent leasing momentum

Growing income
through asset
management

£4.1m

Incremental income from H1
leasing activity

+5.2%

Ahead of valuers' ERV

+13.1%

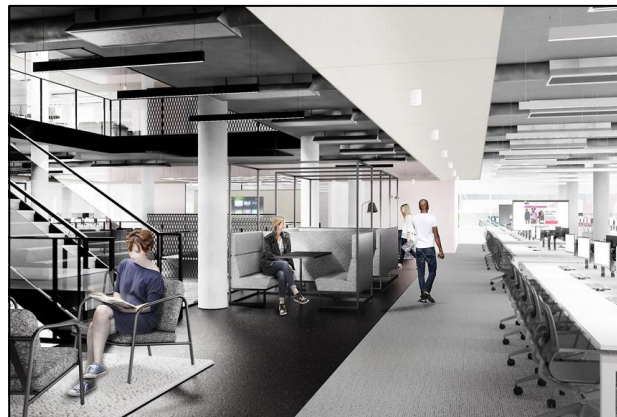
Ahead of passing rent on
previously occupied space

Major letting in Watford to ASOS
Largest office letting in the South East in H1 2017



Leavesden Park, Watford
(CGI of atrium)

73k
Area let
(sq ft)



Leavesden Park, Watford
(CGI of office interior)

+7%
Above previous
passing rent

KWE investment proposition: Strong cash flows

Diversified cash flows
underpin robust
dividends

470

Number of tenants

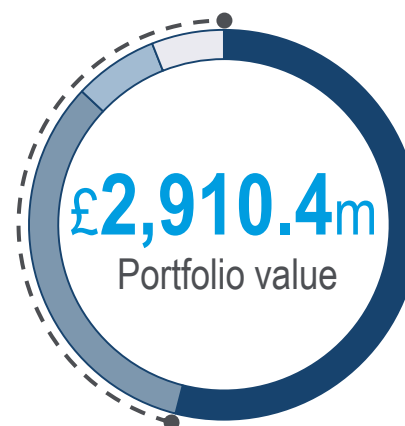
36%

% of rent from top
ten tenants¹

24p

H1 2017 DPS paid

46% Euro assets



40% Euro income



¹ Percentage of gross annual rent

² Annualised topped-up NOI at 30 June 2017 includes expiration of rent-free periods and contracted rent steps over the next two years

KWE investment proposition: Deployment of accretive capex

Accretive capital
expenditure
to grow NOI

£10.2m

Fairmont capex
programme¹

Fairmont, St Andrews

Newly remodelled bedroom



Newly refurbished lobby



Portmarnock Hotel & Golf Links, Co. Dublin

New entrance



Newly refurbished reception



¹ Total capex for refurbishment programme

KWE investment proposition: Strong disposal track record

Successful capital recycling continues in 2017

£132.6m

Disposal proceeds¹

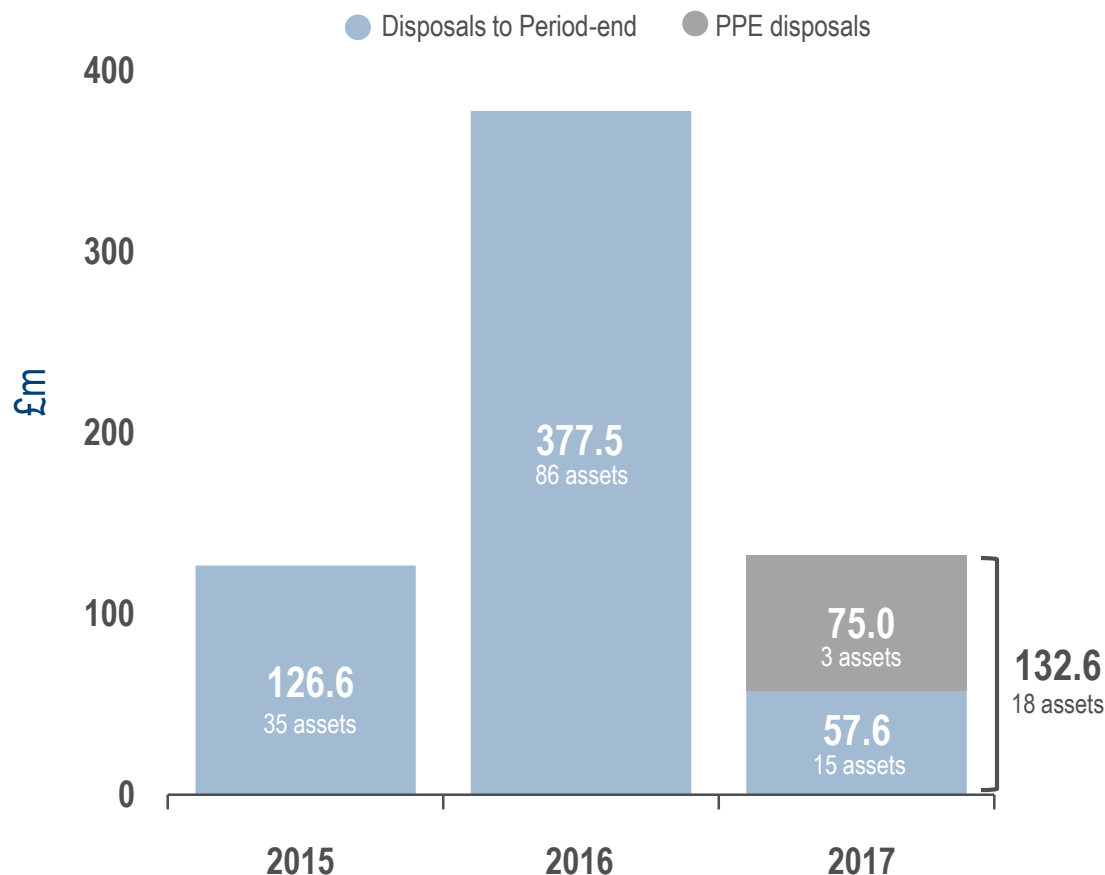
+9.1%

Premium to BV on disposals¹

+37.4%

Disposals ROC¹

139 asset sales: £636.7m of disposals with a 30.5% ROC¹



¹ Includes 3 assets which have completed or exchanged post Period-end

Positive growth

Financial highlights

+14.9%

Adjusted EPS
growth
(HY 17 vs HY 16)

30.8p

Adjusted EPS

+7.4%

Benefit of share buyback
on EPS
(HY 17 vs HY 16)

3.0%

Cost of debt

1,241.4p

Adjusted NAV
per share¹

2.1%

(HY 17 vs FY 16)

+£16.6m

Total valuation
movement

8.2%

Total accounting return
(annualised)

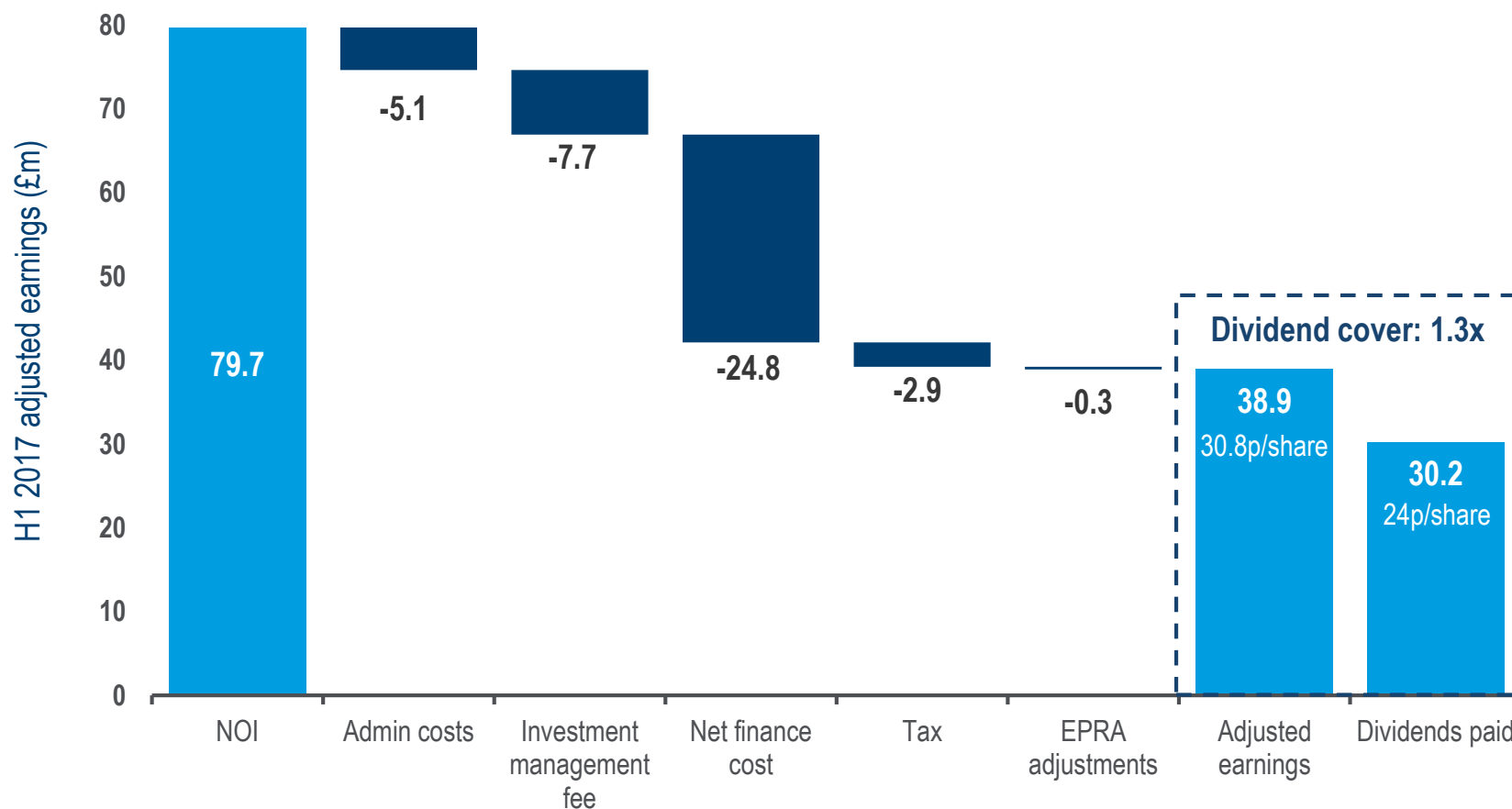
¹ KWE's Adjusted NAV per share is based on third party valuations as at 30 June 2017. The Scheme Document will contain either updated valuations reported on in accordance with Rule 29 of the Code or confirmations that the valuations continue to apply

Positive operational results: 14.9% EPS growth

Income statement highlights

	H1 2017	H1 2016	YoY change (%)
Net operating income (£m)	79.7	78.7	+1.3
Adjusted earnings (£m)	38.9	36.2	+7.5
Adjusted earnings (p per share)	30.8	26.8	+14.9
Dividends (p per share)	24.0	24.0	-

Earnings growth



Strong balance sheet

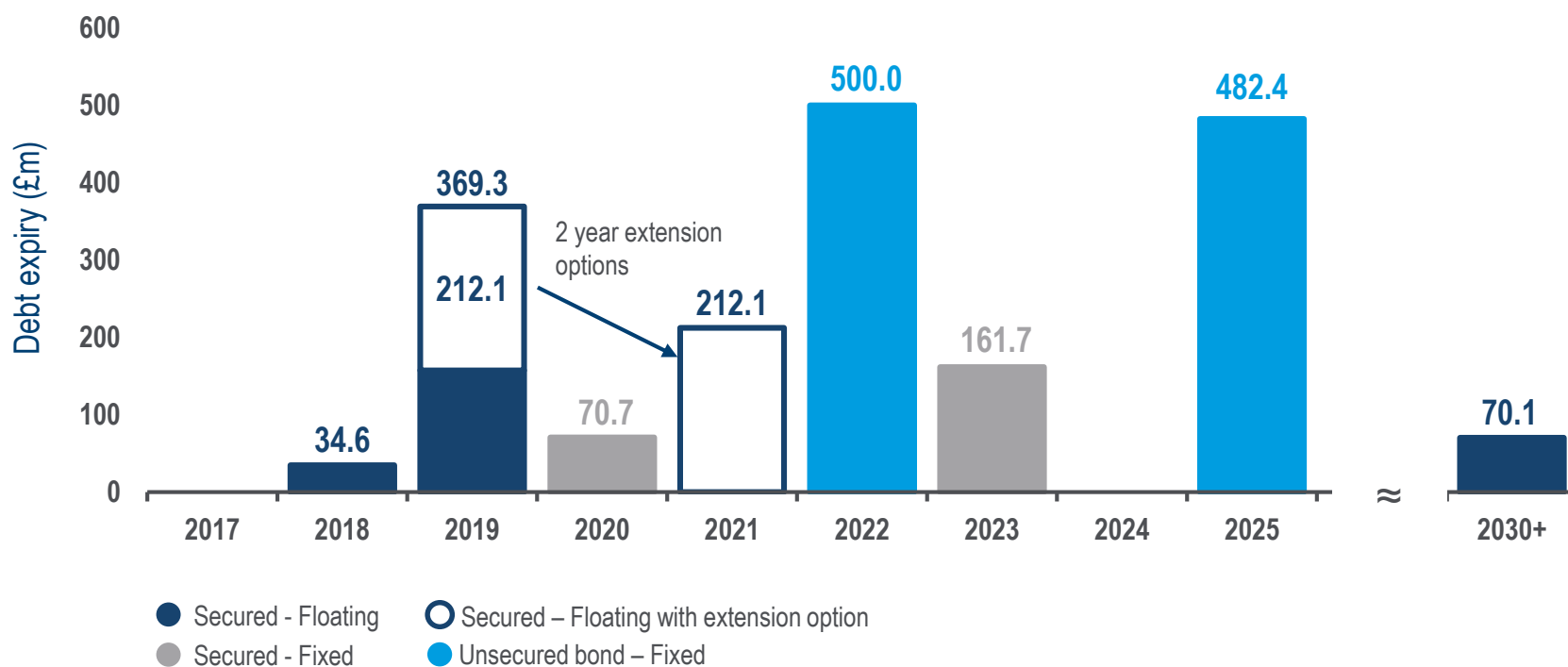
Balance sheet highlights

	H1 2017	FY 2016	Six-month change (%)
Portfolio value (£m)	2,910.4	2,882.2	+1.0
Cash (£m)	454.8	456.5	-0.4
Secured debt (£m)	706.4	721.8	-2.1
Unsecured debt (£m)	982.4	969.5	+1.3
LTV (%)	42.4	42.8	-0.4pp
Adjusted NAV (p per share) ¹	1,241.4	1,215.9	+2.1

¹ KWE's Adjusted NAV per share is based on third party valuations as at 30 June 2017. The Scheme Document will contain either updated valuations reported on in accordance with Rule 29 of the Code or confirmations that the valuations continue to apply

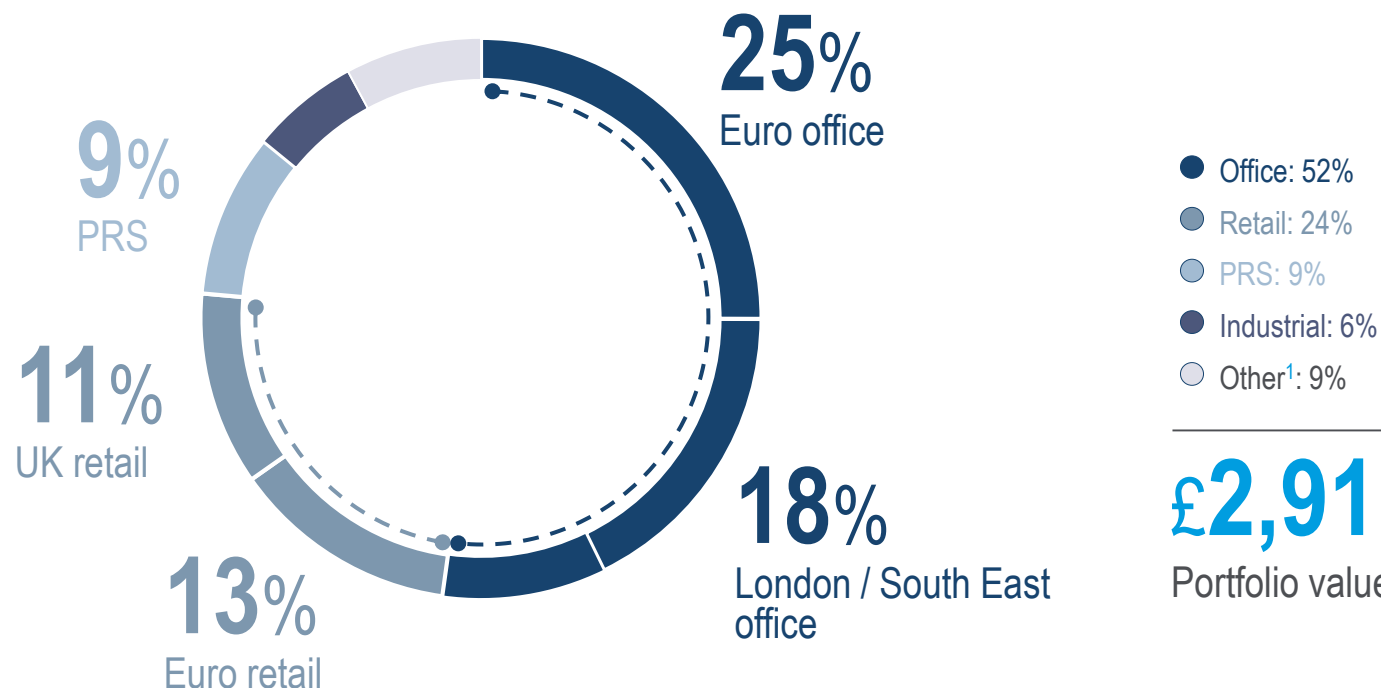
Stable debt profile

Facilities	%	£m	Margin (bps)	Total cost (bps)	Term (years)
Fixed	72	1,215	–	340	6.3
Floating	28	474	197	209	4.0
Total	100	1,689	197	304	5.6



Portfolio review

Highlighting five key subsectors (76% of portfolio value)



£2,910.4m

Portfolio value

¹ Includes hotel and leisure assets and two loan portfolios

Euro office: Dublin office 19% of portfolio value

Significant tenant demand growing rents

Dublin market metrics¹

YoY change

Prime rent
(per sq ft)

€62.50 ▲

Take-up
(sq ft)²

3.3m ▲

40-42 Mespil Road, Dublin 4



¹ CBRE as at Q2 2017

² Trailing twelve month take-up

³ Comprises Baggot Plaza, South Bank House, Mespil Road and Russell Court

⁴ Comprises The Chase, School House Lane, The Warehouse and 14-15 Sir John Rogerson's Quay

Core³



Baggot Plaza,
Dublin 4



South Bank House,
Dublin 4

13.3
WAULT
(years)

13.9%
Under-rented

Value-add⁴



The Chase,
Dublin 18



School House Lane,
Dublin 2

€7.9m
Budgeted
capex

55.9%
Occupancy

Euro office: Milan office 2% of portfolio value

Growing market with key development opportunity

Milan market metrics¹

YoY change

Prime rent
(per sq ft)

€49.25 ▲

Take-up
(sq ft)²

3.8m ▼

Via Valtellina 1, Milan



Via Valtellina 1, Milan

Jul-17

Preliminary zoning
approval

527k

Target gross
buildable area
(sq ft)



¹ CBRE as at Q2 2017

² Trailing twelve month take-up

London / SE office: London office 10% of portfolio value

Crystallising material reversions

Central London market metrics¹

YoY change

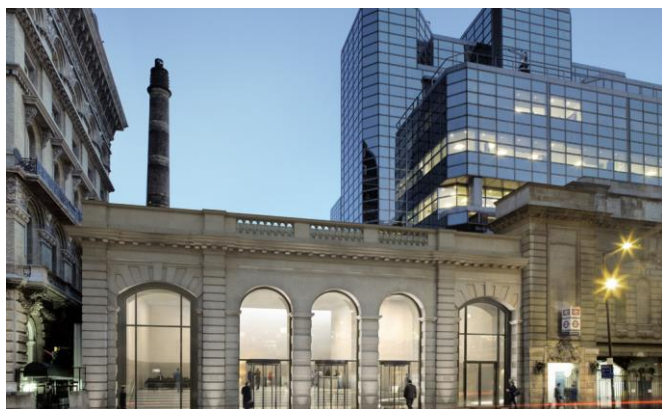
Prime rent
(per sq ft)

£105.00 ▼

Take-up
(sq ft)²

12.5m ▼

111 Buckingham Palace Road, London SW1



¹ CBRE as at Q2 2017

² Trailing twelve month take-up

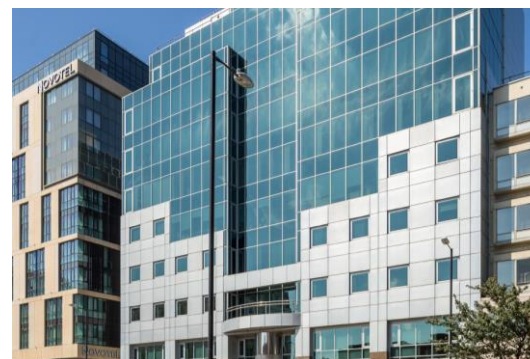
³ Includes letting to Metalogix

111 Buckingham Palace Road, London SW1



+20.1%
Above passing
on rent reviews³

Friars Bridge Court, London SE1



+30.8%
Above passing
on re-gears

London / SE office: SE office 8% of portfolio value

Competitively positioned in key office market

South East market metrics¹

YoY change

Prime rent
(per sq ft)

£39.00 ▲

Take-up
(sq ft)²

3.3m ▼

Leavesden Park, Watford



¹ Knight Frank as at Q2 2017. Prime rent based on Maidenhead

² Trailing twelve month take-up

³ South East office leasing transactions from acquisition to 30 June 2017

£19.50

Average rent
(per sq ft)

278k

Area of leasing
transactions
(sq ft)³

Stockley Park, Heathrow



The Horizon Centre, Epsom



Discovery Place, Farnborough



Axis One, Langley



Euro retail: Ireland retail 6% of portfolio value

Well established retail recovery reflected in rental growth

Ireland market metrics

YoY change

Dublin retail
rental growth¹ **+10.5%** ▲

Retail sales
index² **+4.1%** ▲

The Marshes Shopping Centre, Dundalk



Stillorgan Shopping Centre / Leisureplex site, Co. Dublin



+13.2%
Above passing
on renewals in
last year



200k
Potential
additional GIA
(sq ft)

¹ CBRE as at Q2 2017

² Seasonally adjusted retail sales to June 2017, Central Statistics Office

Euro retail: Spain retail 7% of portfolio value

Early stage recovery driving demand in prime locations

Spain market metrics

YoY change

Madrid retail rental growth¹ **+11.6%** ▲

Retail sales index² **+2.5%** ▲

Moraleja Green, Madrid (CGI)



¹ CBRE as at Q2 2017

² Retail sales index (deflated and seasonally adjusted), Instituto Nacional de Estadística (data as of June 2017)

³ CBRE ERV as at 30 June 2017

Puerta del Sol 9, Madrid (CGI)



€3.0m
Estimated rental value³

Moraleja Green, Madrid (CGI)



€8.6m
Estimated rental value³

UK retail: 11% of portfolio value

Diverse, robust cashflows

UK retail market metrics

YoY change

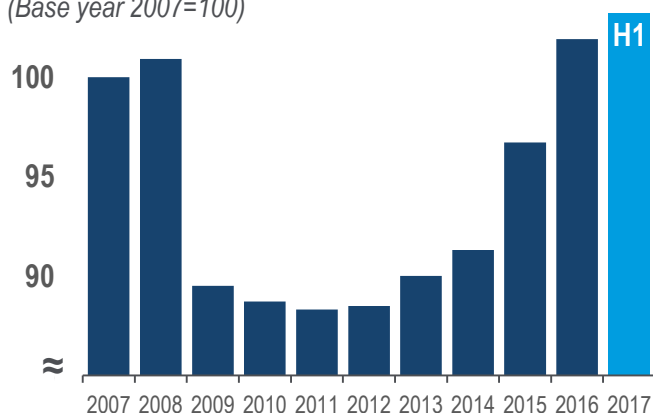
High street
rent index¹

+3.1% ▲

Retail sales
index²

+2.9% ▲

UK high street rent index¹
(Base year 2007=100)



¹ CBRE UK Prime Rent and Yield Indices Q2 2017 (All Shops index). Chart calculated from end of year values and rebased to 2007

² Retail sales in Great Britain: June 2017, Office for National Statistics

Lush Spa,
Edinburgh



Jigsaw,
Norwich



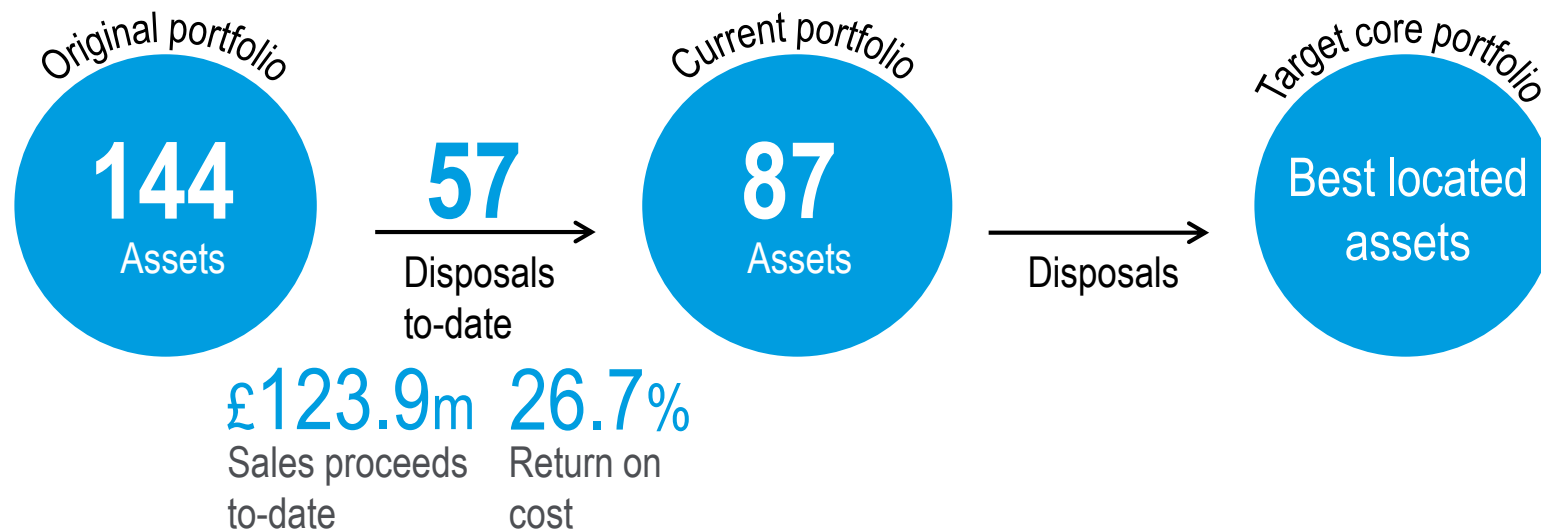
Edinburgh Woollen Mill,
Bury St Edmunds



Links,
Chester



UK retail: delivering on asset management and disposals



One Stop, Swansea
Sold Jun-17



Yours, Weymouth
On market



Waterstones, Winchester
Core asset



PRS: Dublin PRS 6% of portfolio value

Strong demand drivers

Dublin PRS market metrics

Change

Apartment rents
(YoY change)¹

+8.4% ▲

Est. population
growth to 2026²

+9.9% ▲

Liffey Trust Centre, Dublin 1



¹ RTB, average rent for a 2-bed apartment in Dublin, as at Q1 2017 (latest available data)

² Regional Population Projections 2016-2031, Central Statistics Office

³ Includes Vantage Phase I and Phase II (Block K)

⁴ Excludes commercial space

Vantage, Central Park, Dublin 18³



€7.3m
Current NOI

7.8%
Under-rented



96%
Current occupancy⁴

PRS: London PRS 3% of portfolio value

Long-term demand to drive market

Greater London PRS market metrics

Change

Apartment rents
(YoY change)¹

-2.6% ▼

Est. population
growth to 2026²

+10.6% ▲

Pioneer Point, Ilford, London
New 2-bed apartment



¹ Home Let rental index for Greater London, June 2017

² 2016-based Trend Projection Results, July 2017, GLA

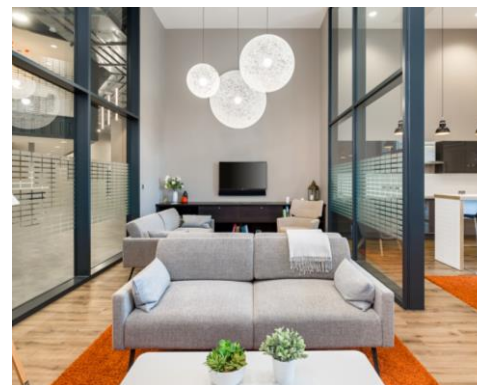
³ CBRE ERV as at 30 June 2017

Pioneer Point, Ilford, London
Tenant amenities



+135

New units added
in South tower



£5.4m

Estimated rental
value³

£132.6m of disposals year-to-date¹

29.5% ROC from £57.6m of sales in H1

£75.0m of sales across 3 assets PPE¹

Edinburgh Gate, Harlow



38.3%

Harlow ROC

+7.3%

Harlow premium
to book value



Gardner House,
Dublin 2

44.3%

PPE ROC



Park Inn,
Northampton

11.6%

PPE premium
to book value²



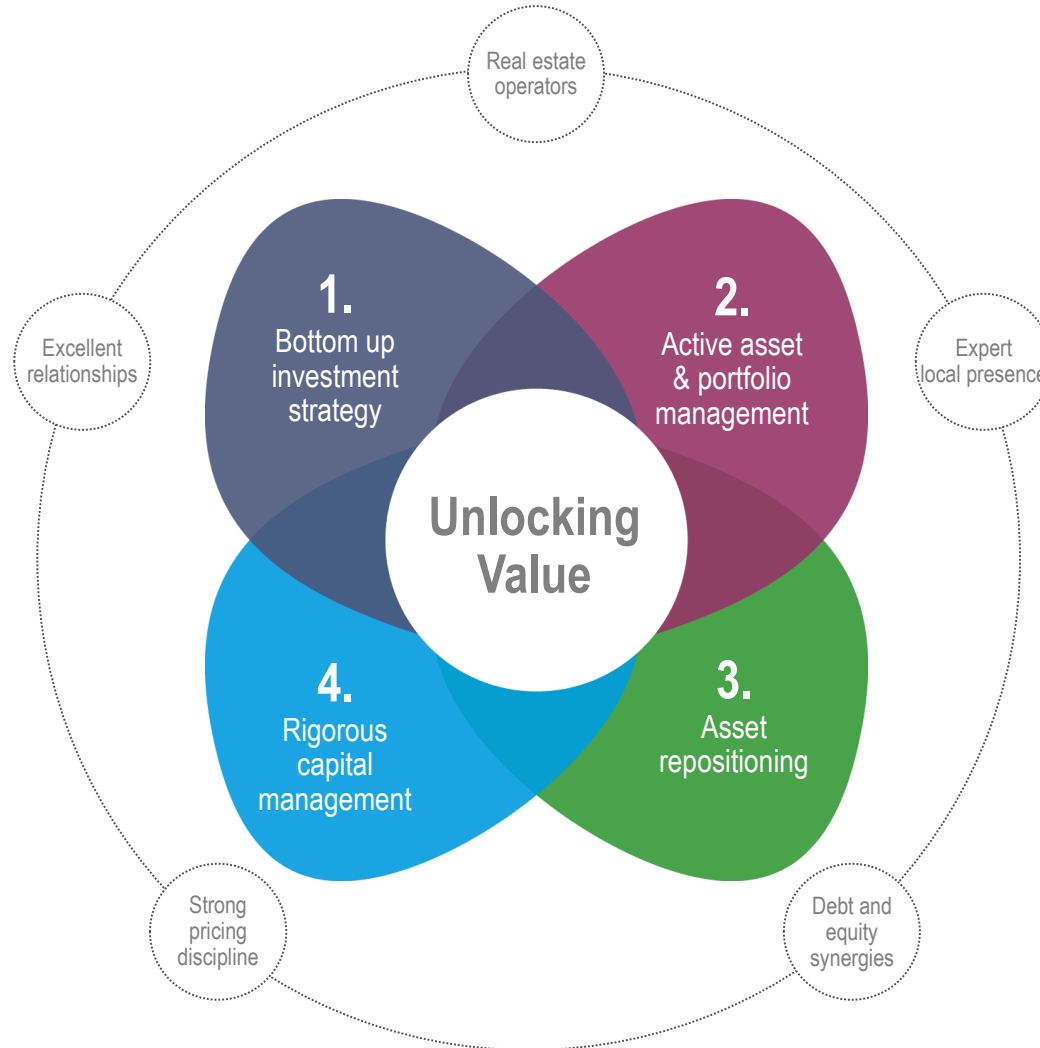
Postigo de San Martin,
Madrid

¹ Includes assets which have exchanged and/or completed post Period-end

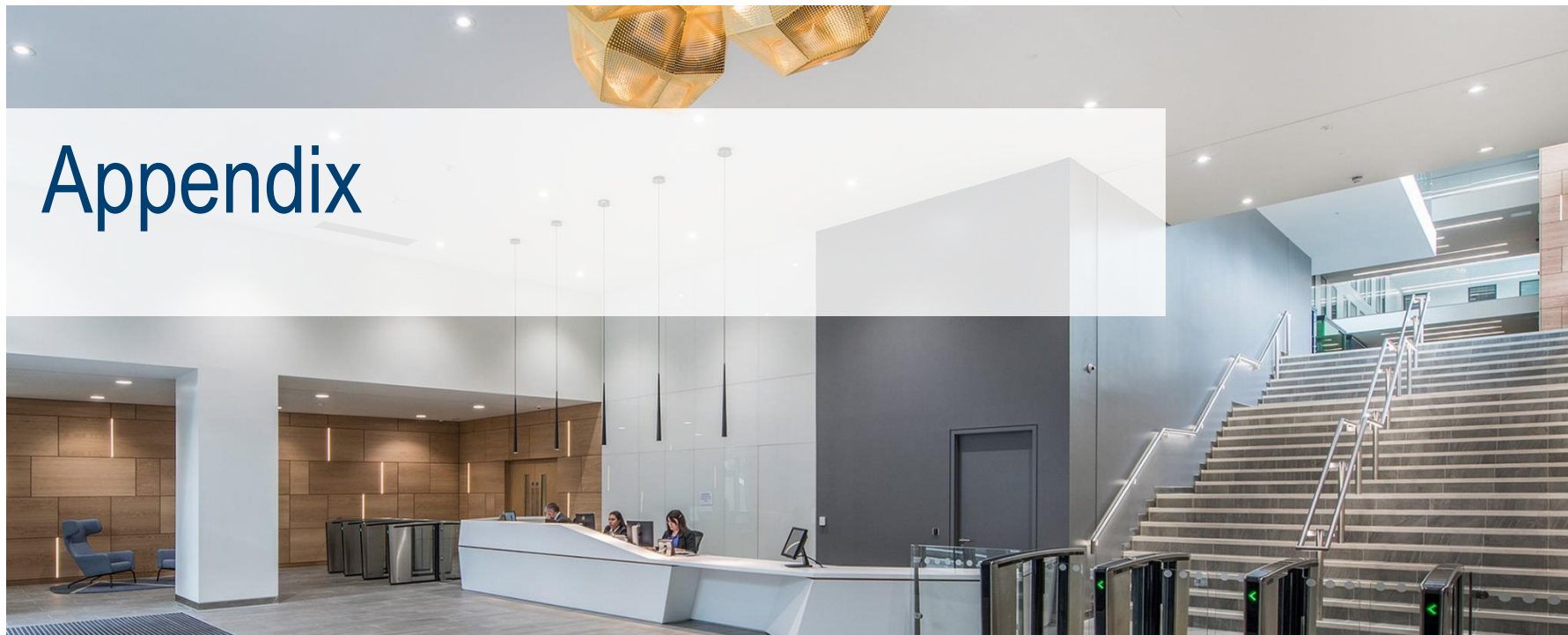
² Book value as at 31 December 2016

KWE proven business model

Unlocking value of under-resourced real estate



Appendix



Adjusted earnings

Strong growth in earnings

	Half year to 30 June 2017		Half-year to 30 June 2016	
	(£m)	(p)	(£m)	(p)
Profit for the period after taxation	54.9	43.5	78.7	57.9
Net change in fair value	(16.9)	(13.4)	(45.7)	(33.6)
Fair value loss on interest caps	0.2	0.1	0.9	0.7
Time value of foreign exchange zero premium options	(1.3)	(1.1)	2.4	1.8
Acquisition and debt close expenditure	(0.2)	(0.1)	0.1	-
Taxes in respect of EPRA adjustments	1.1	0.8	-	-
Gain on sale	(2.2)	(1.6)	(0.2)	-
EPRA earnings	35.6	28.2	36.2	26.8
Group adjustments – merger costs	3.3	2.6	-	-
Adjusted earnings	38.9	30.8	36.2	26.8
Shares in issue at start of period	126,133,407		135,933,938	
Shares in issue at end of period	126,133,407		135,933,938	
Weighted average shares in issue	126,133,407		135,933,938	

Summary balance sheet

EPRA net assets

	30 Jun 2017 (£m)	31 Dec 2016 (£m)
Investment property	2,838.2	2,814.6
Loans secured by real estate	72.2	67.6
Portfolio value	2,910.4	2,882.2
Cash and cash equivalents	454.8	456.5
Borrowings	(1,688.8)	(1,691.3)
Net debt	(1,234.0)	(1,234.8)
Other net liabilities	(108.5)	(111.5)
IFRS net assets	1,567.9	1,535.9
EPRA adjustments	(0.1)	(0.3)
EPRA net assets	1,567.8	1,535.6
Performance fee	-	-
Investment management fee	(2.0)	(1.9)
Adjusted NAV	1,565.8	1,533.7
<hr/>		
Shares in issue at Period-end	126,133,407	126,133,407
Adjusted NAV per share (p)	1,241.4	1,215.9

Balanced debt structure

£982.4m

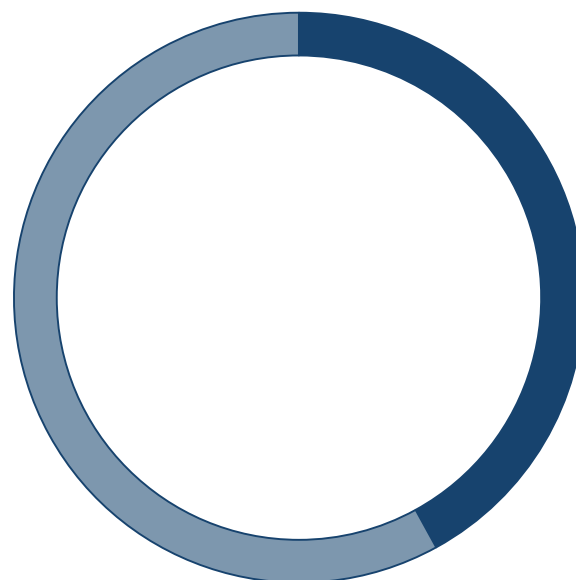
Unsecured debt

TTM¹: 6.7 years
Total fixed cost: 3.5%
Fixed debt: 100%

£706.4m

Secured debt

TTM¹: 4.2 years
Total cost: 2.4%
Fixed debt: 83%



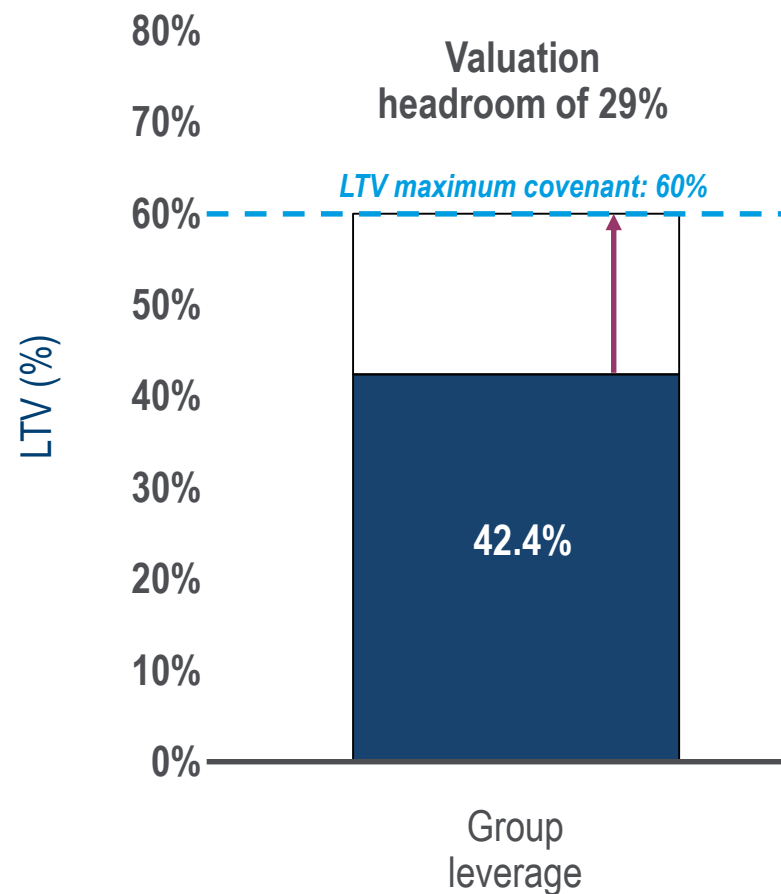
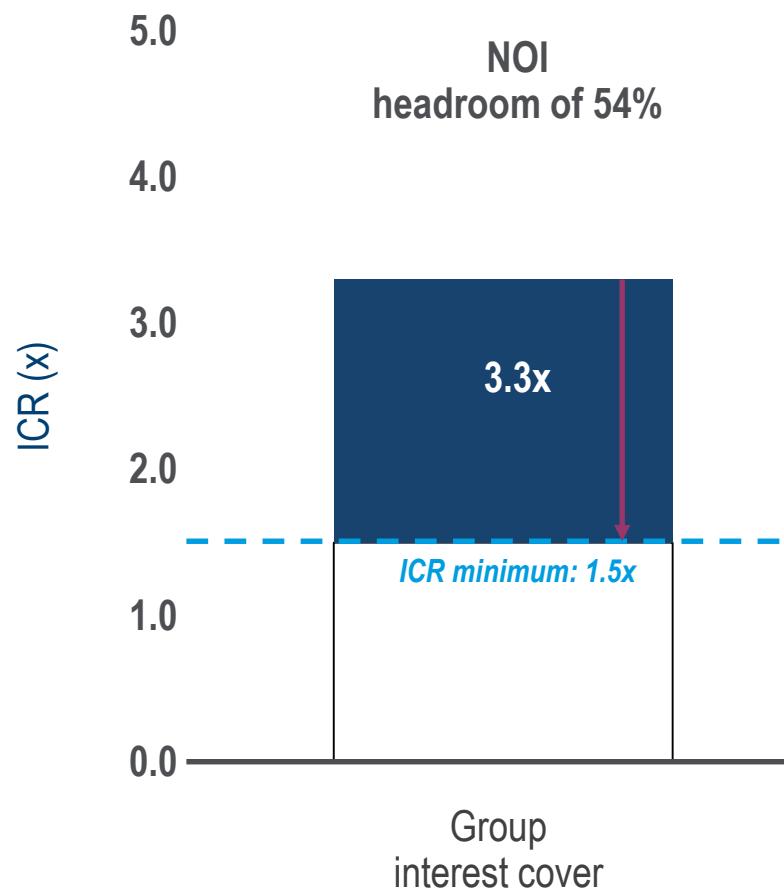
£1,688.8m

Total debt

- Secured debt: 42%
- Unsecured debt: 58%

¹Term to maturity

Good covenant headroom



H1 2017 portfolio

Top ten tenants

Tenant	Topped-up gross annual rent ¹ (£m)	% of total
Italian Government	12.1	8.1
Bank of Ireland	9.5	6.4
Telegraph Media Group	7.0	4.7
KPMG	4.4	2.9
Carrefour	4.2	2.9
UK Government	3.7	2.5
HSBC Plc	3.6	2.4
British Telecommunications Plc	3.3	2.2
Mason Hayes & Curran	3.2	2.1
Conoco (UK) Ltd	3.0	2.0
Top ten tenants	54.0	36.2
Remaining tenants	95.1	63.8
Total office	149.1	100.0

Top ten assets

Asset	Country	City	Sector	Approx area (000 sq ft)
Buckingham Palace Road	UK	London	Office	224
Vantage / Central Park	Ireland	Dublin 18	PRS ²	394
Baggot Plaza	Ireland	Dublin 4	Office	129
40/42 Mespil Road	Ireland	Dublin 4	Office	118
Russell Court	Ireland	Dublin 2	Office	139
Pioneer Point	UK	London	PRS ²	151 ³
Stillorgan S.C	Ireland	Co. Dublin	Retail	156
Towers Business Park	UK	Manchester	Office	289
Moraleja Green S.C.	Spain	Madrid	Retail	325
Friars Bridge Court	UK	London	Office	98
Total				2,023

¹ Topped-up gross annualised rent from commercial leases only – excludes residential, hotel and development assets, loan portfolios and other miscellaneous income

² Private rented sector residential

³ Excludes area of vacant South tower

H1 2017 sector break down

UK portfolio summary¹

Sector	Area (m sq ft)	No. of assets	Port. value ² (£m)	Ann'l TU NOI ³ (£m)	EPRA TU NIY (%)	Acq'n YOC (%)	WAULT (years)	Occupancy (%)
Office	2.6	28	790.9	49.2	5.8	6.7	4.6	92.8
Retail	1.8	87	324.8	22.7	6.5	6.8	8.5	97.1
Industrial	2.8	25	182.0	11.6	6.0	7.4	7.3	99.3
Leisure	0.4	6	89.7	5.1	5.4	6.6	12.9	89.1
Residential	0.1	1	88.7	1.2	1.3	2.9	-	54.7
Property total	7.7	147	1,476.1	89.8	5.7	6.6	6.4	93.1
Hotel	-	1	41.7	1.4	3.1	5.8	-	-
Loans	-	7	49.2	5.5	10.4	9.6	-	-
Total / Average	7.7	155	1,567.0	96.7	5.8	6.7	6.4	93.1

Ireland portfolio summary¹

Sector	Area (m sq ft)	No. of assets	Port. value ² (£m)	Ann'l TU NOI ³ (£m)	EPRA TU NIY (%)	Acq'n YOC (%)	WAULT (years)	Occupancy (%)
Office	0.8	14	553.8	24.3	4.3	5.9	9.9	94.4
Retail	0.5	5	177.0	9.9	5.8	6.5	16.8	96.5
Industrial	-	-	-	-	-	-	-	-
Leisure	0.0	1	3.2	0.2	5.1	6.9	16.0	100.0
Residential	0.5	2	163.6	7.4	4.3	4.0	-	95.6 ⁴
Property total	1.8	22	897.6	41.8	4.6	5.8	11.8	93.8
Hotel	-	1	33.8	1.3	3.6	5.1	-	-
Loans	-	3	23.0	1.1	4.7	4.0	-	-
Total / Average	1.8	26	954.4	44.2	4.6	5.7	11.8	93.8

¹ Development assets re-classified across sectors

² Third party valuations (RICS Red Book) have been undertaken by CBRE on direct property assets (other than Italian office portfolio which was valued by Colliers); loan portfolios have been valued by Duff & Phelps in each case at 30 June 2017

³ Annualised topped-up NOI at 30 June 2017 includes expiration of rent-free periods and contracted rent steps over the next two years

⁴ Excludes commercial units at Vantage, Central Park

H1 2017 sector break down

Spain portfolio summary¹

Sector	Area (m sq ft)	No. of assets	Port. value ² (£m)	Ann'l TU NOI ³ (£m)	EPRA TU NIY (%)	Acq'n YOC (%)	WAULT (years)	Occupancy (%)
Retail	0.8	16	203.1	8.6	5.8	6.7	2.7	90.7
Hotel	-	1	11.2	-	-	-	-	-
Total / Average	0.8	17	214.3	8.6	5.8	6.7	2.7	90.7

Italy portfolio summary¹

Sector	Area (m sq ft)	No. of assets	Port. value ² (£m)	Ann'l TU NOI ³ (£m)	EPRA TU NIY (%)	Acq'n YOC (%)	WAULT (years)	Occupancy (%)
Office	1.1	9	174.7	10.5	5.8	6.3	5.5	100.0
Total / Average	1.1	9	174.7	10.5	5.8	6.3	5.5	100.0

Total portfolio summary¹

Sector	Area (m sq ft)	No. of assets	Port. value ² (£m)	Ann'l TU NOI ³ (£m)	EPRA TU NIY (%)	Acq'n YOC (%)	WAULT (years)	Occupancy (%)
Office	4.5	51	1,519.4	84.0	5.3	6.5	6.2	94.2
Retail	3.1	108	704.9	41.2	6.2	6.7	9.1	95.2
Industrial	2.8	25	182.0	11.6	6.0	7.4	7.3	99.3
Leisure	0.4	7	92.9	5.3	5.4	6.6	13.0	89.4
Residential	0.6	3	252.3	8.6	3.2	3.5	-	86.0 ⁴
Property total	11.4	194	2,751.5	150.7	5.3	6.4	7.4	93.6
Hotel	-	3	86.7	2.7	3.3	5.6	-	-
Loans	-	10	72.2	6.6	8.6	8.2	-	-
Total / Average	11.4	207	2,910.4	160.0	5.4	6.4	7.4	93.6

¹ Development assets re-classified across sectors

² Third party valuations (RICS Red Book) have been undertaken by CBRE on direct property assets (other than Italian office portfolio which was valued by Colliers); loan portfolios have been fair valued by Duff & Phelps in each case at 30 June 2017

³ Annualised topped-up NOI at 30 June 2017 includes expiration of rent-free periods and contracted rent steps over the next two years

⁴ Excludes commercial units at Vantage, Central Park

Impressive H1 disposal metrics

Disposals	Area (000 sq ft)	No. of assets	Gross sale proceeds (£m)	Premium to BV (%)	Return on cost (%)	Hold period (months)
Office	149	2	31.0	8.9	40.1	21
Retail	87	11	24.3	1.6	17.3	29
Industrial	22	1	0.6	38.6	62.9	28
Leisure	4	1	0.3	25.0	38.5	28
Development	Na	-	1.4	12.6	27.6	28
Disposals	262	15	57.6	6.1	29.5	25
Deals exchanged / completed PPE	75	3	75.0	11.6	44.3	31
Total incl. exchanged / completed PPE	337	18	132.6	9.1	37.4	29

Office

UK

£790.9m 52%

Valuation

2.6

Area (m sq ft)

28

Assets

Ireland¹

£553.8m 36%

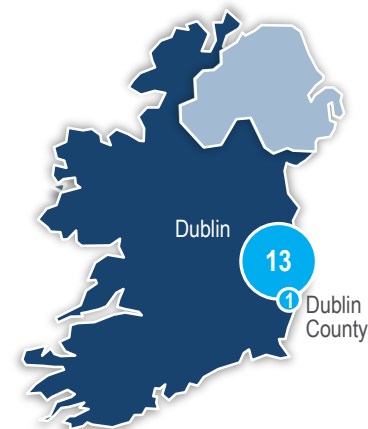
Valuation

0.8

Area (m sq ft)

14

Assets



Italy

£174.7m 12%

Valuation

1.1

Area (m sq ft)

9

Assets

¹ Includes School House Lane and 14-15 Sir John Rogerson's Quay

Retail

UK

£324.8m 46%

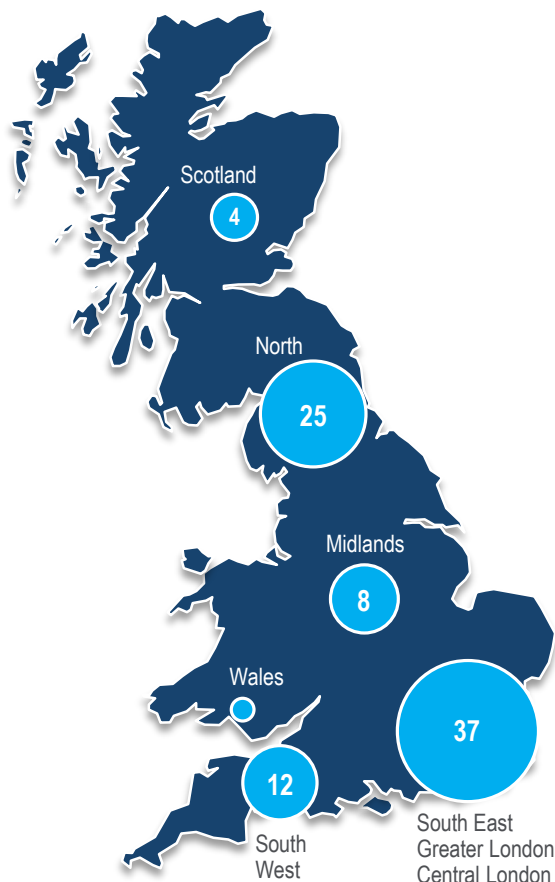
Valuation

1.8

Area (m sq ft)

87

Assets



Ireland¹

£177.0m 25%

Valuation

0.5

Area (m sq ft)

5

Assets



Spain²

£203.1m 29%

Valuation

0.8

Area (m sq ft)

16

Assets



¹ Includes Leisureplex site

² Includes 9 Puerta del Sol

PRS

UK

£88.7m 35%

Valuation

294

Units



Ireland

£163.6m 65%

Valuation

523

Units



Industrial

UK

£182.0m 100%

Valuation

2.8

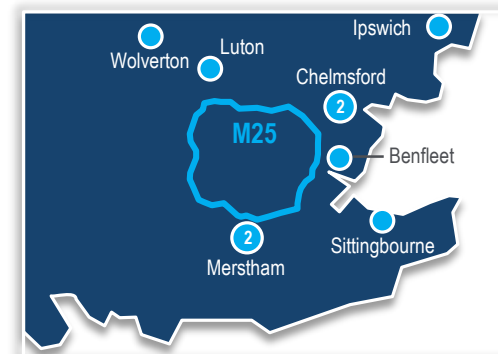
Area (m sq ft)

25

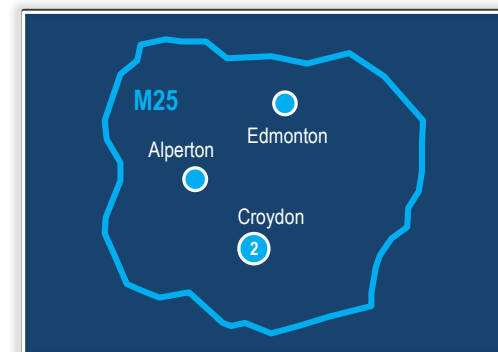
Assets



South East



London



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All property valuations in this presentation at 30 June 2017 have been undertaken by third party external valuers under RICS Red Book. CBRE have valued the direct property assets (other than the Italian office portfolio which was valued by Colliers) and the loan portfolios have been valued by Duff & Phelps, in each case at 30 June 2017. Unless stated otherwise, information presented "to date" is information as at 3 August 2017 or for the period from 1 July 2017 to 3 August 2017, and any PPE information presented under "PPE" is information for the period from 1 July 2017 to 3 August 2017.

Unless stated otherwise, where balance sheet amounts in this presentation are presented in both £ and €, the £ amount has been calculated based on an exchange rate of €1:£0.87710, which was the rate on 30 June 2017. Income Statement amounts were translated at the average rate for the period. Certain figures included in this presentation have been rounded to the nearest whole number.