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# FAIRFAX INDIA

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**FAIRFAX INDIA HOLDINGS CORPORATION**



**INTERIM REPORT**

For the nine months ended  
September 30, 2015

**CONSOLIDATED BALANCE SHEETS**

as at September 30, 2015 and December 31, 2014  
(unaudited - US\$)

	<u>Notes</u>	<u>September 30, 2015</u>	<u>December 31, 2014</u>
<b>Assets</b>			
Cash and cash equivalents	5	17,285,797	234,732
Restricted cash	14	36,122,784	—
Investments	5, 9	926,878,520	—
Interest receivable		27,854,646	—
Other assets		157,255	—
		<u>1,008,299,002</u>	<u>234,732</u>
		<u>1,008,299,002</u>	<u>234,732</u>
<b>Liabilities</b>			
Accrued expenses		1,834,176	—
Income taxes payable	8	6,183,215	—
Payable to related parties	10	1,425,910	234,722
		<u>9,443,301</u>	<u>234,722</u>
<b>Equity</b>			
Common shareholders' equity		998,855,701	10
Total equity		<u>998,855,701</u>	<u>10</u>
		<u>1,008,299,002</u>	<u>234,732</u>

See accompanying notes.

**CONSOLIDATED STATEMENTS OF EARNINGS**

for the three and nine months ended September 30, 2015  
(unaudited - US\$)

	<u>Notes</u>	<u>Third quarter</u>	<u>First nine months</u>
<b>Income</b>			
Interest income		13,914,973	32,715,924
Net realized losses on investments		(389,944)	(911,533)
Net unrealized gains on investments		14,214,740	1,055,930
Net foreign exchange gains		2,374,743	2,723,273
		<u>30,114,512</u>	<u>35,583,594</u>
<b>Expenses</b>			
Investment and advisory fees	10	1,417,168	3,506,346
General and administration expenses	12	3,001,230	4,842,708
		<u>4,418,398</u>	<u>8,349,054</u>
<b>Earnings before income taxes</b>		25,696,114	27,234,540
Provision for income taxes	8	7,377,968	7,086,240
<b>Net earnings attributable to common shareholders</b>		<u>18,318,146</u>	<u>20,148,300</u>
<b>Net earnings per share</b>	7	\$ 0.17	\$ 0.21
<b>Shares outstanding</b> (weighted average)	7	106,678,879	95,100,906

See accompanying notes.

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
*for the three and nine months ended September 30, 2015*  
*(unaudited – US\$)*

	<u>Third quarter</u>	<u>First nine months</u>
<b>Net earnings</b>	<b>18,318,146</b>	<b>20,148,300</b>
<b>Other comprehensive loss</b> , net of income taxes of nil		
<b>Item that may be subsequently reclassified to net earnings</b>		
Unrealized foreign currency translation losses on foreign operations	<u>(27,354,811)</u>	<u>(47,117,941)</u>
<b>Comprehensive loss attributable to common shareholders</b>	<u><u>(9,036,665)</u></u>	<u><u>(26,969,641)</u></u>

*See accompanying notes.*

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY***for the nine months ended September 30, 2015**(unaudited - US\$)*

	Subordinate voting shares	Multiple voting shares	Retained earnings	Accumulated other comprehensive loss	Equity attributable to common shareholders
<b>Balance as of January 1, 2015</b>	—	10	—	—	10
Net earnings for the period	—	—	20,148,300	—	20,148,300
Unrealized foreign currency translation losses on foreign operations	—	—	—	(47,117,941)	(47,117,941)
Issuance of shares, net of issuance costs	725,825,342	299,999,990	—	—	1,025,825,332
<b>Balance as of September 30, 2015</b>	<u>725,825,342</u>	<u>300,000,000</u>	<u>20,148,300</u>	<u>(47,117,941)</u>	<u>998,855,701</u>

*See accompanying notes.*

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

for the three and nine months ended September 30, 2015

(unaudited - US\$)

	Notes	Third quarter	First nine months
<b>Operating activities</b>			
Net earnings		18,318,146	20,148,300
Net bond discount amortization		457,661	292,217
Net realized losses on investments		389,944	911,533
Net realized gains on foreign exchange		(2,374,743)	(2,723,273)
Net unrealized gains on investments		(14,214,740)	(1,055,930)
Purchases of investments		(227,160,945)	(1,332,790,128)
Sales of investments		273,651,977	362,661,036
Increase in restricted cash in support of acquisition	14	(36,122,784)	(36,122,784)
Changes in operating assets and liabilities:			
Interest receivable		(11,288,498)	(26,450,015)
Income taxes payable		4,918,265	6,079,495
Deferred income taxes	8	1,824,673	—
Other		758,718	1,865,782
Cash provided by (used in) operating activities		<u>9,157,674</u>	<u>(1,007,183,767)</u>
<b>Financing activities</b>			
Subordinate voting shares:			
Issuances		—	766,788,790
Issuance costs		—	(40,963,448)
Multiple voting shares:			
Issuances		—	299,999,990
Cash provided by financing activities		<u>—</u>	<u>1,025,825,332</u>
<b>Increase in cash</b>		<u>9,157,674</u>	<u>18,641,565</u>
Cash - beginning of period		9,584,775	234,732
Foreign currency translation		(1,456,652)	(1,590,500)
<b>Cash and cash equivalents - end of period</b>		<u><u>17,285,797</u></u>	<u><u>17,285,797</u></u>
<b>Interest (paid) received on securities</b>			
Interest received		2,520,426	6,265,909
Interest on purchase or sale of securities		794,056	(2,164,507)
<b>Taxes paid</b>		515,263	866,912

See accompanying notes.

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## Notes to Interim Consolidated Financial Statements

for the three and nine months ended September 30, 2015

(unaudited - US\$ except as otherwise indicated.)

### 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 businesses primarily conducted in, or dependent on, India ("Indian Investments"). The company makes all or substantially all of its investments 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 early 2015, Fairfax India completed its initial public offering ("IPO") concurrent with two private placements followed by the exercise of an over-allotment option by the underwriters (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 third quarter and first nine months ended September 30, 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 October 29, 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 for the adoption of amendments to IFRS 10 *Consolidated Financial Statements* ("IFRS 10") as discussed in note 4. The company has determined that it is an investment entity as defined in IFRS 10 and is therefore required to measure its subsidiaries at fair value through profit or loss ("FVTPL") rather than consolidate them (other than subsidiaries that provide services to the company).

#### ***New accounting pronouncements issued but not yet effective***

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

##### *IFRS Annual Improvements 2012-2014*

In September 2014, the IASB issued a limited number of amendments to clarify the requirements of four IFRS standards. The amendments are effective for annual periods beginning on or after January 1, 2016, with retrospective application.

##### *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 related to 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 introduced 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***

An entity that meets the IFRS 10 definition of an investment entity is required to measure its subsidiaries at FVTPL 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 of the company's deferred income tax asset if it is no longer probable that 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 or receivable is subject to review by those applicable 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 (recovery of) 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. Subsequent to September 30, 2015, management has reassessed this functional currency, as outlined in note 14 .

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 positions 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.

##### ***Valuation of National Collateral Management Services Limited ("NCML")***

The company has determined the acquisition price is the most relevant representation of fair value as at September 30, 2015 given its proximity to the reporting date.

## 5. Cash and Investments

### Fixed Income Maturity Profile

Bonds are summarized by their earliest contractual maturity date in the table below. Actual maturities may differ from maturities shown below due to the existence of put features. At September 30, 2015 bonds containing put features represented \$154.5 million of the total fair value of bonds in the table below.

	September 30, 2015	
	Amortized cost	Fair value
Due after 1 year through 5 years	207,190,737	207,993,475
Due after 5 years through 10 years	338,923,426	338,560,083
Due after 10 years	109,553,877	108,743,532
	<u>655,668,040</u>	<u>655,297,090</u>

### 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:

	September 30, 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	17,285,797	—	—	17,285,797	234,732	—	—	234,732
Restricted cash	36,122,784	—	—	36,122,784	—	—	—	—
	<u>53,408,581</u>	<u>—</u>	<u>—</u>	<u>53,408,581</u>	<u>234,732</u>	<u>—</u>	<u>—</u>	<u>234,732</u>
Investments								
U.S. treasury bills	75,085,421	—	—	75,085,421	—	—	—	—
Government of India bonds	—	124,334,434	—	124,334,434	—	—	—	—
Indian corporate bonds	—	530,962,656	—	530,962,656	—	—	—	—
Private company common shares <sup>(2)</sup>	—	—	147,596,400	147,596,400	—	—	—	—
Investment funds <sup>(1)</sup>	—	48,899,609	—	48,899,609	—	—	—	—
	<u>75,085,421</u>	<u>704,196,699</u>	<u>147,596,400</u>	<u>926,878,520</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>128,494,002</u>	<u>704,196,699</u>	<u>147,596,400</u>	<u>980,287,101</u>	234,732	—	—	234,732
	<u>13%</u>	<u>72%</u>	<u>15%</u>	<u>100.0%</u>	100.0%	—	—	100.0%

(1) These investment funds are primarily valued using net asset value statements provided by third party fund managers. The fair values used to compute net asset value 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.

(2) The company has determined the acquisition price of NCML is the most relevant representation of fair value as at September 30, 2015 given its proximity to the reporting date.

Transfers between fair value hierarchy levels are considered effective from the beginning of the reporting period in which the transfer is identified. During the third quarter and first nine months ended September 30, 2015, there were no transfers of securities between Level 1 and Level 2 as a result of changes in observability of valuation inputs. Included in Level 3 is the company's investment in NCML.

A summary of changes of Level 3 financial assets measured at fair value on a recurring basis for the first nine months ended September 30, 2015 follows:

	2015		2014	
	Private company common shares	Total	Private company common shares	Total
Balance - January 1	—	—	—	—
Purchases	147,596,400	147,596,400	—	—
Total net realized and unrealized gains (losses) included in net gains (losses) on investments	—	—	—	—
Sales	—	—	—	—
Balance - September 30	<u>147,596,400</u>	<u>147,596,400</u>	<u>—</u>	<u>—</u>

## 6. Total Equity

### Equity attributable to common shareholders

#### *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 - September 30	<u>76,678,879</u>	<u>30,000,000</u>	<u>106,678,879</u>

## 7. Earnings per Share

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

	Third quarter 2015	First nine months 2015
Net earnings attributable to common shareholders – basic	<u>18,318,146</u>	<u>20,148,300</u>
Weighted average common shares outstanding – basic	<u>106,678,879</u>	<u>95,100,906</u>
Net earnings per common share	\$ 0.17	\$ 0.21

## 8. Income Taxes

The company's provision for income taxes for the third quarter and first nine months ended September 30, 2015 is summarized in the following table:

	Third quarter 2015	First nine months 2015
Current income tax:		
Current year expenses	5,553,295	7,086,240
Deferred income tax:		
Origination and reversal of temporary differences	1,824,673	—
Provision for income taxes	<u>7,377,968</u>	<u>7,086,240</u>

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 third quarter and first nine months ended September 30, 2015 are summarized in the following tables:

	Third quarter 2015		
	Canada	Mauritius	Total
Earnings (loss) before income taxes	(1,525,251)	27,221,365	25,696,114
Provision for income taxes	6,264,669	1,113,299	7,377,968
Net earnings (loss)	(7,789,920)	26,108,066	18,318,146

	First nine months 2015		
	Canada	Mauritius	Total
Earnings (loss) before income taxes	(3,930,926)	31,165,466	27,234,540
Provision for income taxes	4,439,996	2,646,244	7,086,240
Net earnings (loss)	(8,370,922)	28,519,222	20,148,300

A reconciliation of the provision for income taxes calculated at the Canadian statutory income tax rate to the provision for income taxes at the effective tax rate in the consolidated financial statements for the third quarter and first nine months ended September 30, 2015 is summarized in the following table:

	Third quarter 2015	First nine months 2015
Canadian statutory income tax rate	26.5%	26.5%
Provision for income taxes at the Canadian statutory income tax rate	6,807,441	7,215,124
Income earned outside of Canada	2,601,914	3,089,672
Change in unrecorded tax benefit of losses and temporary differences	(3,559,178)	—
Foreign exchange	1,485,518	(983,477)
Other including permanent differences	42,273	(2,235,079)
Provision for income taxes	7,377,968	7,086,240

The tax rate differential on income earned outside of Canada principally reflects the investment income taxed in India and Mauritius at higher rates.

The change in unrecorded tax benefit of losses and temporary differences is primarily comprised of deferred tax assets in Canada of \$3.6 million that were not recorded by the company because the related pre-tax losses do not meet the applicable recognition criteria under IFRS.

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 tax liability in Canadian dollars pursuant to the requirements of Canadian tax authorities whereas the functional currency of the company and its Mauritius based subsidiaries (MI Co and MI Sub) is the U.S. dollar and the Indian rupee respectively.

Other permanent differences principally reflect the amortization of the company's IPO issuance costs which are deductible as an expense 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 certain assets and income are denominated in a currency other than the U.S. dollar, which is the 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 (expressed in U.S. dollars) is comprised as follows:

	September 30, 2015			Total
	Cash	Investments	Interest receivable	
Canadian dollars	101,022	—	—	101,022
Indian rupees	40,662,946	802,893,489	27,854,646	871,411,081
Mauritius rupees	175,539	—	—	175,539
Total	40,939,507	802,893,489	27,854,646	871,687,642

#### *Interest Rate Risk*

Interest rate movements in India could significantly affect the company's net assets and profitability. The Portfolio Advisor and Fairfax actively monitor interest rates in India and the potential impact changes 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 is also exposed to indirect interest rate risk through investment funds with a fair value of \$48.9 million at September 30, 2015 to the extent the funds invested in fixed income securities.

	September 30, 2015		
	Fair value of fixed income portfolio	Hypothetical \$ change effect on net earnings	Hypothetical % change in fair value
<b>Change in interest rates</b>			
200 basis point rise	590,923,582	(47,314,624)	(9.8)%
100 basis point rise	621,897,987	(24,548,437)	(5.1)%
No change	655,297,090	—	—
100 basis point decline	696,908,451	30,584,255	6.3 %
200 basis point decline	741,635,350	63,458,525	13.2 %

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 September 30, 2015 the company had 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:

	September 30, 2015
Cash	17,285,797
Restricted cash	36,122,784
U.S. treasury bills	75,085,421
Government of India bonds	124,334,434
Indian corporate bonds	530,962,656
Investment funds	48,899,609
Total	832,690,701

#### *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. All liabilities are due in less than three months.

### **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, interest rates or regulatory environment in 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 composition between India and U.S. investments was as follows:

	September 30, 2015		
	India	U.S.	Total
U.S. treasury bills	—	75,085,421	75,085,421
Government of India bonds	124,334,434	—	124,334,434
Indian corporate bonds	530,962,656	—	530,962,656
Investment funds	48,899,609	—	48,899,609
Private company common shares	147,596,400	—	147,596,400
Total	851,793,099	75,085,421	926,878,520

### **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 September 30, 2015 included \$109,877 for certain expenses paid by Fairfax on behalf of Fairfax India, \$5,482 due to an affiliate of Fairfax for IT support services and \$17,167 due to an affiliate of Fairfax for tax consulting services.

### **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 to the company (the "Investment Advisory Agreement"). As compensation for the provision of these services, the company pays an investment 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, the 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.

#### **Investment and Advisory Fee**

The per annum investment 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 nine months of 2015, the company has determined that the majority of its assets (with the exception of its investment in NCML) represent undeployed capital and that the 0.5% per annum fee is payable on the net asset value for the period from January 30, 2015 (the date of the offerings) to September 30, 2015, less the fair value of NCML which is considered deployed capital. A fee of 1.5% per annum based on the fair value of NCML as at September 30, 2015 is accrued from August 19, 2015 (date of closing) to September 30, 2015. The investment and advisory fee for the third quarter and first nine months ended September 30, 2015 was \$1,417,168 and \$3,506,346 respectively. At September 30, 2015 payables to related parties included \$1,293,384 of investment and advisory fee.

#### **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 is not applicable for the third quarter and first nine months ended September 30, 2015.

#### **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 third quarter and first nine months ended September 30, 2015 were comprised as follows:

	Third quarter 2015	First nine months 2015
Brokerage fees	—	976,110
Audit, legal and tax professional fees	2,706,549	2,985,313
Salaries and employee benefit expenses	56,816	168,853
Administrative expenses	237,865	481,703
Other	—	230,729
	<u>3,001,230</u>	<u>4,842,708</u>

## 13. Acquisition of National Collateral Management Services Limited

On July 20, 2015 the company, through its wholly-owned subsidiary FIH Mauritius Investments Ltd (“FIH Mauritius”), signed definitive agreements to acquire a 73.56% ownership interest in NCML by subscribing for 23,326,335 newly issued shares of NCML for 2.0 billion Indian rupees and purchasing 71,050,691 shares of certain shareholders for 6.1 billion Indian rupees, for an aggregate investment of 8.1 billion Indian rupees (\$124.2 million), collectively, the “NCML Acquisition”. Upon closing of the NCML Acquisition on August 19, 2015, the company acquired control of NCML.

Subsequently, the company through FIH Mauritius, acquired an additional block of 18,618,420 shares for 1.6 billion Indian rupees (\$24.5 million) through a series of purchases from minority shareholders representing an additional 14.51% ownership interest. As of September 30, 2015, the company held 88.07% of the outstanding shares of NCML.

NCML is a leading private-sector agricultural commodities storage company in India that has operated for over 10 years and is now preparing to expand to take advantage of the significant market potential in India's under-developed agricultural storage industry. The company operates in the mid-stream agriculture value chain by offering end-to-end solutions in grain procurement, testing, storage and collateral management.

## 14. Subsequent Events

### IIFL Holdings Limited

On July 13, 2015 the company announced an open offer to acquire up to approximately 83,128,852 equity shares of IIFL Holdings Limited (“IIFL”), formerly India Infoline Limited, at a price of 195 Indian rupees per share (approximately \$3 per share), other than those shares already owned by Fairfax and its affiliates, in accordance with regulations of the Securities and Exchange Board of India (“SEBI”) for substantial acquisitions of shares and takeovers (the “Offer”). In accordance with SEBI regulation, the company deposited approximately 2.3 billion Indian rupees (\$36.1 million) in escrow to partially fund the open offer.

Based on the recent approval of SEBI, the Offer opened for acceptance on October 29, 2015 and will close on November 13, 2015. Assuming full acceptance of the Offer, the company, together with certain of its affiliates, will acquire 26% of the outstanding shares of IIFL for aggregate cash consideration of 16.2 billion Indian rupees (approximately \$250 million). The transaction is expected to close later this year subject to receipt of regulatory approvals in India. IIFL is a diversified financial services holding company in India.

### Functional Currency Change

During the third quarter of 2015, the company had substantially converted all of the U.S. dollar proceeds received pursuant to the offerings to Indian rupee-denominated investments. On August 19, 2015 the company completed the acquisition of NCML and anticipates making a significant investment in IIFL subsequent to September 30, 2015. As the majority of the company's investments are domiciled in India or denominated in Indian rupees, effective October 1, 2015, the company will adopt Indian rupees as its functional currency on a prospective basis. This reporting date most closely approximates the date of change to Indian rupees as the currency underlying the primary economic environment of the company. U.S. dollars will continue as the presentation currency of the company's consolidated financial statements.

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

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## Management's Discussion and Analysis of Financial Condition and Results of Operations (as of October 29, 2015)

(Figures and amounts are in US\$ except as otherwise indicated. Figures may not add due to rounding.)

### 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 third quarter and first nine months ended September 30, 2015 and the company's audited financial statements and accompanying notes for the period ended December 31, 2014. Additional information relating to the company's filings, including the company's Annual Information Form ("AIF") for the period ended December 31, 2014, is available on SEDAR at [www.sedar.com](http://www.sedar.com).
- (2) The MD&A contains reference to Net Asset Value ("NAV") and NAV per share, which are non-IFRS measures. 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 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.

During early 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).

### Acquisitions

#### ***Update on National Collateral Management Services Limited ("NCML")***

On July 20, 2015 the company, through its wholly-owned subsidiary FIH Mauritius Investments Ltd ("FIH Mauritius"), signed definitive agreements to acquire a 73.56% ownership interest in NCML by subscribing for 23,326,335 newly issued shares of NCML for 2.0 billion Indian rupees and purchasing 71,050,691 shares of certain shareholders for 6.1 billion Indian rupees, for an aggregate investment of 8.1 billion Indian rupees (\$124.2 million), collectively, the "NCML Acquisition". Upon closing of the NCML Acquisition on August 19, 2015, the company acquired control of NCML.

Subsequently, the company through FIH Mauritius, acquired an additional block of 18,618,420 shares for 1.6 billion Indian rupees (\$24.5 million) through a series of purchases from minority shareholders representing an additional 14.51% ownership interest. As of September 30, 2015, the company held 88.07% of the outstanding shares of NCML.

NCML is a leading private-sector agricultural commodities storage company in India that has operated for over 10 years and is now preparing to expand to take advantage of the significant market potential in India's under-developed agricultural storage industry. The company operates in the mid-stream agriculture value chain by offering end-to-end solutions in grain procurement, testing, storage and collateral management.

The company's investment in NCML is recorded on the consolidated balance sheet at fair value. For the third quarter and first nine months ended September 30, 2015, the company has determined that there is no unrealized gain or loss relating to its investment in NCML since the closing of the acquisition on August 19, 2015.

The company's fiscal year ends on December 31 and NCML's fiscal year ends on March 31. The summarized financial information of NCML presented below was prepared on a three month lag and translated from Indian rupees to U.S. dollars.

### Balance Sheet

(amounts in US\$ - unaudited)

	At June 30	
	2015 <sup>(1)</sup>	2014 <sup>(1)</sup>
Current assets	50,972,325	43,645,843
Non-current assets	47,564,814	33,588,090
Current liabilities	38,937,095	24,075,911
Non-current liabilities	13,279,950	8,876,534
Shareholders' equity	46,320,094	44,281,488

### Income Statement

(amounts in US\$ - unaudited)

	Three months ended June 30	
	2015 <sup>(2)</sup>	2014 <sup>(2)</sup>
Net sales	11,267,108	20,393,688
Net earnings	1,578,469	1,797,354

(1) The net assets of NCML were translated at June 30, 2015 at US\$ 1 = 63.68 Indian rupees, and at June 30, 2014 at US\$ 1 = 60.14 Indian rupees. The exchange rates used were the spot rates prevailing on those respective dates.

(2) Amounts for the three months ended June 30, 2015 and June 30, 2014 were translated into US\$ using the average exchange rates of US\$ 1 = 63.44 Indian rupees and US\$ 1 = 59.82 Indian rupees prevailing during those respective periods.

### Subsequent to September 30, 2015

#### Update on IIFL Holdings Limited

On July 13, 2015 the company announced an open offer to acquire up to approximately 83,128,852 equity shares of IIFL Holdings Limited ("IIFL"), formerly India Infoline Limited, at a price of 195 Indian rupees per share (approximately \$3 per share), other than those shares already owned by Fairfax and its affiliates, in accordance with regulations of the Securities and Exchange Board of India ("SEBI") for substantial acquisitions of shares and takeovers (the "Offer"). In accordance with SEBI regulation, the company deposited approximately 2.3 billion Indian rupees (\$36.1 million) in escrow to partially fund the open offer.

Based on the recent approval of SEBI, the Offer opened for acceptance on October 29, 2015 and will close on November 13, 2015. Assuming full acceptance of the Offer, the company, together with certain of its affiliates, will acquire 26% of the outstanding shares of IIFL for aggregate cash consideration of 16.2 billion Indian rupees (approximately \$250 million). The transaction is expected to close later this year subject to receipt of regulatory approvals in India. IIFL is a diversified financial services holding company in India.

### Business Objectives

#### Investment Objective

The company 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 businesses primarily conducted in, or dependent on, India ("Indian Investments").

#### Investment Strategy

The company invests in businesses that are expected to benefit from India's 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, consumer services, retail and exports. 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 the Portfolio Advisor.

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

The company intends to make Indian Investments with a view to be a strategic partner to grow the business. The level and nature of this strategic relationship will vary by investment. It 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 leads 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 in 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 and its affiliates conduct thorough due diligence investigations when evaluating any Indian Investments prior to a recommendation to the company and its subsidiaries 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. As at September 30, 2015 the company is in compliance with these investment restrictions.

## Results of Operations

For the third quarter and first nine months ended September 30, 2015

	Third quarter 2015	First nine months 2015
Interest income	13,914,973	32,715,924
Net unrealized gains on investments	14,214,740	1,055,930
Other gains	1,984,799	1,811,740
Total expenses	<u>(4,418,398)</u>	<u>(8,349,054)</u>
Earnings before income taxes	25,696,114	27,234,540
Provision for income taxes	<u>7,377,968</u>	<u>7,086,240</u>
Net earnings	<u>18,318,146</u>	<u>20,148,300</u>

The company reported net earnings of \$18.3 million and \$20.1 million in the third quarter and first nine months ended September 30, 2015 respectively. In the third quarter of 2015 the company earned interest income of \$13.9 million (\$32.7 million in the first nine months) on its bond portfolio which is principally denominated in Indian rupees. Net unrealized gains on investments of \$14.2 million in the third quarter (\$1.1 million in the first nine months) were primarily related to Indian corporate bonds and investment funds. Other gains of \$2.0 million in the third quarter (\$1.8 million in the first nine months) were primarily related to foreign exchange gains.

Total expenses in the third quarter of 2015 of \$4.4 million (\$8.3 million in the first nine months), were primarily comprised of \$1.4 million (\$3.5 million in the first nine months) of investment and advisory fees calculated on the NAV of the company. During the third quarter the company incurred transaction expenses of \$2.7 million (\$2.9 million in the first nine months).

The provision for income taxes of \$7.4 million and \$7.1 million in the third quarter and first nine months of 2015 respectively, 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, the unrecorded benefit of losses and temporary differences, and the tax treatment of financing costs.

## Consolidated Balance Sheet Summary

	<u>September 30, 2015</u>
Total assets	1,008,299,002
Total liabilities	<u>(9,443,301)</u>
Common shareholders' equity	<u>998,855,701</u>

### Assets

Cash and cash equivalents of \$17.3 million and restricted cash of \$36.1 million at September 30, 2015 included a combination of U.S. dollars and foreign currencies (expressed in U.S. dollars) as shown below:

	<u>September 30, 2015</u>
Canadian dollars	101,022
Indian rupees <sup>(1)</sup>	40,662,946
Mauritius rupees	175,539
U.S. dollars <sup>(2)</sup>	<u>12,469,074</u>
Total	<u>53,408,581</u>

(1) In escrow for IIFL (see the Business Developments section of this MD&A).

(2) Includes a weekly roll-over fixed deposit with a high credit-quality financial institution.

The company's investments totaled \$926.9 million at September 30, 2015, and were comprised of U.S. treasury bills of \$75.1 million, Indian corporate bonds of \$531.0 million (34.9 billion Indian rupees), Government of India bonds of \$124.3 million (8.2 billion Indian rupees), NCML at fair value of \$147.6 million (9.7 billion Indian rupees) and investment funds of \$48.9 million.

Interest receivable of \$27.9 million at September 30, 2015 principally related to accrued interest on the company's Indian corporate and government bond portfolio.

### Liabilities

Payable to related parties of \$1.4 million at September 30, 2015 was primarily comprised of investment and advisory fees payable to Fairfax.

## Net Asset Value

	<u>September 30, 2015</u>
Net assets	\$ 998,855,701
Number of common shares outstanding	106,678,879
NAV per share	\$ 9.36

## Investments

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

	<u>September 30, 2015</u>		
	<u>India</u>	<u>U.S.</u>	<u>Total</u>
U.S. treasury bills	—	75,085,421	75,085,421
Government of India bonds	124,334,434	—	124,334,434
Indian corporate bonds	530,962,656	—	530,962,656
Investment funds	48,899,609	—	48,899,609
Private company common shares	147,596,400	—	147,596,400
Total	<u>851,793,099</u>	<u>75,085,421</u>	<u>926,878,520</u>

As at September 30, 2015 the company had 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. NCML is a private company in India mainly focused on agricultural commodity storage.

The company is actively seeking investment opportunities in India and will continue to re-direct capital into Indian Investments as and when those opportunities are identified. For more information about recent acquisitions, see the Business Developments section of this MD&A.

## 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 third quarter and first nine months ended September 30, 2015.

## Liquidity and Capital Resources

During the first nine months of 2015 the company raised gross proceeds of \$1.06 billion through the offerings. Issuance costs of \$41.0 million were primarily comprised of fees paid to underwriters of the subordinate voting shares. For a discussion of purchases of investments, refer to the Consolidated Balance Sheet Summary section of this MD&A.

	<u>First nine months 2015</u>
<b>Operating activities</b>	
Cash (used in) operating activities before the undernoted	(37,054,675)
Net purchases of investments	(970,129,092)
<b>Financing activities</b>	
Issuance of subordinate voting shares	766,788,790
Issuance of multiple voting shares	299,999,990
Issuance costs	(40,963,448)
<b>Increase in cash</b>	<u>18,641,565</u>

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 related 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 third quarter and first nine months ended September 30, 2015.

## Outstanding Share Data

At September 30, 2015 the company 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 share 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 share 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 investment and advisory fee and, if applicable, a performance fee. These fees will vary based on the NAV of the company.

For the third quarter and first nine months ended September 30, 2015, the company incurred investment and advisory fees of \$1,417,168 and \$3,506,346 respectively.

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 NAV (including distributions) above a 5% per annum increase. The company has determined that the performance fee is not applicable for the third quarter and first nine months ended September 30, 2015.

## Comparative Quarterly Data (unaudited)

	September 30, 2015	June 30, 2015	March 31, 2015
Revenue	30,114,512	1,267,028	4,202,054
Expenses	4,418,398	2,487,008	1,443,648
Provision for (recovery of) income taxes	7,377,968	964,581	(1,256,309)
Net earnings (loss)	18,318,146	(2,184,561)	4,014,715
Net earnings (loss) per share	0.17	(0.02)	0.06

## 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](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.*

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FAIRFAX INDIA

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