FAIRFAX INDIA

FAIRFAX INDIA HOLDINGS CORPORATION

1

INTERIM REPORT

For the three months ended March 31, 2015

CONSOLIDATED BALANCE SHEETS
as at March 31, 2015 and December 31, 2014
(unaudited - US$)

	Notes	March 31, 2015	December 31, 2014
Assets			
Cash	5	**40,392,368**	234,732
Investments	5	**976,863,372**	—
Interest receivable	13	**8,029,031**	—
Other assets		**71,951**	—
		1,025,356,722	234,732
Deferred income tax assets	8	**1,824,673**	—
		1,027,181,395	234,732
Liabilities			
Accrued expenses		**96,502**	—
Income taxes payable	8	**568,364**	—
Payable to related parties	10	**3,607,473**	234,722
		4,272,339	234,722
Equity			
Common shareholders' equity		**1,022,909,056**	10
Total equity		**1,022,909,056**	10
		1,027,181,395	234,732

See accompanying notes.

CONSOLIDATED STATEMENT OF EARNINGS
for the three months ended March 31, 2015
(unaudited - US$)

	Notes	2015
Income		
Interest income		**4,900,667**
Net realized gains on investments		**47,649**
Net unrealized losses on investments		**(1,046,489)**
Net foreign exchange gain		**300,227**
		4,202,054
Expenses		
Administration and advisory fees	10	**855,501**
General and administration expenses	12	**588,147**
		1,443,648
Earnings before income taxes		**2,758,406**
Recovery of income taxes	8	**1,256,309**
Net earnings		**4,014,715**
Net earnings per share	7	**$ 0.06**
Shares outstanding (weighted average)	7	**71,559,027**

See accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS
for the three months ended March 31, 2015
(unaudited – US$)

	Notes	2015
Net earnings		**4,014,715**
Other comprehensive loss, net of income taxes of nil		
Item that may be subsequently reclassified to net earnings		
Change in unrealized foreign currency translation losses		**(6,931,001)**
Comprehensive loss		**(2,916,286)**

See accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the three months ended March 31, 2015
(unaudited - US$)

	Subordinate voting shares	Multiple voting shares	Retained earnings	Accumulated other comprehensive income (loss)	Equity attributable to shareholders of Fairfax India
Balance as of January 1, 2015	**—**	**10**	**—**	**—**	**10**
Net earnings for the period	**—**	**—**	**4,014,715**	**—**	**4,014,715**
Unrealized foreign currency translation losses on foreign operations	**—**	**—**	**—**	**(6,931,001)**	**(6,931,001)**
Issuance of shares, net of issuance costs	**725,825,342**	**299,999,990**	**—**	**—**	**1,025,825,332**
Balance as of March 31, 2015	**725,825,342**	**300,000,000**	**4,014,715**	**(6,931,001)**	**1,022,909,056**

See accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS
for the three months ended March 31, 2015
(unaudited - US$)

	Notes	2015
Operating activities		
Net earnings		4,014,715
Net bond discount amortization		(8,612)
Deferred income taxes	8	(1,824,673)
Net realized gains on investments		(347,876)
Net unrealized losses on investments		1,046,489
Purchases of investments		(1,021,893,071)
Sales of investments		34,288,859
Changes in operating assets and liabilities:		
Interest receivable		(4,892,056)
Other		1,341,816
Cash used in operating activities		(988,274,409)
Financing activities		
Subordinate voting shares:		
Issuances		766,788,790
Issuance costs		(38,339,448)
Multiple voting shares:		
Issuances		299,999,990
Cash provided by financing activities		1,028,449,332
Increase in cash		40,174,923
Cash - beginning of period		234,732
Foreign currency translation		(17,287)
Cash - end of period		40,392,368

See accompanying notes.

Index to Notes to Interim Consolidated Financial Statements

1. Business Operations

Fairfax India Holdings Corporation (“the company” or “Fairfax India”) is an investment holding company. Its investment objective is to achieve long term capital appreciation, while preserving capital, by investing, either directly or through one of its wholly-owned subsidiaries, in public and private equities and debt instruments in India and Indian businesses or other businesses with customers, suppliers or business primarily conducted in, or dependent on, India (“Indian Investments”). Generally, subject to compliance with applicable law, Indian Investments will be made with a view to acquiring control or significant influence positions. The company makes all or substantially all of its investment either directly or through one of its wholly-owned subsidiaries, which currently include FIH Mauritius Investments Ltd (“MI Co”) and FIH Private Investments Ltd (“MI Sub”).

During the first quarter of 2015, Fairfax India completed its initial public offering (“IPO”) concurrent with two private placements followed by an over allotment option (collectively "the offerings") and raised gross proceeds of approximately $1.06 billion (net proceeds of $1.02 billion). The company's Subordinate Voting Shares commenced trading on January 30, 2015 on the Toronto Stock Exchange ("TSX") under the symbol "FIH.U".

Fairfax Financial Holdings Limited (“Fairfax”) has taken the initiative in creating the company and is Fairfax India's ultimate parent and acts as its administrator. Fairfax is a holding company which, through its subsidiaries, is engaged in property and casualty insurance and reinsurance and investment management. Fairfax has been listed on the TSX under the symbol “FFH” for over 25 years.

Hamblin Watsa Investment Counsel Ltd. (the “Portfolio Advisor”), a wholly-owned subsidiary of Fairfax and registered portfolio manager in the Province of Ontario, is the portfolio advisor of the company and its subsidiaries, responsible to source and advise with respect to all investments for the company and its subsidiaries.

The company is federally incorporated and domiciled in Ontario, Canada. The principal office of the company, Fairfax and the Portfolio Advisor is located at 95 Wellington Street West, Suite 800, Toronto, Ontario M5J 2N7.

2. Basis of Presentation

These interim consolidated financial statements of the company for the three months ended March 31, 2015 have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including International Accounting Standard 34 *Interim Financial Reporting*. Accordingly, certain information and disclosures normally included in annual consolidated financial statements prepared in accordance with IFRS as issued by the IASB have been omitted or condensed. These interim consolidated financial statements should be read in conjunction with the company’s annual consolidated financial statements for the period November 25, 2014 (date of incorporation) to December 31, 2014, which have been prepared in accordance with IFRS as issued by the IASB.

These interim consolidated financial statements were approved for issue by the company’s Board of Directors on April 30, 2015.

3. Summary of Significant Accounting Policies

The principal accounting policies applied to the preparation of these interim consolidated financial statements are as set out in the company's consolidated financial statements for the period ended December 31, 2014, prepared in accordance with IFRS as issued by the IASB. Those policies and methods of computation have been consistently applied to all periods presented, except as described below.

New accounting pronouncements adopted in 2015

IFRS 10 Consolidated Financial Statements ("IFRS 10")
In October 2012 the IASB amended IFRS 10 to provide a limited scope exception to consolidating particular subsidiaries in investment entities (“the amendments”). The amendments define an "investment entity" and require that entities meeting this definition account for investments in subsidiaries (other than those that provide services to the company) at fair value through profit or loss (“FVTPL”) rather than by consolidating them. The company adopted the amendments on January 1, 2015 and determined that it is an investment entity.

In December 2014 the IASB issued a further amendment to clarify that only a subsidiary that is not an investment entity itself, and that provides support services to the investment entity, is consolidated. The amendment is applied retrospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. The company early adopted the amendment on January 1, 2015 and determined that its subsidiaries, MI Co and MI Sub, do not qualify as investment entities under IFRS 10 as they were established to facilitate the investment activities of the company. The company has therefore consolidated MI Co and MI Sub.

New accounting pronouncements issued but not yet effective

The company is currently evaluating the impact of following accounting pronouncements on its consolidated financial statements:

IFRS 9 Financial Instruments ("IFRS 9")
In July 2014 the IASB published the complete version of IFRS 9 which supersedes the 2010 version of IFRS 9 currently applied by the company. This complete version is effective for annual periods beginning on or after January 1, 2018, with retrospective application, and includes: requirements on the classification and measurement of financial assets and liabilities; an expected credit loss model that replaces the existing incurred loss impairment model; and new hedge accounting guidance.

IFRS 15 Revenue from Contracts with Customers ("IFRS 15")
In May 2014 the IASB published IFRS 15 which introduces a single model for recognizing revenue from contracts with customers. The standard is expected to be effective for annual periods beginning on or after January 1, 2018, with retrospective application.

4. Critical Accounting Estimates and Judgments

In the preparation of the company's interim consolidated financial statements, management has made a number of estimates and judgments, the more critical of which are discussed below. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Determination of investment entity status
Entities that meet the definition of an investment entity within IFRS 10 are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them (other than those subsidiaries that provide services to the company).

The three elements which define an investment entity are as follows: (i) obtains funds from one or more investors for the purpose of providing those investors with investment services; (ii) commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and (iii) measures and evaluates the performance of substantially all of its investments on a fair value basis.

Other typical characteristics of an investment entity include: ownership interests in the entity are held in the form of equity; the entity has multiple investors; and, the entity's investors are primarily unrelated parties.

The company has concluded that it meets the definition of an investment entity under IFRS 10.

Income taxes
Realization of deferred income tax assets is dependent upon the generation of taxable income in those jurisdictions where the relevant tax losses and temporary differences exist. Failure to achieve projected levels of profitability could lead to a writedown in the company's deferred income tax asset if it is no longer probable that the amount of the asset will be realized.

The company is subject to income taxes in Canada, Mauritius and India, and the company's determination of its tax liability is subject to review by applicable domestic and foreign tax authorities. While the company believes its tax positions to be reasonable, where the company's interpretations differ from those of tax authorities or the timing of realization is not as expected, the provision for income taxes may increase or decrease in future periods to reflect actual experience. The company has specialist tax personnel responsible for assessing the income tax consequences of planned transactions and events and undertaking the appropriate tax planning. The company also consults with external tax professionals as needed. Tax legislation of each jurisdiction in which the company operates is interpreted to determine the provision for income taxes and expected timing of the reversal of deferred income tax assets and liabilities.

Functional currency
The items included in the financial statements of the company's subsidiaries are measured using the currency of the primary economic environment in which those entities operate (the "functional currency"). The consolidated financial statements are presented in U.S. dollars, which is the functional currency of the holding company and the presentation currency of the consolidated group.

The company has determined that the Indian rupee is the functional currency of MI Co and MI Sub. Accordingly, the results of operations and financial position of MI Co and MI Sub are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the balance sheet date;
- income and expenses are translated at the average exchange rate for the period presented (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and,
- all resulting exchange differences are recognized in other comprehensive income ("OCI") as a separate component of equity.

5. Cash and Investments

Fixed Income Maturity Profile

Bonds are summarized by the earliest contractual maturity date in the table below. Actual maturities may differ from maturities shown below due to the existence of put features. At March 31, 2015 bonds containing put feature represented $175.5 million of the total fair value of bonds in the table below.

	March 31, 2015	
	Amortized cost	**Fair value**
Due after 1 year through 5 years	**271,646,859**	**271,599,295**
Due after 5 years through 10 years	**315,819,334**	**315,085,915**
Due after 10 years	**71,255,634**	**70,980,052**
	658,721,827	**657,665,262**

Fair Value Disclosures

The company's use of quoted market prices (Level 1), valuation models using observable market information as inputs (Level 2) and valuation models without observable market information as inputs (Level 3) in the valuation of securities and derivative contracts by type of issuer was as follows:

	March 31, 2015				December 31, 2014			
	Quoted prices (Level 1)	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total fair value of assets**	Quoted prices (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value of assets
Cash	**40,392,368**	**—**	**—**	**40,392,368**	234,732	—	—	234,732
U.S. treasury	**269,418,662**	**—**	**—**	**269,418,662**	—	—	—	—
Government of India bonds	**—**	**24,107,221**	**—**	**24,107,221**	—	—	—	—
Indian corporate bonds	**—**	**633,558,041**	**—**	**633,558,041**	—	—	—	—
Investment funds(1)	**—**	**49,779,448**	**—**	**49,779,448**	—	—	—	—
	309,811,030	**707,444,710**	**—**	**1,017,255,740**	234,732	—	—	234,732
	30.5%	**69.5%**	**—**	**100.0%**	100.0%	—	—	100.0%

(1) These investments are primarily valued using net asset value statements provided by third party fund managers. The fair values in those statements are determined using quoted prices of the underlying assets, and to a lesser extent, observable inputs where available and unobservable inputs, in conjunction with industry accepted valuation models, where required. The units of the funds are redeemable daily.

Transfers between fair value hierarchy levels are considered effective from the beginning of the reporting period in which the transfer is identified.

6. Total Equity

Equity attributable to shareholders of Fairfax India

Authorized capital

The company's authorized share capital consists of: (i) an unlimited number of Multiple Voting Shares that may only be issued to Fairfax or its affiliates; (ii) an unlimited number of Subordinate Voting Shares; and, (iii) an unlimited number of preference shares, issuable in series. Except as provided in any special rights or restrictions attaching to any series of preference shares issued from time to time, the preference shares will not be entitled to vote at any meeting of the shareholders of the company.

Issued capital

The number of shares outstanding was as follows:

	2015		
	Subordinate voting shares	**Multiple voting shares**	**Common stock outstanding**
Balance - January 1	**—**	**1**	**1**
Issuances	**76,678,879**	**29,999,999**	**106,678,878**
Balance - March 31	**76,678,879**	**30,000,000**	**106,678,879**

7. Earnings per Share

Net earnings per share is calculated in the following table based upon the weighted average common shares outstanding:

	First quarter 2015
Net earnings attributable to shareholders of Fairfax India – basic	**4,014,715**
Weighted average common shares outstanding – basic	**71,559,027**
Net earnings per common share	**$ 0.06**

8. Income Taxes

The company's provision for income taxes for the quarter ended March 31, 2015 is summarized in the following table:

	First quarter 2015
Current income tax	
Current year expenses	**568,364**
Deferred income tax	
Origination and reversal of temporary differences	**(1,824,673)**
Recovery of income taxes	**(1,256,309)**

A significant portion of the company's earnings before income taxes is earned or incurred outside of Canada. The statutory income tax rates for jurisdictions outside of Canada generally differ from the Canadian statutory income tax rate (and may be significantly higher or lower).

The company’s earnings before income taxes by jurisdiction and the associated provision for income taxes for the quarter ended March 31, 2015 are summarized in the following table:

		First quarter 2015	
	Canada	**Mauritius**	**Total**
Earnings (loss) before income taxes	**(931,357)**	**3,689,763**	**2,758,406**
Provision for (recovery of) income taxes	**(1,824,673)**	**568,364**	**(1,256,309)**
Net earnings	**893,316**	**3,121,399**	**4,014,715**

A reconciliation of the provision for income taxes calculated at the Canadian statutory income tax rate to the recovery of income taxes at the effective tax rate in the consolidated financial statements for the quarter ended March 31, 2015 is summarized in the following table:

	First quarter 2015
Canadian statutory income tax rate	**26.5%**
Provision for income taxes at the Canadian statutory income tax rate	**729,745**
Foreign exchange	**(1,584,396)**
Other including permanent differences	**(401,658)**
Recovery of income taxes	**(1,256,309)**

Foreign exchange principally reflects the impact of fluctuations in the value of the Canadian dollar relative to the U.S. dollar and the Indian rupee as the company computes its corporate income tax liability in Canadian dollars pursuant to the requirements of Canadian taxation authorities whereas the functional currency of the company and its Mauritius-based subsidiaries is the U.S. dollar and the Indian rupee respectively.

Other including permanent differences principally reflects the amortization of the company's IPO issuance costs which are deductible as expenses for Canadian income tax determination but are treated as a permanent reduction of equity under IFRS.

9. Financial Risk Management

The company's activities expose it to certain financial risks during or at the end of the reporting period as described below.

Market Risk

Foreign Currency Risk

The company's net assets and net earnings may be significantly affected by foreign currency translation movements as the majority of the company's assets and income are denominated in a currency other than the U.S. dollar, which is the holding company's functional currency and the consolidated group's presentation currency. The company has not hedged its foreign currency risk.

The company's foreign currency exposure is comprised as follows:

	March 31, 2015			
	Cash	Investments	Interest receivable	Total
Indian rupees(1)	29,463,424	657,665,262	8,029,031	695,157,717

(1) Expressed in U.S. dollars.

Interest Rate Risk

Interest rate movements in India could significantly affect the company's net assets and net earnings. The Portfolio Advisor and Fairfax actively monitor interest rates in India and the potential impact change in interest rates may have on the company's investment portfolio.

The table below displays the potential impact of changes in interest rates on the company's fixed income portfolio based on parallel 200 basis point shifts up and down, in 100 basis point increments. This analysis was performed on each individual security, with the hypothetical effect on net earnings calculated on an after-tax basis. The company was also exposed to indirect interest rate risk through investment funds with a fair value of $49.8 million at March 31, 2015 to the extent the funds invested in debt securities.

	March 31, 2015		
	Fair value of fixed income portfolio	Hypothetical $ change effect on net earnings	Hypothetical % change in fair value
Change in interest rates			
200 basis point rise	**648,312,026**	**(43,462,425)**	**(8.4)%**
100 basis point rise	**679,164,511**	**(20,785,848)**	**(4.0)%**
No change	**707,444,577**	**—**	**—**
100 basis point decline	**754,834,102**	**34,831,301**	**6.7 %**
200 basis point decline	**800,136,522**	**68,128,579**	**13.1 %**

Certain shortcomings are inherent in the method of analysis presented above. Computations of the prospective effects of hypothetical interest rate changes are based on numerous assumptions, including the maintenance of the level and composition of fixed income securities at the indicated date, and should not be relied on as indicative of future results. Actual values may differ from the projections presented should market conditions vary from assumptions used in the calculation of the fair value of individual securities; such variations include non-parallel shifts in the term structure of interest rates and a change in individual issuer credit spreads.

Credit Risk

Credit risk arises on investments and cash balances. Cash balances are held in high credit-quality financial institutions. As at March 31, 2015 the company has invested in securities rated as investment grade or higher by a Designated Rating Organization ("DRO"), being DBRS Limited, Standard & Poor's Ratings Service ("S&P"), Fitch Inc. and Moody's Investors Service Inc. ("Moody's"), or subsidiaries or affiliates of a DRO. The company's investment portfolio includes U.S. treasury bills rated Aaa by Moody's and AA+ by S&P, Government of India bonds rated Baa3 by Moody's and BBB by S&P, Indian corporate bonds rated AAA by subsidiaries of a DRO and investment funds that are not rated.

The table below sets out the fair value of each of these categories of investments:

	March 31, 2015
U.S. treasury	**269,418,662**
Government of India bonds	**24,107,221**
Indian corporate bonds	**633,558,041**
Investment funds	**49,779,448**
Total	**976,863,372**

Liquidity Risk

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The company manages liquidity risk by maintaining sufficient cash and cash equivalents to enable settlement of transactions on the due date. Periodic cash flow forecasts are prepared to ensure the company has sufficient cash to meet operational costs. All liabilities as at March 31, 2015 are due within 90 days.

Concentration Risk

The company's investments are primarily concentrated in India and in Indian businesses or businesses with customers, suppliers or business primary conducted in, or dependent on, India. The market value of the company's investments, the income generated by the company and the company's performance will be particularly sensitive to changes in the economic condition, interest rates, and regulatory environment in India. Adverse changes in the economic condition or interest rate or regulatory environment of India may have a material adverse effect on the company's business, cash flows, financial condition and results of operations.

The company's investment portfolio split between India and U.S. investments is as follows:

	March 31, 2015		
	India	U.S.	Total
U.S. treasury	**—**	**269,418,662**	**269,418,662**
Government of India bonds	**24,107,221**	**—**	**24,107,221**
Indian corporate bonds	**633,558,041**	**—**	**633,558,041**
Investment funds	**49,779,448**	**—**	**49,779,448**
Total	**707,444,710**	**269,418,662**	**976,863,372**

Capital Management

The company's capital is comprised of its shareholders' equity. The company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. The company will seek attractive risk adjusted returns, but will at all times emphasize downside protection and minimize the loss of capital.

10. Related Party Transactions

Payables to Related Parties

Payables to related parties at March 31, 2015 included $2.7 million due to Fairfax and its affiliates related to costs associated with the offerings, principally legal and accounting fees and other expenses. This borrowing is non-interest bearing and repayable on demand. The amount was subsequently repaid in April 2015.

Investment Advisory Agreement

On January 30, 2015 the company and its subsidiaries entered into an agreement with Fairfax and the Portfolio Advisor to provide administration and investment advisory services (the "Investment Advisory Agreement"). As compensation for the provision of these services, the company pays an administration and advisory fee, and if applicable, a performance fee. Such fees are determined with reference to the company's Net Asset Value. In accordance with the Investment Advisory Agreement, on any date, Net Asset Value is calculated by subtracting the aggregate carrying value of the liabilities of the company from the aggregate fair value of the assets of the company on that date.

Administration and Advisory Fee

The per annum administration and advisory fee is calculated as 0.5% of the value of undeployed capital and 1.5% of Net Asset Value less the value of undeployed capital.

For the first quarter of 2015, the company has determined that all of the assets are undeployed capital and that the 0.5% per annum fee is payable on the Net Asset Value and only for the period from January 30, 2015 (the date of the offerings) to March 31, 2015. An administration and advisory fee of $855,501 was accrued in the first quarter of 2015 and included in payable to related parties on the consolidated balance sheet.

Performance Fee

The performance fee is paid for the period from January 30, 2015 to December 31, 2017 and for each consecutive three-year period thereafter, and is calculated, on a cumulative basis, as 20% of any increase in Net Asset Value (including distributions) above a 5% per annum increase. The company has determined that the performance fee to be accrued for the quarter ended March 31, 2015 is nil.

Management Compensation

Pursuant to the Investment Advisory Agreement, Fairfax is required to provide a Chief Executive Officer, a Chief Financial Officer and a Corporate Secretary to the company. For so long as the Investment Advisory Agreement remains in effect, all compensation payable to the Chief Executive Officer, the Chief Financial Officer and Corporate Secretary of the company will be borne by Fairfax.

11. Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and return that are different from those of segments operating in other economic environments.

The company has concluded that Fairfax India is engaged in a single business and geographic segment, that of investing in India.

12. General and Administration Expenses

General and administration expenses for the quarter ended March 31 were comprised as follows:

	First quarter 2015
Brokerage fees	**331,039**
Audit, legal and tax professional fees	**79,713**
Salaries and employee benefit expenses	**36,077**
Administrative expense and other	**141,318**
	588,147

13. Interest Receivable

	March 31, 2015
Interest income earned	**4,892,056**
Accrued interest on bonds at date of purchase	**3,136,975**
	8,029,031

Index to Management's Discussion and Analysis of Financial Condition and Results of Operations

Notes to Management's Discussion and Analysis of Financial Condition and Results of Operations

(1) Readers of the Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should review the notes to the interim consolidated financial statements for the first quarter ended March 31, 2015 and the company's audited financial statements and accompanying notes for the period ended December 31, 2014. Additional information, including the company's Annual Information Form ("AIF") for the period ended December 31, 2014, is available on SEDAR at www.sedar.com.

(2) The MD&A contains reference to Net Asset Value ("NAV"), which is a non-IFRS measure. On any date, NAV is calculated by subtracting the aggregate carrying value of the liabilities of the company from the aggregate fair value of the assets of the company on that date. NAV per share is calculated by dividing NAV by the total number of common shares of the company outstanding on that date. The NAV per share is equal to book value per share.

Business Developments

Fairfax Financial Holdings Limited ("Fairfax") has taken the initiative in creating the company and is Fairfax India's ultimate parent and acts as its administrator. Fairfax is a holding company which, through its subsidiaries, is engaged in property and casualty insurance and reinsurance and investment management. Fairfax has been listed on the Toronto Stock Exchange ("TSX") under the symbol "FFH" for over 25 years.

During the first quarter of 2015 the company completed its Initial Public Offering ("IPO") of 50,000,000 subordinate voting shares at a price of $10.00 per share for gross proceeds of $500 million. The company's subordinate voting shares began trading on the TSX under the symbol "FIH.U" on January 30, 2015. Concurrent with the IPO, the company issued to Fairfax and its affiliates 30,000,000 multiple voting shares of the company on a private placement basis, for gross proceeds of approximately $300 million. Also, concurrent with the closing of the IPO, the company issued 20,578,947 subordinate voting shares, on a private placement basis, for gross proceeds of approximately $200 million. The combined gross proceeds of the IPO and private placements were approximately $1.0 billion.

On February 10, 2015 a syndicate of underwriters exercised the IPO over-allotment option and the company issued an additional 6,099,932 subordinate voting shares at a price of $10.00 per share for total gross proceeds of approximately $61 million. The exercise of the over-allotment option increased the combined total gross proceeds from the IPO and private placements ("the offerings") to approximately $1.06 billion (net proceeds of $1.02 billion after issuance costs and expenses).

Business Objectives

Investment Objective

Fairfax India is an investment holding company. Its investment objective is to achieve long term capital appreciation, while preserving capital, by investing, either directly or through one of its wholly-owned subsidiaries, in public and private equities and debt instruments in India and Indian businesses or other businesses with customers, suppliers or business primarily conducted in, or dependent on, India ("Indian Investments").

Investment Strategy

The company invests in businesses that are expected to benefit from India's current pro-business political environment, its growing middle class and its demographic trends that are expected to underpin strong growth for several years. Sectors of the Indian economy that the company believes will benefit most from such trends include infrastructure, the consumer services and retail sectors and the export sector. The company is not limited to investing solely in these sectors and intends to invest in other sectors as opportunities arise.

The company utilizes, and expects to benefit significantly from, the experience and expertise of Fairfax and Hamblin Watsa Investment Counsel Ltd. (the "Portfolio Advisor"), a wholly owned subsidiary of Fairfax and registered portfolio manager in the Province of Ontario.

The company employs a conservative, fundamental value based approach to identifying and investing in high quality Indian businesses, including both public and private businesses, as well as infrastructure investments. The company's strategy is designed to compound book value per share over the long term. The company seeks attractive risk adjusted returns, but seeks at all times to emphasize downside protection and to minimize the loss of capital.

The company intends to make Indian Investments with a view to acquiring control or significant influence positions. The level and nature of control or significant influence will vary by investment. Such a position may include one or more of the following, as deemed appropriate by the company: (i) board appointment or nomination rights; (ii) board observer rights; (iii) input on management selection; (iv) the provision of managerial assistance; and, (v) ongoing monitoring and cooperation with the board and management of the portfolio business to ensure that its strategy is being implemented in a manner that is consistent with the investment objectives of the company, and with Fairfax's fundamental values (as set forth in Fairfax's guiding principles which are included in Fairfax's publicly available annual reports).

Investment Selection

To identify potential investments, the company principally relies on the expertise of the Portfolio Advisor and its affiliates.

The following is an illustrative list of criteria that the company and the Portfolio Advisor believe to be paramount when identifying and investing in Indian Investments:

Attractive valuation: The company's conservative fundamental value approach lead it to focus on businesses that have positive, stable cash flows that can be purchased at discounted multiples. The company does not invest in start-up businesses or businesses that have speculative business plans.

Experienced and aligned management: The company focuses on businesses with experienced, entrepreneurial management teams with strong, long-term track records. The company generally requires the portfolio businesses to have in place, either prior to or immediately following investment by the company, proper incentives to drive the businesses' profitability.

Strong competitive position in industry: The company seeks to invest in businesses that hold leading market positions, possess strong brand power and are well-positioned to capitalize on the growth opportunities which the Portfolio Advisor expects are facing the Indian economy. The company also seeks to invest in businesses that demonstrate significant competitive advantages as compared to their peers and that position them to protect their market position and profitability.

Alignment of the management team with the values of the company: The company, Fairfax and the Portfolio Advisor all seek to adhere to the highest standards of business practices and ethics. The company requires that the management teams at each of its portfolio businesses adhere to a similar standard of business practices and ethics and adhere to the company's fundamental values as described above.

The Portfolio Advisor, the company and their respective affiliates conduct thorough due diligence investigations when evaluating any Indian Investments prior to a recommendation from the Portfolio Advisor to make an investment. This generally includes consultations with Fairfax's network of current and former management teams, consultants, competitors, investment bankers and senior executives to assess, among other things, the industry dynamics, the character of the management team and the viability of the business plan.

More specifically, due diligence in respect of a particular investment opportunity typically includes, among other items as deemed necessary from time to time: (i) review of historical and projected financial information; (ii) on-site visits; (iii) interviews with management, employees, customers and vendors; (iv) review of material agreements; (v) background checks; and, (vi) research relating to the businesses' management, industry, markets, products and services, and competitors.

Investment Restrictions

The company will not make an Indian Investment if, after giving effect to such investment, the total invested amount of such investment would exceed 20% of the company's total assets; provided, however, that the company is nonetheless permitted to complete up to two Indian Investments where, after giving effect to each such investment, the total invested amount of each such investment would be less than or equal to 25% of the company's total assets (the "Investment Concentration Restriction"). The company intends to make multiple different investments as part of its prudent investment strategy, and, accordingly, will invest the net proceeds of the offerings in at least six different Indian Investments that satisfy the Investment Concentration Restriction.

Results of Operation

($ millions)	First quarter 2015
Interest income	**4.9**
Net unrealized losses on investments	**(1.0)**
Other income	**0.3**
Total expenses	**(1.4)**
Earnings before income taxes	**2.8**
Recovery of income taxes	**1.2**
Net earnings	**4.0**

Fairfax India reported net earnings of $4.0 million in the first quarter of 2015. The company earned interest income of $4.9 million on its bond portfolio of $657.6 million which is principally denominated in Indian rupees. Net unrealized losses on investments of $1.0 million primarily related to investments in Indian corporate bonds. Other income of $0.3 million related to realized foreign exchange gains at the company's subsidiaries arising on foreign currency transactions.

Total expenses in the first quarter of 2015 were $1.4 million, primarily comprised of $0.8 million of administration and advisory fees calculated on the NAV of Fairfax India at March 31, 2015 and $0.3 of brokerage fees.

The $1.2 million recovery of income taxes in the first quarter of 2015 differed from the provision for income taxes that would be determined by applying the company's Canadian statutory income tax rate of 26.5% to the company's earnings before income taxes primarily due to foreign exchange fluctuations and the tax treatment of financing costs.

Consolidated Balance Sheet Summary

($ millions)	March 31, 2015
Total assets	**1,027.1**
Total liabilities	**(4.2)**
Net Asset Value	**1,022.9**

Assets

Cash of $40.4 million at March 31, 2015 included Indian rupees of $29.4 million (INR 1.8 billion), with the remainder denominated in U.S. dollars.

The company's investments totaled $976.8 million at March 31, 2015, and was comprised of U.S. treasury bills of $269.4 million, Indian corporate bonds of $633.5 million (INR 39.6 billion), Government of India bonds of $24.1 million (INR 1.5 billion) and investment funds of $49.8 million.

Interest receivable of $8.0 million at March 31, 2015 principally related to accrued interest on the company's bond portfolio.

Deferred income taxes of $1.8 million at March 31, 2015 primarily reflected operating losses for tax purposes that arose in the first quarter of 2015 because the company computes its corporate income tax liability in Canadian dollars pursuant to the requirements of Canadian taxation authorities, whereas the functional currency of the company is the U.S. dollar. The company has not recorded deferred tax assets of approximately $6.6 million primarily related to costs of the offerings.

Liabilities

Payable to related parties of $3.6 million at March 31, 2015 included administration and advisory fees of $0.8 million and $2.7 million payable to Fairfax in respect of expenses related to the offerings that were paid by Fairfax on behalf of the company.

Net Asset Value

		March 31, 2015
Net assets	**$**	**1,022,909,056**
Number of common shares outstanding		**106,678,879**
NAV per share	**$**	**9.59**

Investments

The company's investment portfolio was comprised as follows:

($ millions)	March 31, 2015		
	India	U.S.	Total
U.S. treasury	**—**	**269.4**	**269.4**
Government of India bonds	**24.1**	**—**	**24.1**
Indian corporate bonds	**633.6**	**—**	**633.6**
Investment funds	**49.8**	**—**	**49.8**
Total	**707.5**	**269.4**	**976.9**

As at March 31, 2015 the company has invested in securities rated as investment grade or higher by a Designated Rating Organization ("DRO"), being DBRS Limited, Standard & Poor's Ratings Service ("S&P"), Fitch Inc. and Moody's Investors Service Inc. ("Moody's"), or subsidiaries or affiliates of a DRO. The company's investment portfolio includes U.S. treasury bills rated Aaa by Moody's and AA+ by S&P, Government of India bonds rated Baa3 by Moody's and BBB by S&P, Indian corporate bonds rated AAA by subsidiaries of a DRO and investment funds that are not rated.

The company is actively seeking investment opportunities in India and will re-direct capital into Indian Investments as and when those opportunities are identified.

Financial Risk Management

The company's risk exposures and processes for managing those risk exposures are disclosed in note 9 (Financial Risk Management) to the interim consolidated financial statements for the three months ended March 31, 2015.

Liquidity and Capital Resources

During the first quarter of 2015 the company raised gross proceeds of $1.06 billion through its offerings. Issuance costs of $38.3 million were primarily comprised of fees paid to underwriters of the subordinate voting shares. For a discussion of net purchases of investments, refer to the Consolidated Balance Sheet section in this MD&A.

($ millions)	First quarter 2015
Operating activities	
Cash provided by operating activities before the undernoted	**(0.7)**
Net purchases of investments	**(987.6)**
Financing activities	
Issuance of subordinate voting shares	**766.8**
Issuance of multiple voting shares	**300.0**
Issuance costs	**(38.3)**
Increase in cash	**40.2**

The company believes it has adequate working capital to support its operations. The company's primary use of cash is to make investments and to pay operating expenses.

Related Party Transactions

The company's related party transactions are disclosed in note 10 (Related Party Transactions) to the interim consolidated financial statements for the three months ended March 31, 2015.

Outstanding Share Data

At March 31, 2015 Fairfax India had 76,678,879 subordinate voting shares and 30,000,000 multiple voting shares outstanding (an aggregate of 106,678,879 shares effectively outstanding). Each subordinate voting shares carries one (1) vote per share at all meetings of shareholders except for separate meetings of holders of another class of shares. Each multiple voting shares carries fifty (50) votes per share at all meetings of shareholders except for separate meetings of holders of another class of shares. The multiple voting shares are not publicly traded.

Contractual Obligations

Under the terms of the Investment Advisory Agreement, the company and its subsidiaries are contractually obligated to pay an Administration and Advisory Fee and, if applicable, a Performance Fee. These fees will vary based on the Net Asset Value of the company.

The Administration and Advisory Fee is calculated and payable quarterly as of the last business day of each quarter. For the quarter ended March 31, 2015, the company incurred $855,501 in respect of the Administration and Advisory Fee.

The performance fee is paid for the period from January 30, 2015 to December 31, 2017 and for each consecutive three-year period thereafter, and is calculated, on a cumulative basis, as 20% of any increase in Net Asset Value (including distributions) above a 5% per annum increase. The company has determined that the performance fee for the quarter ended March 31, 2015 is nil.

Forward-Looking Statements

This interim report 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 interim report, 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, etc.; 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, 2015 which is available on SEDAR at www.sedar.com and on the Company's website at 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.

FAIRFAX INDIA