

# Fairfax India Holdings Corporation

TSX Stock Symbol: *FIH.U*

*News Release*

TORONTO, February 15, 2018

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## FINANCIAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2017

*(Note: All dollar amounts in this news release are expressed in U.S. dollars except as otherwise noted. The financial results are prepared using the recognition and measurement requirements of International Financial Reporting Standards except as otherwise noted, and are unaudited.)*

Fairfax India Holdings Corporation (TSX: FIH.U) announces fiscal year 2017 net earnings of \$452.5 million (\$2.94 net earnings per diluted share) compared to fiscal year 2016 net earnings of \$107.8 million (\$1.01 net earnings per diluted share), reflecting increased net unrealized gains on investments.

Highlights for 2017 (with comparisons to 2016 except as otherwise noted) included the following:

- Net earnings of \$452.5 million increased from net earnings of \$107.8 million in 2016, primarily reflecting an increase in net unrealized gains on investments to \$592.3 million from \$105.0 million.
- The company has had excellent performance during the period from the closing of its initial public offering in January 2015 to December 31, 2017. As a result of that excellent performance, the company's book value per share of \$14.46 at December 31, 2017 represented a compound annual growth rate during that period of 13.5% (15.5% prior to the performance fee described below) from the initial public offering price of \$10.00 per share, outperforming the compound annual growth rate of the S&P USD BSE Sensex index of 5.9% during the same period.
- In accordance with the Investment Advisory Agreement, which provides for the payment of a performance fee of 20% of the increase in book value per share in excess of a hurdle rate of 5% per annum, a performance fee of \$114.4 million was earned by Fairfax Financial Holdings for the period from January 30, 2015 (the closing date of the company's initial public offering) to December 31, 2017. The performance fee will be paid during the first quarter of 2018 by the issuance of subordinate voting shares valued at \$14.93 per share (the weighted average share trading price over the last 10 trading days in 2017).
- At December 31, 2017 common shareholders' equity was \$2,132.5 million, or \$14.46 per share, compared to \$1,075.4 million, or \$10.25 per share, at December 31, 2016, an increase of 41.1% (an increase of 48.7% prior to accounting for the performance fee recorded in 2017).

Subsequent to year-end:

- On January 31, 2018, the company's IIFL Holdings investment announced that the board of directors of IIFL approved a reorganization of IIFL which will result in two newly listed entities, IIFL Wealth and IIFL Securities, traded on the BSE and National Stock Exchange of India. After the reorganization is completed, there will be three listed entities comprised of IIFL Finance (currently known as IIFL Holdings, inclusive of the loans and mortgages businesses), IIFL Wealth (inclusive of the wealth, asset management and alternative investment fund businesses) and IIFL Securities (inclusive of all other IIFL businesses such as broking, distribution and investment banking). Shareholders of IIFL will receive seven common shares of IIFL Securities and one common share of IIFL Wealth for every seven IIFL shares they own. Completion of the transaction, anticipated for late 2018 or early 2019, is subject to customary closing conditions and applicable regulatory approvals.

FAIRFAX INDIA HOLDINGS CORPORATION

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There were 147.4 million and 106.0 million weighted average shares outstanding during the fourth quarters of 2017 and 2016 respectively. At December 31, 2017 there were 117,432,631 subordinate voting shares and 30,000,000 multiple voting shares outstanding.

Unaudited consolidated balance sheet, earnings and comprehensive income information follow and form part of this news release.

In presenting the company's results in this news release, management has included book value per basic share. Book value per basic share is calculated by the company as common shareholders' equity divided by the number of common shares outstanding.

Fairfax India is an investment holding company whose objective is to achieve long-term capital appreciation, while preserving capital, by investing in public and private equity securities and debt instruments in India and Indian businesses or other businesses with customers, suppliers or business primarily conducted in, or dependent on, India.

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*This press release may contain forward-looking information within the meaning of applicable securities legislation. Forward-looking statements may relate to the company's future outlook and anticipated events or results and may include statements regarding the financial position, business strategy, growth strategy, budgets, operations, financial results, taxes, dividends, plans and objectives of the company. Particularly, statements regarding future results, performance, achievements, prospects or opportunities of the Company or the Indian market are forward-looking statements. In some cases, forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate" or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might", "will" or "will be taken", "occur" or "be achieved".*

*Forward-looking statements are based on the opinions and estimates of the company as of the date of this press release, and they are subject to known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking statements, including but not limited to the following factors: taxation of the company and its subsidiaries; substantial loss of capital; long-term nature of investment; limited number of investments; geographic concentration of investments; potential lack of diversification; financial market fluctuations; pace of completing investments; control or significant influence position risk; minority investments; ranking of company investments and structural subordination; follow-on investments; prepayments of debt investments; risks upon dispositions of investments; bridge financings; reliance on key personnel; effect of fees; performance fee could induce Fairfax to make speculative investments; operating and financial risks of investments; allocation of personnel; potential conflicts of interest; employee misconduct at the portfolio advisor could harm the company; valuation methodologies involve subjective judgments; lawsuits; foreign currency fluctuation; derivative risks; unknown merits and risks of future investments; resources could be wasted in researching investment opportunities that are not ultimately completed; investments may be made in foreign private businesses where information is unreliable or unavailable; illiquidity of investments; competitive market for investment opportunities; use of leverage; investing in leveraged businesses; regulation; investment and repatriation restrictions; aggregation restrictions; restrictions relating to debt securities; pricing guidelines; emerging markets; corporate disclosure, governance and regulatory requirements; legal and regulatory risks; volatility of the Indian securities markets; political, economic, social and other factors; governance issues risk; Indian tax law; changes in law; exposure to permanent establishment; enforcement of rights; smaller company risk; due diligence and conduct of potential investment entities; Asian economic risk; reliance on trading partners risk; natural disaster risks; government debt risk; and economic risk. Additional risks and uncertainties are described in the company's annual information form dated March 30, 2017 which is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the company's website at [www.fairfaxindia.ca](http://www.fairfaxindia.ca). These factors and assumptions are not intended to represent a*

*complete list of the factors and assumptions that could affect the company. These factors and assumptions, however, should be considered carefully.*

*Although the company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The company does not undertake to update any forward-looking statements contained herein, except as required by applicable securities laws.*

**CONSOLIDATED BALANCE SHEETS**

as at December 31, 2017 and December 31, 2016  
(unaudited - US\$ thousands)

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
<b>Assets</b>		
Cash and cash equivalents	13,244	146,960
Restricted cash	10,598	18,810
Short term investments	27,481	27,428
Bonds	694,252	528,857
Common stocks	1,913,993	539,284
Total cash and investments	<u>2,659,568</u>	<u>1,261,339</u>
Interest receivable	9,422	7,493
Income taxes refundable	3,098	7,326
Other assets	133	27,339
Total assets	<u>2,672,221</u>	<u>1,303,497</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	977	606
Payable for rights issue	15,954	—
Payable to related parties	122,826	3,673
Term loans	400,000	223,772
Total liabilities	<u>539,757</u>	<u>228,051</u>
<b>Equity</b>		
Common shareholders' equity	<u>2,132,464</u>	<u>1,075,446</u>
	<u>2,672,221</u>	<u>1,303,497</u>

## CONSOLIDATED STATEMENTS OF EARNINGS

for the three and twelve months ended December 31, 2017 and 2016  
(unaudited - US\$ thousands except share and per share amounts)

	Fourth quarter		Year ended December 31,	
	2017	2016	2017	2016
<b>Income</b>				
Interest	6,788	4,556	21,848	21,343
Dividends	539	534	8,627	5,611
Net realized gains on investments	—	1,341	1,195	3,392
Net change in unrealized gains on investments and other costs	113,773	4,765	592,277	104,995
Net foreign exchange gains (losses)	8,937	370	(14,277)	(6,737)
	<b>130,037</b>	<b>11,566</b>	<b>609,670</b>	<b>128,604</b>
<b>Expenses</b>				
Investment and advisory fees	8,228	3,447	27,531	12,552
Performance fees	27,884	—	112,218	—
General and administration expenses	648	817	4,166	4,937
Interest expense	4,825	3,772	15,664	4,171
	<b>41,585</b>	<b>8,036</b>	<b>159,579</b>	<b>21,660</b>
<b>Earnings before income taxes</b>	<b>88,452</b>	<b>3,530</b>	<b>450,091</b>	<b>106,944</b>
Provision for (recovery of) income taxes	387	1,106	(2,418)	(881)
<b>Net earnings</b>	<b>88,065</b>	<b>2,424</b>	<b>452,509</b>	<b>107,825</b>
<b>Net earnings per share</b>	\$ 0.60	\$ 0.02	\$ 3.10	\$ 1.01
<b>Net earnings per diluted share</b>	\$ 0.57	\$ 0.02	\$ 2.94	\$ 1.01
<b>Shares outstanding</b> (weighted average)	<b>147,434,365</b>	<b>106,035,730</b>	<b>146,035,470</b>	<b>106,517,213</b>

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

for the three and twelve months ended December 31, 2017 and 2016  
(unaudited - US\$ thousands)

	Fourth quarter		Year ended December 31,	
	2017	2016	2017	2016
<b>Net earnings</b>	<b>88,065</b>	<b>2,424</b>	<b>452,509</b>	<b>107,825</b>
<b>Other comprehensive income (loss), net of income taxes</b>				
<b>Item that may be subsequently reclassified to net earnings</b>				
Unrealized foreign currency translation gains (losses), net of income taxes of nil (2016 - nil)	47,754	(21,144)	110,910	(26,736)
<b>Other comprehensive income (loss), net of income taxes</b>	<b>47,754</b>	<b>(21,144)</b>	<b>110,910</b>	<b>(26,736)</b>
<b>Comprehensive income (loss)</b>	<b>135,819</b>	<b>(18,720)</b>	<b>563,419</b>	<b>81,089</b>