

SUPPLEMENT DATED 2 MARCH 2017

TO THE BASE PROSPECTUS DATED 8 NOVEMBER 2016



KENNEDY WILSON EUROPE REAL ESTATE PLC

(a public limited company incorporated in Jersey under the Companies (Jersey) Law 1991, as amended, with registered no. 114680)

KW LUX FINANCECO S.À R.L.

(a private limited liability company (société à responsabilité limitée) incorporated in Luxembourg)

£2,000,000,000 Euro Medium Term Note Programme

guaranteed, in respect of Notes issued by KW Lux FinanceCo S.à r.l., by

KENNEDY WILSON EUROPE REAL ESTATE PLC

This supplement (the “**Supplement**”) to the Base Prospectus (the “**Base Prospectus**”) dated 8 November 2016 which comprises a base prospectus constitutes a supplementary prospectus for the purposes of Section 87G of the Financial Services and Markets Act 2000 and is prepared in connection with the £2,000,000,000 Euro Medium Term Note Programme established by Kennedy Wilson Europe Real Estate Plc (the “**Company**”) and KW Lux FinanceCo S.à r.l. (“**KW Lux**” and, together with the Company, the “**Issuers**”). Terms defined in the Base Prospectus have the same meaning when used in this Supplement.

This Supplement is supplemental to, and should be read in conjunction with, the Base Prospectus and any other supplements to the Base Prospectus published by the Issuers.

Each of the Company and KW Lux accepts responsibility for the information contained in this Supplement. To the best of the knowledge and belief of the Company and KW Lux (each having taken all reasonable care to ensure that such is the case) the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

Purpose of the Supplement

The purpose of this Supplement is (a) to incorporate by reference into the Base Prospectus the Company’s 2016 full-year results announcement (including, *inter alia*, the audit report prepared by the Company’s independent auditors (KPMG)) published on 24 February 2017 (the “**2016 Full-Year Results Announcement**”), (b) to update the section titled “Selected Historical Key Financial Information” set out on pages 44-48 of the Base Prospectus and (c) to update certain statements set out in the Base Prospectus.

Documents Incorporated by Reference

The 2016 Full-Year Results Announcement, which has previously been published and has been filed with the FCA, shall, by virtue of this Supplement, be incorporated in, and shall form part of, the Base Prospectus.

Copies of all documents incorporated by reference in the Base Prospectus can be obtained from the registered office of the Company and from the specified office of the Issuing and Paying Agent as described on page 178 of the Base Prospectus. Copies of documents incorporated by reference in the Base Prospectus

may also be viewed free of charge on the website of the Company at www.kennedywilson.eu and the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>.

If documents which are incorporated by reference themselves incorporate any information or other documents therein, either expressly or implicitly, such information or other documents will not form part of this Supplement for the purposes of the Prospectus Directive except where such information or other documents are specifically incorporated by reference or attached to this Supplement.

Selected Historical Key Financial Information

The section titled “Selected Historical Key Financial Information” on pages 44-48 of the Base Prospectus is updated to include the tables set out in the Annex to this Supplement.

Statements

Directors’ and Other Interests

- (i) The Directors have the following shareholdings in the Company.

<i>Name</i>	<i>Shares held as at 1 March 2017</i>	
	<i>Number of Shares</i>	<i>% of share capital⁽¹⁾</i>
William McMorrow ⁽²⁾⁽³⁾	99,922	0.08
Mary Ricks ⁽²⁾⁽³⁾	179,922	0.14
Charlotte Valeur	–	–
Simon Radford	12,500	0.01
Mark McNicholas	–	–

(1) Based on the issued share capital of the Company as at 1 March 2017 (being 126,133,407 Ordinary Shares).

(2) In March 2016, William McMorrow and Mary Ricks were each granted an award of 119,233 restricted share units (representing 0.09% of the share capital). On 1 March 2017, William McMorrow and Mary Ricks were each awarded 19,006 Ordinary Shares pursuant to the first vesting of these restricted share units. The remaining 79,489 restricted share units will vest, subject to continued service, in equal tranches in March 2018 and March 2019. Each restricted share unit that vests shall represent the right to receive payment of one Share.

(3) Held through a nominee account.

Except as disclosed in this paragraph “Statements – Directors’ and Other Interests”, the Company is not aware of interests of any Director, including any connected person of that Director, the existence of which is known to, or could with reasonable diligence be ascertained by, that Director whether or not held through another party, in the share capital of the Company, together with any options in respect of such capital as at 1 March 2017.

- (ii) As at 1 March 2017, except as set out below, in so far as is known to the Company, no person is directly or indirectly interested in 5% or more of the Company's capital or voting rights.

Name	As at 1 March 2017		
	Number of Ordinary Shares		% of Issued Share Capital
Kennedy-Wilson Holdings, Inc.	29,829,730		23.60
Quantum Strategic Partners Ltd.	15,981,750		12.67
Franklin Resources Inc.	11,421,867		9.06

The Shareholders listed in the table above do not have different voting rights to other Shareholders. The Companies Law imposes no requirement on Shareholders to disclose holdings of 5% (or any greater limit) or more of any class of the share capital of the Company. However, the Disclosure and Transparency Rules provide that certain persons (including Shareholders) are obliged to notify the Company if the proportion of the Company's voting rights which they own reaches, exceeds or falls below specific thresholds (the lowest of which is currently 5%).

No significant change – Company

There has been no significant change in the financial or trading position of the Company or of the Group since 31 December 2016.

Share buyback programme

Following its announcement on 28 September 2016 of a £100 million share buyback programme, in the period from 4 October 2016 to 28 November 2016, the Company re-purchased 9,800,531 Ordinary Shares (representing 7.21% of the Company's issued share capital) in the market in accordance with the authorisation granted to the board of the Company by shareholders at the Annual General Meeting held on 27 April 2016 and all relevant regulatory requirements. The Ordinary Shares repurchased by the Company have been cancelled.

The Company's share capital

The Company's share capital as at 1 March 2017 is 126,133,407 Ordinary Shares.

General Information

To the extent that there is any inconsistency between (a) any statement in this Supplement or any statement incorporated by reference into the Base Prospectus by this Supplement and (b) any other statement in or incorporated by reference in the Base Prospectus, the statements in (a) above will prevail.

Save as disclosed in this Supplement, there has been no other significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus since the publication of the Base Prospectus.

ANNEX

Selected Historical Key Financial Information

The following information has been extracted from, and should be read in conjunction with, the 2016 Full-Year Results Announcement which has, by virtue of this Supplement, been incorporated in, and shall form part of, the Base Prospectus.

The financial information in this section has been extracted without material adjustment from the 2016 Full-Year Results Announcement. The accompanying notes (found in the 2016 Full-Year Results Announcement) form an integral part of the consolidated financial statements.

Consolidated Income Statement

The table below shows the Company's consolidated income statement for the year ended 31 December 2016 and the year ended 31 December 2015.

	Notes	Year ended 31 December 2016 £m	Year ended 31 December 2015 £m
Revenue			
Rental income	7	191.5	138.8
Hotel revenue	10	19.4	20.0
Interest income from loans secured by real estate	13	6.3	13.4
		217.2	172.2
Property related expenses	8	(35.8)	(22.7)
Hotel cost of sales	11	(16.3)	(14.4)
		(52.1)	(37.1)
Gross profit		165.1	135.1
Gain on sale of investment and development property and loan collateral	9	8.5	14.6
Net change in fair value of investment and development property	17	(10.8)	208.0
Net change in fair value of loans secured by real estate	18	0.3	5.1
Other gains		-	0.8
		163.1	363.6
Expenses			
Administrative expenses	12	(16.4)	(15.9)
Investment management fee	31A(i)	(16.3)	(15.2)
Performance fee	31A(ii)	-	(29.7)
		(32.7)	(60.8)
Results from operating activities before financing income and costs		130.4	302.8
Interest income from cash and cash equivalents	13	0.6	0.6
Finance costs	14	(57.7)	(36.8)
Net finance expense		(57.1)	(36.2)
Profit before taxation		73.3	266.6
Taxation	15	(7.3)	(7.6)
Profit for the year after taxation		66.0	259.0
Earnings per share (basic & diluted)	16A	49.1p	191.0p

Consolidated Balance Sheet

The table below shows the Company's consolidated balance sheet as at 31 December 2016 and 31 December 2015.

	Notes	31 December 2016 £m	31 December 2015 £m
Non-current assets			
Investment and development property	17	2,675.3	2,500.2
Loans secured by real estate	18	67.6	179.2
Property, plant and equipment	19	73.0	59.2
Derivative financial assets	26	0.3	10.6
Deferred tax asset	15E	2.9	1.5
		2,819.1	2,750.7
Current assets			
Inventories	20	0.3	0.3
Rent and other receivables	21	32.5	28.4
Assets held-for-sale	37	59.4	51.0
Cash and cash equivalents	22	456.5	326.5
		548.7	406.2
Total assets		3,367.8	3,156.9
Current liabilities			
Trade and other payables	23	(58.2)	(68.6)
Deferred income	24	(36.7)	(31.4)
Borrowings	25	(0.6)	(0.3)
		(95.5)	(100.3)
Non-current liabilities			
Trade and other payables	23	(3.1)	(3.3)
Deferred tax liability	15E	(2.4)	-
Borrowings	25	(1,676.6)	(1,414.0)
Derivative financial liabilities	26	(54.3)	(10.1)
		(1,736.4)	(1,427.4)
Total liabilities		(1,831.9)	(1,527.7)
Net assets		1,535.9	1,629.2
Equity			
Stated capital	28A	1,222.1	1,322.2
Foreign currency translation reserve	30A	24.5	(8.7)
Revaluation reserve	30B	3.2	1.3
Share-based payments reserve	30C	1.9	31.8
Retained earnings		283.7	282.6
Equity attributable to owners of the Company		1,535.4	1,629.2
Non-controlling interests	3A(iii)	0.5	-
Total equity		1,535.9	1,629.2
Net asset value per share – basic and diluted (Pence)	16B	1,217.6p	1,198.5p
EPRA net asset value per share – basic and diluted (Pence)	16B	1,217.4p	1,197.8p
Adjusted net asset value per share – basic and diluted (Pence)	16B	1,215.9p	1,174.5p

Consolidated Cash Flow Statement

The table below shows the Company's consolidated cash flow statement for the year ended 31 December 2016 and the year ended 31 December 2015.

	Notes	Year ended 31 December 2016 £m	Year ended 31 December 2015 £m
Cash flows from operating activities			
Profit for the period		66.0	259.0
Adjustments for:			
Net change in fair value of investment and development property	17	10.8	(208.0)
Net change in fair value of loans secured by real estate	18	(0.3)	(5.1)
Other gains		-	(0.8)
Gain on sale of loan collateral	9	(0.4)	(5.0)
Gain on sale of investment property	9	(8.1)	(9.6)
Write-off of property, plant and equipment	19	(1.3)	0.2
Net finance cost		43.3	16.6
Amortisation of lease incentive		(3.8)	(1.6)
Amortisation of loan fees	14	5.5	3.4
Amortisation of bond discount, net of amortisation of bond premia	14	0.7	0.3
Taxation		7.3	7.6
Depreciation	19	3.2	2.2
Reversal of/(provision for) impairment of accounts receivable		0.7	(0.3)
Performance fee	31A(ii)	-	29.7
Investment management fee		(0.2)	5.6
Operating cash flows before movements in working capital		123.4	94.2
(Increase) in rent and other receivables		(3.0)	(11.9)
Increase in deferred rental income		5.3	13.9
(Decrease)/increase in trade and other payables		(21.0)	24.1
Cash generated from operations before interest and taxation		104.7	120.3
Interest received		7.4	17.2
Interest paid		(44.6)	(21.1)
Derivative instruments		(1.0)	5.6
Performance fee paid	31A(ii)	(29.7)	-
Tax paid		(7.1)	(1.4)
Cash flows generated from operating activities		29.7	120.6
Investing activities			
Acquisition/improvement of investment and development property		(282.2)	(1,065.7)
Deposits paid on investment and development property		-	(1.7)
Disposal of investment and development property	9	256.0	95.7
Capital expenditure on property, plant and equipment	19	(10.2)	(4.0)
Acquisition of loans secured by real estate	18	-	(130.4)
Disposal of loans secured by real estate		115.6	28.7
Cash flows from/(used in) investing activities		79.2	(1,077.4)

Consolidated Cash Flow Statement (continued)

	Notes	Year ended 31 December 2016 £m	Year ended 31 December 2015 £m
Financing activities			
Proceeds from borrowings	25	385.7	925.7
Bond interest received in advance		3.4	-
Repayments of secured borrowings	25	(230.0)	(50.6)
Draw down of revolving credit facility		75.0	-
Repayment of revolving credit facility		(75.0)	-
Transaction costs related to loans and borrowings		(3.5)	(6.2)
Bond premia received	25	5.9	-
Share buyback programme, inclusive of costs	28A	(100.1)	-
Dividends paid	29	(64.4)	(47.5)
Cash flows (used in)/from financing activities		(3.0)	821.4
Net increase/(decrease) in cash and cash equivalents		105.9	(135.4)
Cash and cash equivalents at beginning of period	22	326.5	441.9
Foreign exchange movements		24.1	20.0
Cash and cash equivalents at the reporting date	22	456.5	326.5