FAIRFAX INDIA
HOLDINGS CORPORATION

1

INTERIM REPORT

**For the three months ended
March 31, 2017**

Consolidated Balance Sheets
as at March 31, 2017 and December 31, 2016
(unaudited - US$ thousands)

	Notes	March 31, 2017	December 31, 2016
Assets			
Cash and cash equivalents		**9,735**	146,960
Restricted cash	7	**—**	18,810
Short term investments		**27,466**	27,428
Bonds		**520,151**	528,857
Common stocks		**1,287,586**	539,284
Total cash and investments	6	**1,844,938**	1,261,339
Interest receivable		**5,423**	7,493
Income taxes refundable		**3,473**	7,326
Other assets		**371**	27,339
Total assets		**1,854,205**	1,303,497
Liabilities			
Accounts payable and accrued liabilities	5	**6,073**	606
Payable to related parties	12	**51,447**	3,673
Term loan	7	**—**	223,772
Total liabilities		**57,520**	228,051
Equity			
Common shareholders' equity	8	**1,796,685**	1,075,446
		1,854,205	1,303,497

See accompanying notes.

Consolidated Statements of Earnings
for the three months ended March 31, 2017 and 2016
(unaudited - US$ thousands except per share amounts)

	Notes	2017	2016
Income			
Interest	6	**4,918**	7,762
Dividends	6	**4,625**	4,331
Net realized gains (losses) on investments	6	**1,195**	(3,307)
Net unrealized gains on investments	6	**214,119**	7,341
Net foreign exchange losses	6	**(16,749)**	(8,352)
		208,108	7,775
Expenses			
Investment and advisory fees	12	**4,803**	2,141
Performance fees	12	**44,571**	—
General and administration expenses	13	**1,502**	1,756
Interest expense	7	**3,241**	—
		54,117	3,897
Earnings before income taxes		**153,991**	3,878
Provision for income taxes	10	**4,988**	3,136
Net earnings		**149,003**	742
Net earnings per share (basic and diluted)	9	**$ 1.05**	$ 0.01
Shares outstanding (weighted average - basic and diluted)	9	**141,760,731**	106,678,879

See accompanying notes.

Consolidated Statements of Comprehensive Income
for the three months ended March 31, 2017 and 2016
(unaudited - US$ thousands)

	2017	2016
Net earnings	**149,003**	742
Other comprehensive income (loss), net of income taxes		
Item that may be subsequently reclassified to net earnings		
Unrealized foreign currency translation gains (losses), net of income taxes of nil (2016 - nil)	**78,042**	(959)
Other comprehensive income (loss), net of income taxes	**78,042**	(959)
Comprehensive income (loss)	**227,045**	(217)

See accompanying notes.

Consolidated Statements of Changes in Equity
for the three months ended March 31, 2017 and 2016
(unaudited - US$ thousands)

	Subordinate voting shares	Multiple voting shares	Share-based payments, net	Retained earnings	Accumulated other comprehensive loss	Common shareholders' equity
Balance as of January 1, 2017	**713,027**	**300,000**	**(186)**	**144,604**	**(81,999)**	**1,075,446**
Net earnings for the period	**—**	**—**	**—**	**149,003**	**—**	**149,003**
Other comprehensive income:						
Unrealized foreign currency translation gains	**—**	**—**	**—**	**—**	**78,042**	**78,042**
Issuance of shares, net of issuance costs (note 8)	**493,504**	**—**	**—**	**—**	**—**	**493,504**
Amortization	**—**	**—**	**75**	**—**	**—**	**75**
Tax benefit on share issuance costs	**615**	**—**	**—**	**—**	**—**	**615**
Balance as of March 31, 2017	**1,207,146**	**300,000**	**(111)**	**293,607**	**(3,957)**	**1,796,685**
Balance as of January 1, 2016	727,972	300,000	(319)	40,939	(55,263)	1,013,329
Net earnings for the period	—	—	—	742	—	742
Other comprehensive loss:						
Unrealized foreign currency translation losses	—	—	—	—	(959)	(959)
Amortization	—	—	53	—	—	53
Tax benefit on share issuance costs	2,000	—	—	—	—	2,000
Balance as of March 31, 2016	729,972	300,000	(266)	41,681	(56,222)	1,015,165

See accompanying notes.

Consolidated Statements of Cash Flows
for the three months ended March 31, 2017 and 2016
(unaudited - US$ thousands)

	Notes	2017	2016
Operating activities			
Net earnings		**149,003**	742
Items not affecting cash and cash equivalents:			
Net bond premium (discount) amortization		**2**	(104)
Deferred income taxes	10	**596**	2,000
Amortization of share-based payment awards		**75**	53
Net realized (gains) losses on investments	6	**(1,195)**	3,307
Net unrealized gains on investments	6	**(214,119)**	(7,341)
Net foreign exchange losses	6	**16,749**	8,352
Net sales of short term investments classified as FVTPL		**—**	7,121
Purchases of bonds and common stocks classified as FVTPL	14	**(515,885)**	(43,119)
Sales of bonds and common stocks classified as FVTPL	14	**78,458**	290,114
Decrease in restricted cash in support of investments		**—**	6,457
Changes in operating assets and liabilities:			
Interest receivable		**2,317**	21,834
Income taxes (refundable) payable		**4,004**	(276)
Payable to related parties		**45,550**	—
Other		**13,663**	634
Cash provided by (used in) operating activities		**(420,782)**	289,774
Financing activities			
Term loan:	7		
Repayment		**(225,000)**	—
Decrease in restricted cash in support of term loan		**18,810**	—
Subordinate voting shares:	8		
Issuances		**500,004**	—
Issuance costs		**(6,037)**	—
Cash provided by financing activities		**287,777**	—
Increase (decrease) in cash and cash equivalents		**(133,005)**	289,774
Cash and cash equivalents - beginning of period		**146,960**	12,464
Foreign currency translation		**(4,220)**	(8,349)
Cash and cash equivalents - end of period		**9,735**	293,889

See accompanying notes.

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1. Business Operations

Fairfax India Holdings Corporation ("the company" or "Fairfax India") is an investment holding company whose 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 equity securities and debt instruments in India and Indian businesses or other businesses with customers, suppliers or business primarily conducted in, or dependent on, India ("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 ("FIH Mauritius") and FIH Private Investments Ltd ("FIH Private").

Fairfax Financial Holdings Limited ("Fairfax") had 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 principally engaged in property and casualty insurance and reinsurance and the associated investment management. Fairfax is a Canadian reporting issuer with securities listed on the TSX and trading in Canadian dollars under the symbol FFH for over 30 years and in U.S. dollars under the symbol FFH.U. Fairfax, through its subsidiaries, owns 30,000,000 multiple voting shares. During the three months ended March 31, 2017, Fairfax acquired 13,717,873 subordinate voting shares from the company by way of a private placement (see note 8) and open market transactions. At March 31, 2017 Fairfax's multiple and subordinate voting share holdings represented 93.6% of the voting rights and 30.2% of the equity interest in Fairfax India (December 31, 2016 - 95.3% and 29.4%, respectively).

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 consolidated subsidiaries, responsible to source and advise with respect to all investments.

The company was federally incorporated on November 25, 2014 and is 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, 2017 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 year ended December 31, 2016, 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 27, 2017.

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 annual consolidated financial statements for the year ended December 31, 2016, 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.

Comparative figures

Certain prior period comparative figures have been reclassified to be consistent with current period's presentation.

New accounting pronouncements adopted in 2017

The company adopted the following amendments, effective January 1, 2017. These changes were adopted in accordance with the applicable transitional provisions of each amendment, and did not have a significant impact on the interim consolidated financial statements.

Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)
In January 2016 the IASB issued amendments to IAS 12 *Income Taxes* to clarify the requirements on recognition of deferred tax assets for unrealised losses.

Disclosure Initiative (Amendments to IAS 7)
In January 2016 the IASB issued amendments to IAS 7 *Statement of Cash Flows* that require additional disclosures around changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

4. Critical Accounting Estimates and Judgments

In the preparation of the company's interim consolidated financial statements, management has made a number of critical accounting estimates and judgments that are disclosed in notes 5, 6 and 10 in a manner consistent with those as described in the company's annual consolidated financial statements for the year ended December 31, 2016.

5. Indian Investments

Public Indian Investments

Investment in Fairchem Speciality Limited

On February 8, 2016 Fairfax India, through its wholly-owned subsidiaries, acquired 44.7% of the common shares of Fairchem Speciality Limited ("Fairchem") at a price per share of $3.13 (212 Indian rupees) for total consideration of $19,409 (approximately 1.3 billion Indian rupees).

On August 26, 2016 the company, through its wholly-owned subsidiary, acquired a 50.8% common share equity interest in Privi Organics Limited ("Privi") for total consideration of $54,975 (approximately 3.7 billion Indian rupees).

On July 12, 2016 the boards of directors of Fairchem and Privi approved a merger arrangement (the "Merger") involving the two companies, which is expected to bring significant diversification and synergies to both. Under the terms of the Merger, Privi shareholders received 27 common equity shares and 27 compulsorily convertible preference shares ("CCPS") of the merged entity for every 40 Privi shares exchanged ("swap ratio"). Final closing of the Merger, which involved the share exchange, was completed on March 14, 2017. Concurrent with the issuance of the shares under the terms of the Merger, Privi shareholders converted 88.5% of the CCPS received in the Merger into common equity shares of Fairchem. The merged entity will continue under the Fairchem name with the underlying companies continuing to be managed by the original management.

At December 31, 2016 the initial transaction price for Privi was considered to approximate fair value as there had been no significant changes to Privi's business, capital structure and operating environment and the key assumptions in the company's acquisition valuation model continued to be valid due to the proximity of the transaction closing date to December 31, 2016. As the Merger still required regulatory approval at December 31, 2016 there was no unrealized gain (loss) on investments recorded in the consolidated statements of earnings. Upon completion of the Merger on March 14, 2017, fair value of the company's investment in the merged entity Fairchem (comprised of Fairchem and Privi) was determined by applying the quoted share price of Fairchem to the number of shares owned in Fairchem (inclusive of the shares received in the Merger).

At March 31, 2017 the fair value of the common shares was $160,529 (December 31, 2016 - $99,803), resulting in an unrealized gain of $54,538 (2016 - $4,060) and an unrealized foreign currency translation gain of $6,188 (2016 - $510) which were recorded in net unrealized gains on investments in the consolidated statements of earnings and in the consolidated statements of comprehensive income, respectively. At March 31, 2017 the fair value of Fairchem included $6,227 in relation to the 738,760 CCPS that were not converted into common equity shares of Fairchem by March 31, 2017 and were priced based on Fairchem's share price.

At March 31, 2017 the company held an aggregate of 19,046,078 shares, comprised of 18,307,318 common equity shares and 738,760 CCPS, or 48.7% of the outstanding common shares of Fairchem (December 31, 2016 - 44.9% and 50.8% of Fairchem and Privi, respectively).

Fairchem's shares are listed on both the Bombay Stock Exchange and the National Stock Exchange of India.

Fairchem, formerly known as Adi Finechem Limited, is a specialty chemical manufacturer located in Ahmedabad, India. Fairchem manufactures oleochemicals used in the paints, inks and adhesives industries, as well as intermediate nutraceutical and health products. It has developed an in-house technology that uses machinery designed and manufactured by leading European companies to separate and convert waste generated during the production of soya, sunflower, corn and cotton oils into valuable nutraceutical and fatty acids.

Privi is a supplier of aroma chemicals to the fragrance industry located in Mumbai, India. Privi's world-class products are the result of its very strong research and development team that has proven expertise in developing new products, customizing aromas as per customer specifications, scaling up products from basic research to commercial scale, and designing process improvements to drive quality and cost optimization.

Investment in IIFL Holdings Limited

On December 1, 2015 Fairfax India acquired 68,788,445 common shares of IIFL Holdings Limited ("IIFL") representing a 21.9% ownership interest at a price of $2.93 per share (195 Indian rupees) for total consideration of $201,559 (approximately 13.4 billion Indian rupees).

Prior to the company's investment in IIFL, Fairfax, through its subsidiaries, owned 8.9% of the issued and outstanding IIFL common shares, and had an economic interest in another 5.2% of IIFL common shares through derivative instruments (all acquired prior to the establishment of Fairfax India).

On February 8, 2017 the company, through its wholly-owned subsidiary, acquired 15,853,000 common shares representing a 4.99% equity interest in IIFL for total consideration of $75,175 (5.1 billion Indian rupees). In connection with the transaction, Fairfax, through its subsidiaries, disposed of derivative instruments representing an economic interest of 4.99% in IIFL. In accordance with regulations of the SEBI and the National Stock Exchange of India, the transaction was subject to certain sale and purchase pricing guidelines and, as a result, the total consideration paid per share approximated fair market value of the common share equity interest acquired.

At March 31, 2017 fair value of the common shares was $520,805 (December 31, 2016 - $265,951), resulting in an unrealized gain of $160,138 (2016 - unrealized loss of $6,114) and an unrealized foreign currency translation gain of $19,541 (2016 - loss of $339) which were recorded in net unrealized gains on investments in the consolidated statements of earnings and in the consolidated statements of comprehensive income, respectively.

At March 31, 2017 the company held an aggregate of 84,641,445 common equity shares or 26.6% equity interest of the outstanding common shares of IIFL (December 31, 2016 - 21.7%).

IIFL's shares are listed on both the Bombay Stock Exchange and the National Stock Exchange of India.

IIFL is a publicly traded, diversified financial services holding company located in Mumbai, India with principal lines of business in a non-banking finance company, wealth management, and capital markets and other activities (comprised of retail broking, institutional equities, investment banking and financial products distribution).

Private Indian Investments

Investment in Bangalore International Airport Limited

On March 24, 2017 the company, through its wholly-owned subsidiary, acquired 38% of the outstanding common shares of Bangalore International Airport Limited ("BIAL"), a private company, for cash consideration of $385,498 (approximately 25.2 billion Indian rupees). Of the 38%, 33% was purchased from Bangalore Airport & Infrastructure Developers Private Limited, a wholly-owned subsidiary of GVK Power and Infrastructure Limited ("GVK"), and 5% was purchased from Flughafen Zürich AG ("Zürich"). The initial transaction price was considered to approximate fair value as there had been no significant changes to BIAL's business, capital structure and operating environment and the key assumptions in the company's acquisition valuation model continued to be valid.

At March 31, 2017 withholding tax payable of $4,952 was recorded in accounts payable and accrued liabilities on the consolidated balance sheets, payable on behalf of Zürich. This amount was withheld from the total purchase consideration paid to Zürich and has been remitted to the appropriate tax authorities subsequent to March 31, 2017.

BIAL owns and operates the Kempegowda International Airport Bengaluru (“KIAB”), under a 30+30 year concession agreement from the Government of India. KIAB has the distinction of being the first greenfield airport in India that was built to the highest level of international standards by the private sector under a public-private partnership.

Investment in Saurashtra Freight Private Limited

On February 14, 2017 the company, through its wholly-owned subsidiary, acquired a 51.0% common share equity interest in Saurashtra Freight Private Limited ("Saurashtra"), a private company, for cash consideration of $30,018 (2.0 billion Indian rupees). The initial transaction price was considered to approximate fair value as there had been no significant changes to Saurashtra's business, capital structure and operating environment and the key assumptions in the company's acquisition valuation model continued to be valid due to the proximity of the transaction closing date to March 31, 2017.

Saurashtra runs the largest container freight station at Mundra port (Gujarat), the second largest and fastest growing port in India. Saurashtra's container freight station business provides services such as moving of containers to and from the port, stuffing/destuffing of containers, cargo storage and transportation of cargo to the end customer as well as the storage, maintenance and repair of empty containers.

Investment in National Stock Exchange of India Limited

In the third quarter of 2016 the company, through its wholly-owned subsidiary, acquired a 1.0% common share equity interest in the National Stock Exchange of India Limited ("NSE") for total consideration of $26,783 (approximately 1.8 billion Indian rupees).

During the first quarter of 2017 the company refined its internal valuation model used in the determination of NSE's fair value. The fair value of NSE cannot be derived from an active market and accordingly, is determined using industry accepted valuation techniques and models. Market observable inputs are used where possible, with unobservable inputs used where necessary. Use of unobservable inputs can involve significant judgment and may materially affect the reported fair value of NSE.

At March 31, 2017 the company estimated fair value using a market approach by reference to the earnings multiple of comparable companies based on industry comparables with a median of 20.2 times. At March 31, 2017 the company's internal valuation model indicated that the fair value of the common shares was $31,081 (December 31, 2016 - $26,504), resulting in an unrealized gain of $3,278 (2016 - nil) and an unrealized foreign currency translation gain of $1,299 (2016 - nil) which were recorded in net unrealized gains on investments in the consolidated statements of earnings and in the consolidated statements of comprehensive income, respectively.

NSE, a private company located in Mumbai, India, is India’s largest stock exchange covering various cities and towns across the country. In addition to being a platform for all exchange-traded financial products in India, NSE's flagship index, Nifty50, is used extensively by investors in India and around the world as a barometer of the Indian capital markets.

Investment in Sanmar Chemicals Group

During the second and third quarters of 2016 the company acquired, through its wholly-owned subsidiaries, $299 million in Sanmar bonds and a 30% common share equity interest for $1 million.

Sanmar is one of the largest suspension Poly Vinyl Chloride ("PVC") manufacturers in India and is in the process of expanding its PVC capacity in Egypt. Sanmar also manufactures caustic soda, chloromethanes, refrigerant gases, industrial salt and specialty chemical intermediates.

During 2016 management undertook a valuation study to formalize valuation models and determine the appropriate separate fair values for its bond and common share investments in Sanmar. Fair value of the Sanmar investments cannot be derived from an active market and accordingly, are determined using industry accepted valuation techniques and models. Market observable inputs are used where possible, with unobservable inputs used where necessary. Use of unobservable inputs can involve significant judgment and may materially affect the reported fair value of the Sanmar investments.

Sanmar Common Stock

At March 31, 2017 the company estimated fair value using a discounted cash flow analysis based on multi-year free cash flow projections with assumed after-tax discount rates ranging from 14.5% to 19.0% and long term growth rates ranging from 2.0% to 3.6% (December 31, 2016 - 15.5% to 22.5% and 2.0% to 3.6%, respectively). Free cash flow projections were based on EBITDA projections from financial information for Sanmar's three main business operations that had been prepared in the first quarter of 2017 by Sanmar's management. Discount rates were based on the company's assessment of risk premiums to the appropriate risk-free rate of the economic environment in which Sanmar operates. At March 31, 2017 the company's internal valuation model indicated that the fair value of the common shares was $238 (December 31, 2016 - $440), resulting in an unrealized loss of $215 (2016 - nil) which was recorded in net unrealized gains on investments in the consolidated statements of earnings.

Sanmar Bonds

At March 31, 2017 the company estimated fair value using an industry accepted discounted cash flow and option pricing model that incorporated Sanmar's assumed credit spread of 7.1% (December 31, 2016 - 7.1%) and certain redemption options embedded in the bonds. The assumed credit spread was based on credit spreads of industry comparables with company specific adjustments for credit risk premium. At March 31, 2017 the company's internal valuation model indicated that the fair value of the bonds was $314,888 (December 31, 2016 - $299,093), resulting in an unrealized gain of $2,209 (2016 - nil) and an unrealized foreign currency translation gain of $13,586 (2016 - nil) which were recorded in net unrealized gains on investments in the consolidated statements of earnings and in the consolidated statements of comprehensive income, respectively.

Investment in National Collateral Management Services Limited

In 2015 the company, through its wholly-owned subsidiary, acquired an 88.1% ownership interest in National Collateral Management Services Limited ("NCML") for an aggregate investment of $148,716 (approximately 9.7 billion Indian rupees). At March 31, 2017 and December 31, 2016 the company held 88.1% of the outstanding common shares of NCML.

NCML signed a 30 year concession agreement with the Food Corporation of India to build 11 silo locations with a 550,000 metric ton capacity which will require capital expenditure of an estimated $100 million (approximately 7.0 billion Indian rupees). The silo project, which is expected to be completed by early 2019, will be partially financed through debt and a rights issue. NCML's board has approved a rights issue which the company will participate in on a pro-rata basis.

During 2016 the company refined its internal valuation model used in the determination of NCML's fair value. The fair value of NCML cannot be derived from an active market and accordingly, is determined using industry accepted valuation techniques and models. Market observable inputs are used where possible, with unobservable inputs used where necessary. Use of unobservable inputs can involve significant judgment and may materially affect the reported fair value of NCML.

At March 31, 2017 the company estimated fair value using a discounted cash flow analysis based on multi-year free cash flow projections with assumed after-tax discount rates ranging from 10.4% to 20.2% and long term growth rates from 4.0% to 6.0% (December 31, 2016 - 11.9% to 15.8% and 6.0%, respectively). Free cash flow projections were based on EBITDA projections from financial information for NCML's business units that had been prepared in the first quarter of 2017 by NCML's management. Discount rates were based on the company's assessment of risk premiums to the appropriate risk-free rate of the economic environment in which NCML operates. At March 31, 2017 the company's internal valuation model indicated that the fair value of the common shares was $155,654 (December 31, 2016 - $146,586), resulting in an unrealized gain of $2,370 (2016 - nil) and an unrealized foreign currency translation gain of $6,698 (2016 - loss of $147) which were recorded in net unrealized gains on investments in the consolidated statements of earnings and in the consolidated statements of comprehensive income, respectively.

NCML is a private agricultural commodities storage company headquartered in Gurgaon, India that operates in the agriculture value chain by offering end-to-end solutions in grain procurement, testing, storage and collateral management. In 2016 NCML launched its wholly-owned subsidiary, NCML Finance Pvt. Ltd, which focuses on rural and agri-business finance.

6. Cash and Investments

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 by type of issuer was as follows:

	March 31, 2017					December 31, 2016				
	Quoted prices (Level 1)	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total fair value of assets**	**Total fair value of assets in Indian rupees (in thousands)**	Quoted prices (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value of assets	Total fair value of assets in Indian rupees (in thousands)
Cash and cash equivalents[1]	**9,735**	**—**	**—**	**9,735**	**632,153**	146,960	—	—	146,960	9,974,168
Restricted cash[2]	**—**	**—**	**—**	**—**	**—**	18,810	—	—	18,810	1,276,632
	9,735	**—**	**—**	**9,735**	**632,153**	165,770	—	—	165,770	11,250,800
Short term investments - U.S. treasury bills[3]	**27,466**	**—**	**—**	**27,466**	**1,783,489**	27,428	—	—	27,428	1,861,558
Bonds:										
Government of India[4]	**—**	**103,415**	**—**	**103,415**	**6,715,262**	—	130,317	—	130,317	8,844,600
Indian corporate[4]	**—**	**101,848**	**—**	**101,848**	**6,613,500**	—	99,447	—	99,447	6,749,515
Sanmar	**—**	**—**	**314,888**	**314,888**	**20,447,250**	—	—	299,093	299,093	20,299,423
	—	**205,263**	**314,888**	**520,151**	**33,776,012**	—	229,764	299,093	528,857	35,893,538
Common stocks:										
IIFL	**520,805**	**—**	**—**	**520,805**	**33,818,489**	265,951	—	—	265,951	18,050,088
BIAL [5]	**—**	**—**	**388,325**	**388,325**	**25,215,884**	—	—	—	—	—
Fairchem [6]	**160,529**	**—**	**—**	**160,529**	**10,423,918**	45,488	—	—	45,488	3,087,261
NCML	**—**	**—**	**155,654**	**155,654**	**10,107,422**	—	—	146,586	146,586	9,948,814
Saurashtra [5]	**—**	**—**	**30,954**	**30,954**	**2,010,000**	—	—	—	—	—
NSE	**—**	**—**	**31,081**	**31,081**	**2,018,216**	—	—	26,504	26,504	1,798,824
Sanmar	**—**	**—**	**238**	**238**	**15,463**	—	—	440	440	29,871
Privi	**—**	**—**	**—**	**—**	**—**	—	—	54,315	54,315	3,686,331
	681,334	**—**	**606,252**	**1,287,586**	**83,609,392**	311,439	—	227,845	539,284	36,601,189
Total cash and investments	**718,535**	**205,263**	**921,140**	**1,844,938**	**119,801,046**	504,637	229,764	526,938	1,261,339	85,607,085
	38.9%	**11.1%**	**50.0%**	**100.0%**	**100.0%**	40.0%	18.2%	41.8%	100.0%	100.0%

(1) Included U.S. treasury bills with maturity dates of less than three months of nil at March 31, 2017 (December 31, 2016 - $126,941).

(2) Comprised of a debt service reserve account at December 31, 2016 used to fund term loan interest payments.

(3) Short term U.S. treasury bills have a maturity date of June 22, 2017.

(4) Priced based on information provided by independent pricing service providers at March 31, 2017 and December 31, 2016. There was no change in valuation techniques for these securities during the three months ended March 31, 2017.

(5) Initial transaction price was considered to approximate fair value, and in relation to Saurashtra, due to the proximity of the transaction closing date to March 31, 2017.

(6) Included fair value for 738,760 CCPS that have been priced based on Fairchem's share price at March 31, 2017.

Transfers between fair value hierarchy levels are considered effective from the beginning of the reporting period in which the transfer is identified. During the three months ended March 31, 2017 and year ended December 31, 2016 there were no transfers of financial instruments between Level 1 and Level 2 and there were no transfers of financial instruments in or out of Level 3 as a result of changes in the observability of valuation inputs. As a result of the Fairchem and Privi Merger, described in note 5, the investment in Privi was transferred out the level 3 hierarchy and into the level 1 hierarchy and aggregated with the investment in Fairchem.

A summary of changes in the fair value of Level 3 investments for the first quarters ended March 31, 2017 and 2016 was as follows:

	Bonds	Common stocks						
	Sanmar	BIAL	NCML	Saurashtra	NSE	Sanmar	Privi	Total
Balance as of January 1, 2017	**299,093**	**—**	**146,586**	**—**	**26,504**	**440**	**54,315**	**526,938**
Purchases	**—**	**385,498**	**—**	**30,018**	**—**	**—**	**—**	**415,516**
Transfer out of category due to Merger	**—**	**—**	**—**	**—**	**—**	**—**	**(54,315)**	**(54,315)**
Net unrealized gains (losses) included in the consolidated statements of earnings	**2,209**	**—**	**2,370**	**—**	**3,278**	**(215)**	**—**	**7,642**
Net unrealized foreign currency translation gains included in the consolidated statements of comprehensive income	**13,586**	**2,827**	**6,698**	**936**	**1,299**	**13**	**—**	**25,359**
Balance as of March 31, 2017	**314,888**	**388,325**	**155,654**	**30,954**	**31,081**	**238**	**—**	**921,140**
Balance as of January 1, 2016	—	—	146,445	—	—	—	—	146,445
Net unrealized foreign currency translation losses included in the consolidated statements of comprehensive income	—	—	(147)	—	—	—	—	(147)
Balance as of March 31, 2016	—	—	146,298	—	—	—	—	146,298

Indian rupees (in thousands)	Bonds	Common stocks						
	Sanmar	BIAL	NCML	Saurashtra	NSE	Sanmar	Privi	Total
Balance as of January 1, 2017	**20,299,423**	**—**	**9,948,814**	**—**	**1,798,824**	**29,871**	**3,686,331**	**35,763,263**
Purchases	**—**	**25,215,884**	**—**	**2,010,000**	**—**	**—**	**—**	**27,225,884**
Transfer out of category due to Merger	**—**	**—**	**—**	**—**	**—**	**—**	**(3,686,331)**	**(3,686,331)**
Net unrealized gains (losses) included in the consolidated statements of earnings	**147,827**	**—**	**158,608**	**—**	**219,392**	**(14,408)**	**—**	**511,419**
Balance as of March 31, 2017	**20,447,250**	**25,215,884**	**10,107,422**	**2,010,000**	**2,018,216**	**15,463**	**—**	**59,814,235**
Balance as of January 1, 2016 and March 31, 2016	—	—	9,688,230	—	—	—	—	9,688,230

The table that follows illustrates the potential impact on net earnings of various combinations of changes in unobservable inputs in the company's internal valuation models for the level 3 investments at March 31, 2017. The analysis assumes variations within a reasonably possible range determined by the company based on analysis of the return on various equity indexes, management's knowledge of the Indian equity markets and the potential impact of changes in interest rates.

Investment	Fair Value of Investment	Valuation Technique	Significant unobservable Inputs	Significant unobservable inputs used in the internal valuation models	Hypothetical $ change effect on fair value measurement [(1)]	Hypothetical $ change effect on net earnings [(1)]
NCML common shares	$155,654	Discounted cash flow	After-tax discount rate	10.4% to 20.2%	38,460 / (32,532)	33,364 / (28,222)
			Long term growth rate	4.0% to 6.0%	11,562 / (10,696)	10,030 / (9,279)
NSE common shares	$31,081	Market approach	Price to earnings ratio	20.2 times	4,244 / (3,230)	3,119 / (2,374)
Sanmar bonds[(2)]	$314,888	Discounted cash flow	Credit spread	7.1%	18,602 / (17,492)	13,672 / (12,857)
Sanmar common shares	$238	Discounted cash flow	After-tax discount rate	14.5% to 19.0%	19,557 / (238)	16,966 / (206)
			Long term growth rate	2.0% to 3.6%	4,945 / (238)	4,290 / (206)

(1) The impact on the internal valuation models from changes in significant unobservable inputs deemed to be subject to the most judgment and estimates disclosed in the above table shows the hypothetical increase (decrease) in net earnings. Changes in the after-tax discount rates, long term growth rates, price to earnings ratio, and credit spreads, each in isolation, would hypothetically change the fair value of the company's investments as noted in the table above. Generally, an increase (decrease) in long term growth rates or price to earnings ratio, or a decrease (increase) in after-tax discount rates or credit spreads, would result in a higher (lower) fair value of the company's Indian Investments.

(2) Based on parallel basis point shifts upward and downward in the term structure of interest rates.

Fixed Income Maturity Profile

Bonds are summarized by their earliest contractual maturity date in the table that follows. Actual maturities may differ from maturities shown below due to the existence of put features. At March 31, 2017 and December 31, 2016, there were no bonds containing put features.

	March 31, 2017		December 31, 2016	
	Amortized cost	**Fair value**	Amortized cost	Fair value
Due after 5 years through 10 years	**456,338**	**470,732**	474,334	490,706
Due after 10 years	**49,518**	**49,419**	35,919	38,151
	505,856	**520,151**	510,253	528,857

Investment Income

An analysis of investment income for the three months ended March 31 is summarized in the table that follows:

Interest and dividends

	2017	2016
Interest income:		
Cash and cash equivalents	**214**	41
Short term investments	**38**	30
Bonds	**4,666**	7,691
	4,918	7,762
Dividends: common stocks	**4,625**	4,331

Net gains (losses) on investments and net foreign currency gains (losses)

	2017			2016		
	Net realized gains (losses)	**Net change in unrealized gains (losses)**	**Net gains (losses) on investments**	Net realized gains (losses)	Net change in unrealized gains (losses)	Net gains (losses) on investments
Net gains (losses) on investments:						
Bonds	**1,195**	**(5,990)**	**(4,795)**	(3,307)	2,534	(773)
Common stocks	**—**	**220,109** (1)	**220,109**	—	3,783	3,783
Common stocks - Investment funds	**—**	**—**	**—**	—	1,024	1,024
	1,195	**214,119**	**215,314**	(3,307)	7,341	4,034
Net foreign exchange gains (losses) on:						
Cash and cash equivalents	**(25,755)** (2)	**—**	**(25,755)**	(8,300)	—	(8,300)
Investments	**182**	**(1,204)**	**(1,022)**	190	(242)	(52)
Term loan	**9,812**	**—**	**9,812**	—	—	—
Other	**216**	**—**	**216**	—	—	—
	(15,545)	**(1,204)**	**(16,749)**	(8,110)	(242)	(8,352)

(1) Principally comprised of net unrealized gains on the Indian investments, IIFL ($160,138), Fairchem ($54,538), NSE ($3,278) and NCML ($2,370) in the first quarter of 2017.

(2) Primarily related to the U.S. dollar net proceeds received from the Offerings that were held in U.S. dollar denominated cash equivalents until the funds were deployed to acquire the investment in BIAL.

7. Term Loan

	March 31, 2017			December 31, 2016		
	Principal	**Carrying value**	**Fair value**	Principal	Carrying value[1]	Fair value[2]
Secured Term Loan	—	—	—	225,000	223,772	223,772

(1) Principal net of unamortized issue costs.

(2) Carrying value approximated fair value at December 31, 2016.

On September 16, 2016 the company completed a 2-year secured term loan (the ''term loan'') bearing an interest rate of LIBOR plus 350 to 500 basis points with a syndicate of Canadian banks for $225,000. Under the terms of the term loan, the company was required to maintain a debt service reserve account to fund the term loan interest payments.

The term loan contained a mandatory prepayment clause that became effective when the company received the net proceeds from the Offerings (see note 8) requiring repayment of the $225,000 principal amount of the term loan by March 31, 2017. The term loan was fully repaid on March 31, 2017 and the cash held in the debt service reserve account classified as restricted cash at December 31, 2016 ($18,810) was used to partially fund the repayment.

The first quarter of 2017 included interest expense of $3,241 in the consolidated statements of earnings, which was comprised of interest expense of $2,013 and the release of unamortized issue costs of $1,228 (2016 - nil). At December 31, 2016 prepaid interest expense of $543 was recorded in other assets on the consolidated balance sheets.

8. Total Equity

Common shareholders' equity

Common stock

The number of shares outstanding was as follows:

	2017	2016
Subordinate voting shares - January 1	**74,881,031**	76,678,879
Issuances of shares	**42,553,500**	—
Subordinate voting shares - March 31	**117,434,531**	76,678,879
Multiple voting shares - beginning and end of period	**30,000,000**	30,000,000
Common shares effectively outstanding - March 31	**147,434,531**	106,678,879

Capital transactions

On January 13, 2017 the company completed an underwritten public offering of 12,766,000 subordinate voting shares at a price of $11.75 per share. Concurrent with the public offering, Fairfax and Ontario Municipal Employees Retirement System ("OMERS") acquired 12,766,000 and 17,021,500 subordinate voting shares, respectively, at a price of $11.75 per subordinate voting share in a concurrent private placement (the "Concurrent Private Placement" and, together with the public offering, the "Offerings"), resulting in net proceeds of $493,504, after commissions and expenses of $6,500. At March 31, 2017 unpaid expenses relating to the Offerings of $463 were recorded in accounts payable and accrued liabilities on the consolidated balance sheets. Net proceeds from the Offerings provided financing to acquire additional Indian Investments and will be used for general corporate purposes. Receipt of the proceeds from the Offerings triggered a mandatory prepayment clause in the term loan requiring repayment of the $225,000 principal amount of the term loan which was repaid on March 31, 2017 (see note 7).

Repurchase of Shares

There were no repurchases for cancellation of subordinate voting shares during the three months ended March 31, 2017 and 2016.

9. Earnings per Share

Net earnings per share for the three months ended March 31 are calculated in the following table based upon the weighted average shares outstanding:

		2017		2016
Net earnings – basic and diluted		**149,003**		742
Weighted average shares outstanding – basic and diluted		**141,760,731**		106,678,879
Net earnings per share – basic and diluted	**$**	**1.05**	$	0.01

At March 31, 2017 and 2016 there were no instruments outstanding that could potentially dilute earnings per share.

10. Income Taxes

The company's provision for income taxes for the three months ended March 31 are summarized in the following table:

	2017	2016
Current income tax:		
Current year expense	**4,392**	1,136
Deferred income tax:		
Origination and reversal of temporary differences	**596**	2,000
Provision for income taxes	**4,988**	3,136

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).

During the second quarter of 2016, India and Mauritius amended their double income tax treaty. As a result, investments acquired up to April 1, 2017 will not be assessed by India for tax on their future disposition. After April 1, 2017, India will levy capital gains tax at half the India domestic rate on equity investments purchased or sold through Mauritius until March 31, 2019 and at the full rate from April 1, 2019 onward.

The company’s earnings (loss) before income taxes by jurisdiction and the associated provision for income taxes for the three months ended March 31 are summarized in the following table:

	2017			2016		
	Canada	**Mauritius**	**Total**	Canada	Mauritius	Total
Earnings (loss) before income taxes	**(16,271)**	**170,262**	**153,991**	1,812	2,066	3,878
Provision for income taxes	**4,327**	**661**	**4,988**	2,000	1,136	3,136
Net earnings (loss)	**(20,598)**	**169,601**	**149,003**	(188)	930	742

The increase in pre-tax profitability in Mauritius in the first quarter of 2017 compared to the first quarter of 2016 primarily reflected increased net unrealized gains on investments, partially offset by increased performance fees and investment and advisory fees. The decrease in pre-tax profitability in Canada in the first quarter of 2017 compared to the first quarter of 2016 primarily related to interest expense on the term loan and net realized foreign exchange losses on cash equivalents.

A reconciliation of the provision for income taxes calculated at the Canadian statutory income tax rate to the provision of income taxes at the effective tax rate in the interim consolidated financial statements for the three months ended March 31 are summarized in the following table:

	2017	2016
Canadian statutory income tax rate	**26.5%**	26.5%
Provision for income taxes at the Canadian statutory income tax rate	**40,808**	1,028
Tax rate differential on income earned and losses incurred outside of Canada	**(41,101)**	(7,866)
Change in unrecorded tax benefit of losses and temporary differences	**(1,038)**	11,364
Foreign exchange effect	**6,319**	(1,390)
Provision for income taxes	**4,988**	3,136

The tax rate differential on income earned and losses incurred outside of Canada of $41,101 in the first quarter of 2017 (2016 - $7,866) principally reflected the impact of net investment income taxed in India and Mauritius at lower rates.

The change in unrecorded tax benefit of losses and temporary differences of $1,038 in the first quarter of 2017 principally reflected foreign accrual property losses utilized by FIH Mauritius (2016 - $11,364 primarily reflected foreign accrual property losses incurred). Deferred tax assets in Canada of $8,520 (December 31, 2016 - $8,420) were not recorded by the company because the related pre-tax losses did not meet the applicable recognition criteria under IFRS.

Foreign exchange effect of $6,319 in the first quarter of 2017 (2016 - $1,390) principally reflected 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 subsidiaries is the Indian rupee.

11. Financial Risk Management

Overview

There were no significant changes in the types of the company's risk exposures or the processes used by the company for managing those risk exposures at March 31, 2017 compared to those identified at December 31, 2016, and disclosed in the company's annual consolidated financial statements for the year ended December 31, 2016, except as discussed below.

Market Risk

Market risk (comprised of foreign currency risk, interest rate risk and other price risk) is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The company is exposed to market risk principally in its investing activities and to the extent that those activities expose the company to foreign currency risk. The valuation of the company's investment portfolio is largely dependent on the underlying performance of the companies within the portfolio, but may also be affected, along with other financial statement items, by fluctuations in interest rates, foreign currency exchange rates and market prices.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument or another asset or liability will fluctuate because of changes in exchange rates and as a result, could produce an adverse effect on net earnings and equity when measured in Indian rupees, the company's functional currency. The company’s equity and net earnings may also be significantly affected by foreign currency translation movements as the majority of its assets and net earnings are denominated in a currency other than the company's U.S. dollar presentation currency. The company has not hedged its foreign currency risk.

The company's net foreign currency exposure on balances denominated in currencies other than the Indian rupee (expressed in U.S. dollars) are comprised as follows:

	March 31, 2017					December 31, 2016					
	Cash and cash equivalents	**Investments**	**Accounts Payable and accrued liabilities**	**Payable to related parties**	**Net exposure**	Cash and cash equivalents	Investments	Receivable from sale of investment funds	Term loan	Payable to related parties	Net exposure
U.S. dollars	**8,826**	**27,466**	**(4,952)**	**(51,447)**	**(20,107)**	165,051 (1)	27,428	26,525	(223,772)	(3,659)	(8,427)
All other currencies	**903**	**—**	**—**	**—**	**903**	716	—	—	—	(14)	702
Total	**9,729**	**27,466**	**(4,952)**	**(51,447)**	**(19,204)**	165,767	27,428	26,525	(223,772)	(3,673)	(7,725)

(1) At December 31, 2016 cash and cash equivalents included restricted cash of $18,810 to fund term loan interest payments.

The table above shows the company's net exposure to the U.S. dollar and all other currencies. If the Indian rupee appreciated by 5% against the U.S. dollar and all other currencies, the effect on pre-tax earnings and net earnings would be a hypothetical increase of $960 and $706, respectively (December 31, 2016 - an increase of $386 and $284). Certain shortcomings are inherent in the method of analysis presented, including the assumption that the 5% appreciation of the Indian rupee occurred with all other variables held constant.

The company's net liability exposure to the U.S. dollar increased at March 31, 2017 compared to December 31, 2016 primarily as a result of the performance fee accrual, partially offset by the net impact of the repayment of the term loan on March 31, 2017 and the sale of U.S. dollar denominated investments (primarily U.S. treasury bills classified as cash equivalents) to partially fund the repayment. The term loan contained a mandatory prepayment clause that became effective when the company received the net proceeds from the Offerings (see note 8) requiring repayment of the $225,000 principal amount of the term loan by March 31, 2017. The term loan was fully repaid on March 31, 2017.

Interest Rate Risk

Interest rate risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate movements in India may affect the company's equity and net earnings. 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. There were no significant changes to the company's framework used to monitor, evaluate and manage interest rate risk at March 31, 2017 compared to December 31, 2016.

The table that follows 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.

	March 31, 2017			December 31, 2016		
	Fair value of fixed income portfolio	**Hypothetical $ change effect on net earnings**	**Hypothetical % change in fair value**	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	**462,597**	**(42,302)**	**(11.1)%**	468,666	(44,238)	(11.4)%
100 basis point rise	**490,765**	**(21,599)**	**(5.6)%**	498,029	(22,656)	(5.8)%
No change	**520,151**	**—**	**—**	528,857	—	—
100 basis point decline	**553,562**	**24,557**	**6.4 %**	563,826	25,705	6.6 %
200 basis point decline	**588,491**	**50,230**	**13.1 %**	592,543	46,812	12.0 %

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.

Market Price Fluctuations

Market price fluctuation is the risk that the fair value or future cash flows of an equity investment will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual investment or its issuer, or other factors affecting all similar investments in the market. Changes to the company's exposure to equity price risk through its equity instruments at March 31, 2017 compared to December 31, 2016 are described below.

The company's exposure to market price risk for its Level 1 investments increased during the first three months of 2017 as a result of the Merger of Fairchem and Privi, resulting in an increase in the company's shareholdings of Fairchem (see note 5), and the additional investment in IIFL. Refer to note 6 for the potential impact on net earnings of various combinations of changes in significant unobservable inputs in the company's internal valuation models for the company's investments classified as Level 3.

The following table illustrates the potential impact on pre-tax and after-tax net earnings of a 10% change in the fair value of the company's Level 1 equity investments.

	March 31, 2017		December 31, 2016	
Change in fair value of the company's Level 1 equity investments	**+10%**	**-10%**	+10%	-10%
Level 1 equity investments	**681,334**	**681,334**	311,439	311,439
Pre-tax impact on net earnings (loss)	**68,133**	**(68,133)**	31,144	(31,144)
After-tax impact on net earnings (loss)	**59,105**	**(59,105)**	27,017	(27,017)

Credit Risk

Credit risk is the risk of loss resulting from the failure of a counterparty to honour its financial obligations to the company and arises predominantly with respect to cash and cash equivalents, short term investments and investments in debt instruments. The company's cash and cash equivalents, and short term investments are primarily held at the holding company in major financial institutions (principally in high credit-quality Canadian financial institutions). There were no significant changes to the company's exposure to credit risk (except as set out in the discussion which follows) or the framework used to monitor, evaluate and manage credit risk at March 31, 2017 compared to December 31, 2016.

The company’s aggregate gross credit risk exposure was comprised as follows:

	March 31, 2017	December 31, 2016
Cash and cash equivalents	**9,735**	146,960
Restricted cash	**—**	18,810
Short term investments - U.S. treasury bills	**27,466**	27,428
Bonds:		
Government of India	**103,415**	130,317
Indian corporate	**101,848**	99,447
Sanmar	**314,888**	299,093
Interest receivable	**5,423**	7,493
Other assets:		
Receivable from sale of investment funds	**—**	26,525
Prepaid interest on term loan	**—**	543
Total gross credit risk exposure	**562,775**	756,616

At March 31, 2017 the company had income taxes refundable of $3,473 (December 31, 2016 - $7,326).

The company's short term investments in U.S. treasury bills are rated Aaa by Moody's Investors Service, Inc. ("Moody's") and AA+ by Standard & Poor's Financial Services LLC ("S&P"). The composition of the company's fixed income portfolio is presented in the table below:

	March 31, 2017		December 31, 2016	
	Fair value	Rating	Fair value	Rating
Government of India bonds[(1)]	**103,415**	**Baa3/BBB-**	130,317	Baa3/BBB-
Indian corporate bonds[(2)]	**101,848**	**AAA**	99,447	AAA
Sanmar bonds[(3)]	**314,888**	**BBB-**	299,093	BBB-
Total bonds	**520,151**		528,857	

(1) Rated Baa3 by Moody's Investors Service, Inc. ("Moody's") and BBB- by Standard & Poor's Rating Service ("S&P").

(2) Rated AAA by subsidiaries of a Designated Rating Organization ("DRO"), being DBRS Limited, S&P, Fitch Inc. and Moody's, or subsidiaries or affiliates of a DRO.

(3) Rated BBB- by Brickworks Ratings, an Indian rating agency.

The company's exposure to credit risk from its investment in fixed income securities decreased at March 31, 2017 compared to December 31, 2016 reflecting the company's sale of Government of India bonds rated as Baa3/BBB- to partially fund the investment in BIAL.

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 financial commitments on their respective due dates. All accounts payable and accrued liabilities are due within three months, and income taxes payable must be remitted to the respective tax jurisdictions within six months.

The company believes that cash and cash equivalents at March 31, 2017 provides adequate liquidity to meet the company's remaining known significant commitments in 2017, which are principally comprised of investment and advisory fees, an additional investment in NCML, corporate income taxes and general and administration expenses. The company expects to continue to receive investment income on its holdings of fixed income securities and dividends from its equity investments to supplement its cash and cash equivalents. The company has adequate working capital to support its operations.

Refer to note 12 for details on the settlement of the performance fees, if any, at the end of the first calculation period, December 31, 2017.

Concentration Risk

The company’s cash and investments are primarily concentrated in India and in Indian businesses or businesses with customers, suppliers or business primarily 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 of India. Adverse changes to 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 net earnings.

The company’s cash and investments composition by the issuer's country of domicile was as follows:

	March 31, 2017			December 31, 2016		
	India	**U.S.**	**Total**	India	U.S.	Total
Cash and cash equivalents	**909** (1)	**8,826**	**9,735**	719 (1)	165,051 (2)	165,770
Short term investments - U.S. treasury bills	**—**	**27,466**	**27,466**	—	27,428	27,428
Bonds:						
Government of India	**103,415**	**—**	**103,415**	130,317	—	130,317
Indian corporate	**101,848**	**—**	**101,848**	99,447	—	99,447
Sanmar	**314,888**	**—**	**314,888**	299,093	—	299,093
	520,151	**—**	**520,151**	528,857	—	528,857
Common stocks:						
IIFL	**520,805**	**—**	**520,805**	265,951	—	265,951
BIAL	**388,325**	**—**	**388,325**	—	—	—
Fairchem	**160,529**	**—**	**160,529**	45,488	—	45,488
NCML	**155,654**	**—**	**155,654**	146,586	—	146,586
Saurashtra	**30,954**	**—**	**30,954**	—	—	—
NSE	**31,081**	**—**	**31,081**	26,504	—	26,504
Sanmar	**238**	**—**	**238**	440	—	440
Privi	**—**	**—**	**—**	54,315	—	54,315
	1,287,586	**—**	**1,287,586**	539,284	—	539,284
Total cash and investments	**1,808,646**	**36,292**	**1,844,938**	1,068,860	192,479	1,261,339

(1) Included cash and cash equivalents invested in Mauritius and Canada of $903 at March 31, 2017 (December 31, 2016 - $716).

(2) Included restricted cash of $18,810 at December 31, 2016.

The company's holdings of common stocks and Sanmar bonds at March 31, 2017 and December 31, 2016 are summarized by the issuer's primary sector in the table below:

	March 31, 2017	December 31, 2016
Financial services	**551,886**	292,455
Commercial and industrial	**1,050,588**	545,922
	1,602,474	838,377

During the first three months of 2017 the company's concentration risk in the financial services sector increased primarily due to the additional investment in IIFL ($75,175), while the company's concentration risk in the commercial and industrial sector increased primarily due to the Merger between Fairchem and Privi (see note 5) as well as the investments in BIAL ($385,498) and Saurashtra ($30,018).

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 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's Investment Concentration Restriction limit increased at March 31, 2017 from December 31, 2016 principally as a result of net proceeds received from the Offerings (see note 8) and net unrealized gains on the company's Indian Investments. Indian Investments may be financed through equity or debt offerings as part of the company's objective to reduce its cost of capital and provide returns to common shareholders.

Capital Management

The company’s objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for common 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 seek downside protection and attempt to minimize the loss of capital. Total capital increased from $1,299,218 at December 31, 2016 (comprised of the term loan and common shareholders' equity) to $1,796,685 at March 31, 2017 (comprised of common shareholders’ equity) principally reflecting the net proceeds from the Offerings, net earnings and other comprehensive income, partially offset by the repayment of the term loan.

On January 13, 2017 the company completed an underwritten public offering and concurrent with the public offering, Fairfax and OMERS acquired additional subordinate voting shares resulting in net proceeds of $493,504. Net proceeds from the Offerings provided financing to acquire additional Indian Investments and will be used for general corporate purposes. Receipt of the proceeds from the Offerings triggered a mandatory prepayment clause in the term loan requiring repayment of the $225,000 principal amount of the term loan which was repaid on March 31, 2017 (see note 7).

Common shareholders' equity at March 31, 2017 increased to $1,796,685 from $1,075,446 at December 31, 2016 primarily reflecting the net proceeds from the Offerings of $493,504, net earnings of $149,003 and unrealized foreign currency translation gains of $78,042 in the three months ended March 31, 2017.

12. Related Party Transactions

Payable to Related Parties

The company's payable to related parties was comprised as follows:

	March 31, 2017	December 31, 2016
Investment and advisory fees	**5,328**	3,611
Performance fees	**45,941**	—
Other	**178**	62
	51,447	3,673

Investment Advisory Agreement

The company and its subsidiaries have 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 common shareholders' equity.

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 the company's common shareholders' equity less the value of undeployed capital.

For the first quarter of 2017 the company determined that the majority of its assets were invested in Indian Investments, which are considered deployed capital. In the first quarter of 2017, the investment and advisory fee recorded in the consolidated statements of earnings was $4,803 (2016 - $2,141).

Performance Fee

The performance fee is accrued quarterly and 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 common shareholders' equity (including distributions) above a 5% per annum increase. The amount of common shareholders' equity at any time which must be achieved before any performance fee would be payable is sometimes referred to as the "hurdle per share". The company determined that a performance fee of $45,941 should be accrued for the first quarter of 2017 as the book value per share of $12.50 (before factoring in the impact of the performance fee) at March 31, 2017 was greater than the hurdle per share at that date of $10.98.

If a performance fee is payable for the period ending on December 31, 2017, it will be paid in subordinate voting shares of the company unless the market prices per share of those shares is at least two times the then book value per share, in which event Fairfax may elect to receive that fee in cash.

In the first quarter of 2017, the performance fee recorded in the consolidated statements of earnings was $44,571 (2016 - 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.

Other

On February 8, 2017 the company acquired 15,853,000 common shares representing a 4.99% equity interest in IIFL (see note 5).

13. General and Administration Expenses

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

	2017	2016
Brokerage fees	**—**	78
Audit, legal and tax professional fees	**715**	213
Salaries and employee benefit expenses	**375**	264
Administrative expenses	**264**	974
Other	**148**	227
	1,502	1,756

14. Supplementary Cash Flow Information

Details of certain cash flows included in the consolidated statements of cash flows for the three months ended March 31 were as follows:

	2017	2016
(a) Purchases of investments classified as FVTPL		
Bonds	**(25,194)**	(24,177)
Common stocks	**(490,691)**	(18,942)
	(515,885)	(43,119)
(b) Sales of investments classified as FVTPL		
Bonds	**51,933**	290,114
Common stocks	**26,525**	—
	78,458	290,114
(c) Net interest and dividends		
Interest received	**7,297**	19,807
Dividends received	**4,625**	4,331
Interest paid on term loan	**(1,470)**	—
	10,452	24,138
(d) Income taxes paid	**(332)**	(1,397)

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 three months ended March 31, 2017 and the company's audited financial statements and accompanying notes for the year ended December 31, 2016.

(2) The MD&A contains references to book value per share. On any date, book value per share is calculated as common shareholders' equity divided by the total number of common shares of the company outstanding on that date. Book value per share is a key performance measure of the company and is closely monitored as it is used to calculate the performance fee payable, if any, to Fairfax Financial Holdings Limited ("Fairfax"). The performance fee is accrued quarterly and 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 common shareholders' equity (including distributions) above a 5% per annum increase.

(3) Unless otherwise noted, consolidated financial information of the company within this MD&A is derived from the consolidated financial statements of the company prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (“IASB”), and is presented in U.S. dollars with the Indian rupee as the functional currency of the company and its consolidated subsidiaries.

Business Developments

Overview

Fairfax had 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 principally engaged in property and casualty insurance and reinsurance and the associated investment management. Fairfax is a Canadian reporting issuer with securities listed on the Toronto Stock Exchange ("TSX") and trading in Canadian dollars under the symbol FFH for over 30 years and in U.S. dollars under the symbol FFH.U.

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 consolidated subsidiaries, responsible to source and advise with respect to all investments.

On January 13, 2017 the company completed an underwritten public offering of 12,766,000 subordinate voting shares at a price of $11.75 per share. Concurrent with the public offering, Fairfax and Ontario Municipal Employees Retirement System ("OMERS") acquired 12,766,000 and 17,021,500 subordinate voting shares, respectively, at a price of $11.75 per subordinate voting share in a concurrent private placement (the "Concurrent Private Placement" and, together with the public offering, the "Offerings"), resulting in net proceeds of $493,504, after commissions and expenses of $6,500. Net proceeds from the Offerings provided financing to acquire additional Indian Investments and will be used for general corporate purposes. Receipt of the proceeds from the Offerings triggered a mandatory prepayment clause in the term loan requiring repayment of the $225,000 principal amount of the term loan which was repaid on March 31, 2017 (see note 7 (Term Loan) to the interim consolidated financial statements for the three months ended March 31, 2017).

Business Objectives

Investment Objective

Fairfax India is an investment holding company whose 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 equity securities and debt instruments in India and Indian businesses or other businesses with customers, suppliers or business primarily conducted in, or dependent on, India (“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, financial institutions, consumer services, retail and exports. The company is not limited to investing solely in these sectors and intends to invest in other sectors as and when 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 will seek attractive risk-adjusted returns, but will at all times seek downside protection and attempt to minimize the loss of capital.

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 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's Investment Concentration Restriction limit increased at March 31, 2017 from December 31, 2016 principally as a result of net proceeds received from the Offerings (see note 8 (Total Equity) to the interim consolidated financial statements for the three months ended March 31, 2017) and net unrealized gains on the company's Indian Investments. Indian Investments may be financed through equity or debt offerings as part of the company's objective to reduce its cost of capital and provide returns to common shareholders.

The company intends to make multiple different investments as part of its prudent investment strategy. At March 31, 2017 the company determined that it was in compliance with these investment restrictions.

Indian Investments

Cautionary Statement Regarding Financial Information of Significant Indian Investments

Fairfax India has agreed to voluntarily provide within the MD&A, summary financial information prepared in accordance with IFRS for all of its Indian Investments in which it had previously filed a business acquisition report in accordance with section 8.2 of *National Instrument 51-102 Continuous Disclosure Obligations.* National Collateral Management Services Limited, IIFL Holdings Limited and Sanmar Chemicals Group (collectively, "Significant Indian Investments") prepare their financial statements in accordance with Indian Generally Accepted Accounting Principles ("Indian GAAP"). Fairfax India is limited in respect to the amount of independent verification it is able to perform with respect to the Significant Indian Investments financial statements. The unaudited summarized financial information contained in this MD&A was prepared exclusively for Fairfax India. Such unaudited financial information is the responsibility of the respective managements and has been prepared by them using recognition, measurement and presentation principles consistent with IFRS as issued by the IASB, and provided to the company in Indian rupees.

The company's Significant Indian Investments fiscal years end on March 31. Summary financial information of the company's Significant Indian Investments has been provided primarily relating to the periods subsequent to the company's investment and to the extent that the latest interim financial information is available to the company's management.

Significant Indian Investments summarized financial information should be read in conjunction with Fairfax India's historical consolidated financial statements including the notes thereto and the related MD&A as well as Fairfax India's other public filings.

Fairfax India has no knowledge that would indicate that the Significant Indian Investments summarized financial information contained herein requires material modifications. However, readers are cautioned that the Significant Indian Investments summarized financial information contained in the MD&A may not be appropriate for their purposes.

The table below provides a summary of the company's Indian Investments completed at March 31, 2017:

	Date Acquired	Ownership %	Initial transaction price	Fair value at March 31, 2017	Net change
Public Indian Investments:					
IIFL	December 2015 and February 2017	26.6%	276,734	520,805	244,071
Fairchem[(1)]	February and August 2016	48.7%	74,384	160,529	86,145
			351,118	681,334	330,216
Private Indian Investments:					
NCML	August 2015	88.1%	148,716	155,654	6,938
Sanmar	April 2016	30.0%	1,000	238	(762)
Sanmar bonds	April and September 2016	—	299,000	314,888	15,888
NSE	July 2016	1.0%	26,783	31,081	4,298
Saurashtra	February 2017	51.0%	30,018	30,954	936
BIAL	March 2017	38.0%	385,498	388,325	2,827
			891,015	921,140	30,125
Total Indian Investments completed at March 31, 2017			1,242,133	1,602,474	360,341

(1) Effective March 14, 2017 the company's original investments in Fairchem and Privi merged to form Fairchem Speciality Limited.

Public Indian Investments

Set out and discussed below are the public Indian Investments held by the company at March 31, 2017 whose shares are listed on both the Bombay Stock Exchange ("BSE") and the National Stock Exchange ("NSE") of India.

IIFL Holdings Limited

Business Overview

IIFL Holdings Limited ("IIFL") was incorporated in 1995 and is a publicly traded, diversified financial services holding company located in Mumbai, India with principal lines of business in a non-banking finance company ("NBFC"), wealth management, and capital markets and other activities (comprised of non-bank retail broking, institutional equities, investment banking and financial products distribution).

IIFL's shares are listed on both the BSE and the NSE of India.

Transaction Description

On December 1, 2015 Fairfax India acquired 68,788,445 common shares of IIFL representing a 21.9% ownership interest at a price of $2.93 per share (195 Indian rupees) for total consideration of $201,559 (approximately 13.4 billion Indian rupees).

Prior to the company's investment in IIFL, Fairfax, through its subsidiaries, owned 8.9% of the issued and outstanding IIFL common shares, and had an economic interest in another 5.2% of IIFL common shares through derivative instruments (all acquired prior to the establishment of Fairfax India).

On February 8, 2017 the company, through its wholly-owned subsidiaries, acquired 15,853,000 common shares representing a 4.99% equity interest in IIFL for total consideration of $75,175 (5.1 billion Indian rupees). In connection with the transaction, Fairfax, through its subsidiaries, disposed of derivative instruments representing an economic interest of 4.99% in IIFL. In accordance with regulations of the SEBI and the National Stock Exchange of India, the transaction was subject to certain sale and purchase pricing guidelines and, as a result, the total consideration paid per share approximated fair market value of the common share equity interest acquired.

At March 31, 2017 the company held an aggregate of 84,641,445 common equity shares or 26.6% equity interest of the outstanding common shares of IIFL (December 31, 2016 - 21.7%).

Key Business Drivers, Events and Risks

IIFL's key business drivers will be the growth and penetration of their financial services products, particularly in the areas of lending and wealth management.

Demonetization announced by the Government of India in November 2016 negatively impacted IIFL's revenues in the short term. IIFL's continued focus on investments in digitization enabled them to mitigate the impact of demonetization as they had a ready platform to conveniently accept cashless payments from customers, the ability to make collections through tablets and a self-help portal for quick query resolution. IIFL's capital markets and wealth management businesses were not significantly impacted by demonetization. After demonetization was announced, IIFL experienced an initial slowdown in the disbursement of gold loans, commercial vehicle finance, and home loans. Commencing in January 2017 IIFL was experiencing recovery across all their lines of businesses with the exception of commercial vehicles where revival has been slower. IIFL was able to benefit from demonetization by utilizing their platform to accept increased cashless payments, where IIFL noticed a significant increase in the number of mobile banking and website users in November and December 2016.

Valuation and Interim Consolidated Financial Statement Impact

IIFL's shares are publicly traded in India. Accordingly, the company determined the fair value of its investment in IIFL using the bid prices at March 31, 2017 and December 31, 2016, without adjustments or discounts.

At March 31, 2017 fair value of the common shares was $520,805 (December 31, 2016 - $265,951), resulting in an unrealized gain of $160,138 (2016 - unrealized loss of $6,114) and an unrealized foreign currency translation gain of $19,541 (2016 - loss of $339) which were recorded in net unrealized gains on investments in the consolidated statements of earnings and in the consolidated statements of comprehensive income, respectively. IIFL's share price increased from 262.40 Indian rupees per share at December 31, 2016 to 399.55 Indian rupees per share at March 31, 2017 which the company believes was primarily related to the robust performance in all three business segments, led by the NBFC subsidiary and the Wealth Management division of IIFL.

In first quarter of 2017 the consolidated statements of earnings included dividend income earned from the investment in IIFL of $4,625 (2016 - $4,331).

IIFL's Summarized Financial Information

The company's fiscal year ends on December 31 and IIFL's fiscal year ends on March 31. Summarized below are IIFL's balance sheets at December 31, 2016 and March 31, 2016.

Balance Sheets
(*unaudited - US$ thousands****)***

	December 31, 2016(1)	March 31, 2016(1)
Current assets	**2,426,344**	1,846,590
Non-current assets	**2,256,662**	1,630,821
Current liabilities	**2,184,353**	1,456,112
Non-current liabilities	**1,685,839**	1,429,520
Shareholders' equity	**812,814**	591,779

(1) The net assets of IIFL were translated at December 31, 2016 at $1 U.S. dollar = 67.87 Indian rupees and at March 31, 2016 at $1 U.S. dollar = 66.22 Indian rupees. The exchange rates used were the spot rates prevailing on those respective dates.

Current assets increased by $579,754 to $2,426,344 at December 31, 2016 from $1,846,590 at March 31, 2016 primarily due to increased investments in fixed deposits, short term investments, mutual funds, and loans and receivables as a result of the growth in IIFL's NBFC segment. The growth within the NBFC segment primarily related to retail (low risk retail mortgage loans) and commercial vehicle financing, partially offset by declines in large mortgages.

Non-current assets increased by $625,841 to $2,256,662 at December 31, 2016 from $1,630,821 at March 31, 2016 primarily due to increased holdings of long term investments and loans and advances (primarily growth in the NBFC segment, as noted above). The increases in long term investments principally related to investing part of the short term loans entered into during the period into long term investments.

Current liabilities increased by $728,241 to $2,184,353 at December 31, 2016 from $1,456,112 at March 31, 2016 primarily due to an increase in short term interest bearing loans and borrowings to support the growth in the NBFC segment.

Non-current liabilities increased by $256,319 to $1,685,839 at December 31, 2016 from $1,429,520 at March 31, 2016 primarily due to an increase in long term interest bearing loans and borrowings to support the growth in the NBFC segment.

Summarized below are IIFL's statements of earnings for nine months ended December 31, 2016 and 2015.

Statements of Earnings
(*unaudited - US$ thousands****)***

	Nine months ended December 31, 2016(1)	Nine months ended December 31, 2015(1)
Revenue	**525,850**	484,200
Earnings before income taxes	**129,327**	92,087
Net earnings	**86,931**	61,650

(1) Amounts for the nine months ended December 31, 2016 and 2015 were translated into US$ using the average exchange rate of $1 U.S. dollar = 67.07 and 64.74, respectively Indian rupees prevailing during that period.

IIFL's revenue and net earnings of $525,850 and $86,931 for the nine months ended December 31, 2016 increased from revenue and net earnings of $484,200 and $61,650 for the nine months ended December 31, 2015, primarily driven by activities of the NBFC segment (primarily related to retail (low risk retail mortgage loans) and commercial vehicle financing, partially offset by declines in large mortgages) and the wealth management division. IIFL's management continues to focus on reducing operating costs to achieve better economies of scale and leveraging existing infrastructure to offer complementary products across multiple segments.

Fairchem Speciality Limited

Business Overview

On July 12, 2016 the boards of directors of Fairchem Speciality Limited ("Fairchem") and Privi Organics Limited ("Privi") approved a merger arrangement (the "Merger") involving the two companies (Fairchem and Privi), which is expected to bring significant diversification and synergies to both. The merged entity will continue under the Fairchem name with the underlying companies continuing to be managed by the original management.

Fairchem, formerly known as Adi Finechem Limited, was incorporated in 1985 and publicly listed its shares on the BSE in 1995 and NSE in 2015. Fairchem is a specialty chemical manufacturer located in Ahmedabad, India. Fairchem manufactures oleochemicals used in the paints, inks and adhesives industries, as well as intermediate nutraceutical and health products. It has developed an in-house technology that uses machinery designed and manufactured by leading European companies to separate and convert waste generated during the production of soya, sunflower, corn and cotton oils into valuable nutraceutical and fatty acids.

Privi, founded in 1992, is a supplier of aroma chemicals to the fragrance industry and is located in Mumbai, India. Privi's world-class products are the result of its very strong research and development team that has proven expertise in developing new products, customizing aromas as per customer specifications, scaling up products from basic research to commercial scale, and designing process improvements to drive quality and cost optimization.

Fairchem's shares are listed on both the BSE and the NSE of India.

Transaction Description

On February 8, 2016 Fairfax India, through its wholly-owned subsidiaries, acquired 44.7% of the common shares of Fairchem at a price per share of $3.13 (212 Indian rupees) for total consideration of $19,409 (approximately 1.3 billion Indian rupees).

On August 26, 2016 the company, through its wholly-owned subsidiary, acquired a 50.8% common share equity interest in Privi for total consideration of $54,975 (approximately 3.7 billion Indian rupees).

On July 12, 2016 the boards of directors of Fairchem and Privi approved a merger arrangement (the "Merger") involving the two companies, which is expected to bring significant diversification and synergies to both. Under the terms of the Merger, Privi shareholders received 27 common equity shares and 27 compulsorily convertible preference shares ("CCPS") of the merged entity for every 40 Privi shares exchanged ("swap ratio"). Final closing of the Merger, which involved the share exchange, was completed on March 14, 2017. Concurrent with the issuance of the shares under the terms of the Merger, Privi shareholders converted 88.5% of the CCPS received in the Merger into common equity shares of Fairchem.

At March 31, 2017 the company held an aggregate of 19,046,078 shares, comprised of 18,307,318 common equity shares and 738,760 CCPS, or 48.7% of the outstanding common shares of Fairchem (December 31, 2016 - 44.9% and 50.8% of Fairchem and Privi, respectively).

The composition of the board of directors of the merged entity Fairchem will be determined at the next board meeting on May 11, 2017, of which two nominee directors will be appointed by Fairfax India.

Key Business Drivers, Events and Risks

Fairchem's key business drivers will be the growth of its oleochemicals business and forward integration into value added products, such as fatty alcohols and natural vitamin E streams. With rising environmental concerns, the use of oleochemicals is growing in lubricants, paper printing, paints and coatings, and animals feed industries. As a result of the increasing demands for sustainable and biodegradable chemicals, oleochemicals markets have been experiencing strong growth in recent years.

India is the one of the largest consumers of soft oils, providing Fairchem with a competitive advantage of having easy access to raw materials used in their manufacturing processes. Given the close proximity to raw materials, oleochemicals production has shifted from developed countries (U.S. and Europe) to Asia (India, Malaysia and Indonesia). The lower cost of raw materials and their efficient manufacturing processes enable Fairchem to benefit from its competitive advantages in comparison to its global peers. Fairchem has a strong market presence for some of its products, with little or no direct competition, and is viewed to produce a superior quality product compared to its competitors in China. Fairchem is exposed to limited availability of raw materials (primarily soya oils) which are used in its manufacturing processes and as a result may impact its ability to meet higher demand.

Privi's business drivers for growth are comprised of: (i) developing, manufacturing and supplying additional (newer) aroma chemicals to existing customers; (ii) making value added products from by-products made in manufacturing of aroma chemicals; and (iii) strengthening margins by increasing backward integration capacities.

The merger will provide the following advantages for its businesses: access to greater breadth in research and development, range of applications, scope for growth, and business networks; stability and enhancement in earnings and cash flows; operational effectiveness and cost optimization; improved allocation of capital; and broader access to capital markets.

Valuation and Interim Consolidated Financial Statement Impact

Fairchem's shares are publicly traded in India. Accordingly, the company determined the fair value of its investment in Fairchem using the bid price at March 31, 2017 and December 31, 2016, without adjustments or discounts.

At March 31, 2017 fair value of the common shares was $160,529 (December 31, 2016 - $99,803), resulting in an unrealized gain of $54,538 (2016 - $4,060) and an unrealized foreign currency translation gain of $6,188 (2016 - $510) which were recorded in net unrealized gains on investments in the consolidated statements of earnings and in the consolidated statements of comprehensive income, respectively. At March 31, 2017 fair value of Fairchem included $6,227 in relation to the 738,760 CCPS that were not converted into common equity shares of Fairchem by March 31, 2017 and were priced based on Fairchem's share price.

The company believes the increase in Fairchem's trading price from 498.10 Indian rupees per share at December 31, 2016 to 547.30 Indian rupees per share at March 31, 2017 was primarily a result of the completion of the Merger and the growth of both Fairchem's and Privi's revenues.

Private Indian Investments

Cautionary Statement Regarding the Valuation of Private Indian Investments

In the absence of an active market for its private Indian Investments, fair values for these investments are determined by management using industry acceptable valuation methodologies after considering the history and nature of the business, operating results and financial conditions, outlook and prospects, general economic, industry and market conditions, contractual rights relating to the investment, public market comparables (if available) and, where applicable, other pertinent considerations. The process of valuing investments for which no active market exists is inevitably based on inherent uncertainties and the resulting values may differ from values that would have been used had an active market existed. The amounts at which the company's private Indian Investments could be disposed of may differ from the fair values assigned and those differences may be material.

National Collateral Management Services Limited

Business Overview

National Collateral Management Services Limited ("NCML") is a leading private agricultural commodities company located in Gurgaon, India that has operated for over 12 years in the agriculture value chain by offering end-to-end solutions in grain procurement, testing, storage and collateral management. NCML was promoted by a consortium of banks, cooperatives and the National Commodity and Derivatives Exchange Limited (“NCDEX”) in 2004 as a warehousing and collateral management company to support commodity trading on NCDEX and has since evolved into a significant player in India. NCML's principal lines of business are warehousing and collateral management, supply chain management and a non-banking finance company ("NBFC").

Transaction Description

In 2015 the company, through its wholly-owned subsidiary, acquired an 88.1% ownership interest in NCML for an aggregate investment of $148,716 (approximately 9.7 billion Indian rupees).

At March 31, 2017 and December 31, 2016 the company held 88.1% of the outstanding common shares of NCML.

Key Business Drivers, Events and Risks

NCML's key business drivers will be the long term modernization of its grain storage facilities, the development of its new financing subsidiary, and the expansion of its supply chain management segment.

During the first quarter of 2017 the Indian agriculture business environment showed positive signs of recovery from the temporary disruption in the wake of the demonetization decision taken by the Government of India on November 8, 2016. Storage demand increased as the summer crop harvest made its way back into the market which significantly improved NCML's performance during the quarter ended March 31, 2017.

NCML signed a 30 year concession agreement with the Food Corporation of India to build 11 silo locations with a 550,000 metric ton capacity which will require capital expenditure of an estimated $100 million (approximately 7.0 billion Indian rupees). The silo project, which is expected to be completed by early 2019, will be partially financed through debt and a rights issue. NCML's board has approved a rights issue which the company will participate in on a pro-rata basis.

In February 2017 NCML launched its subsidiary MktYard Private Ltd. which will deal with procurement, trading and disposal of commodities for banks, government organizations and other market participants.

Valuation and Interim Consolidated Financial Statement Impact

During 2016 the company refined its internal valuation model used in the determination of NCML's fair value. The fair value of NCML cannot be derived from an active market and accordingly, is determined using industry accepted valuation techniques and models. Market observable inputs are used where possible, with unobservable inputs used where necessary. Use of unobservable inputs can involve significant judgment and may materially affect the reported fair value of NCML.

At March 31, 2017 the company estimated fair value using a discounted cash flow analysis based on multi-year free cash flow projections with assumed after-tax discount rates ranging from 10.4% to 20.2% and long term growth rates from 4.0% to 6.0% (December 31, 2016 - 11.9% to 15.8% and 6.0%, respectively). Free cash flow projections were based on EBITDA projections from financial information for NCML's business units that had been prepared in the first quarter of 2017 by NCML's management. Discount rates were based on the company's assessment of risk premiums to the appropriate risk-free rate of the economic environment in which NCML operates. At March 31, 2017 the company's internal valuation model indicated that the fair value of the common shares was $155,654 (December 31, 2016 - $146,586), resulting in an unrealized gain of $2,370 (2016 - nil) and an unrealized foreign currency translation gain of $6,698 (2016 - loss of $147) which were recorded in net unrealized gains on investments in the consolidated statements of earnings and in the consolidated statements of comprehensive income, respectively. The increase in the unrealized gain on the investment in NCML was primarily driven by the growth in NCML's supply chain business and the success of its NBFC segment.

NCML's Summarized Financial Information

The company's fiscal year ends on December 31 and NCML's fiscal year ends on March 31. Summarized below are NCML's balance sheets at March 31, 2017 and March 31, 2016.

Balance Sheets
(*unaudited - US$ thousands****)***

	March 31, 2017[(1)]	March 31, 2016[(1)]
Current assets	**132,680**	80,531
Non-current assets	**67,628**	54,582
Current liabilities	**88,835**	36,599
Non-current liabilities	**29,276**	21,342
Shareholders' equity	**82,197**	77,172

(1) The net assets of NCML were translated at March 31, 2017 at $1 U.S. dollar = 64.94 Indian rupees and at March 31, 2016 at $1 U.S. dollar = 66.22 Indian rupees. The exchange rates used were the spot rates prevailing on those respective dates.

Current assets increased by $52,149 to $132,680 at March 31, 2017 from $80,531 at March 31, 2016 primarily reflecting an increase in inventory as a result of increased supply chain management activities including grain procurement and increased advances from the NBFC segment, partially offset by a decrease in trade receivables.

Non-current assets increased by $13,046 to $67,628 at March 31, 2017 from $54,582 at March 31, 2016 primarily driven by an increase in property, plant and equipment relating to the capitalization of the ongoing warehousing projects.

Current liabilities increased by $52,236 to $88,835 at March 31, 2017 from $36,599 at March 31, 2016 primarily due to increases in short term loans and borrowings by the NBFC segment and increased working capital utilization in the supply chain management segment.

Non-current liabilities increased by $7,934 to $29,276 at March 31, 2017 from $21,342 at March 31, 2016 primarily due to an increase in long term loans and borrowings relating to the financing obtained for the ongoing warehousing projects.

Summarized below are NCML's statements of earnings for the years ended March 31, 2017 and 2016.

Statements of Earnings
(*unaudited - US$ thousands****)***

	Year ended March 31, 2017[(1)]	Year ended March 31, 2016[(1)]
Revenue	**112,025**	77,757
Earnings before income taxes	**6,425**	5,557
Net earnings	**5,152**	4,698

(1) Amounts for the years ended March 31, 2017 and 2016 were translated into US$ using the average exchange rates of $1 U.S. dollar = $67.04 Indian rupees and $1 U.S. dollar = $65.38 prevailing during those periods, respectively.

NCML's revenue for the years ended March 31, 2017 and 2016 were primarily driven by supply chain services, storage and preservation services and collateral management segments. Revenue of $112,025 for the year ended March 31, 2017 increased from $77,757 for the year ended March 31, 2016 principally as a result of a significant increase in the supply chain services segment, partially offset by a reduction in the storage and preservation services segment as a result of the impact of demonetization and two consecutive drought years. NCML's reported net earnings of $5,152 for the year ended March 31, 2017 compared to net earnings of $4,698 for the year ended March 31, 2016 with a year-over-year increase of $454 primarily resulting from the profitability in the supply chain services segment.

Sanmar Chemicals Group

Business Overview

Sanmar Chemicals Group ("Sanmar"), a private company, is one of the largest suspension Poly Vinyl Chloride ("PVC") manufacturers in India, headquartered in Chennai, India with operational presence in India and Egypt.

Sanmar's principal lines of business consist of:

- Chemplast, the second largest suspension PVC manufacturer and the largest specialty PVC manufacturer in India;
- TCI Sanmar Chemicals S.A.E. ("Sanmar Egypt"), the largest Indian investor in Egypt's chemical business and the largest caustic soda and PVC manufacturer in Egypt; and
- Specialty Chemicals, a business engaged in the manufacturing and marketing of phytochemicals and organic chemicals.

Transaction Description

During the second and third quarters of 2016 the company acquired, through its wholly-owned subsidiaries, $299 million in Sanmar bonds and a 30% common share equity interest for $1 million.

Key Business Drivers, Events and Risks

India continues to be a PVC deficit market with approximately 50% of the demand being met through imports. Egypt and Turkey, which are manufacturing hubs for exports to Europe, currently have a demand gap of approximately 1,000 kilotons per annum which is being met by imports from the U.S. and Asia.

Sanmar's key business drivers will be its planned increased PVC manufacturing capacity in Egypt and India to cater to the growing demand of PVC in North Africa, Middle East and India, as well as an overall improvement in the capacity utilization of all of its PVC production facilities. Until Sanmar completes its capital projects in Egypt and sales ramp up to full capacity, Sanmar will incur losses.

Kem One and Chemplast have signed an agreement to establish Kem One Chemplast, a 50:50 joint venture to manufacture chlorinated polyvinyl chloride ("CPVC"). The joint venture and new facility, subject to regulatory approval, will be established at a coastal location in Karaikal, Puducherry, India. The project with an estimated cost of approximately $50 million (approximately 3.3 billion Indian rupees) will have technology from Kem One and a capacity of 22,000 tonnes per annum of CPVC resins and will also manufacture CPVC compounds. Kem One is the second largest producer of PVC in Europe.

CPVC is mainly used as a raw material to produce pipes and fittings for supplying water which requires heat resistance, pressure resistance and high tolerance for water treatment. In recent years, there was a switch from metal to CPVC in pipes used in buildings in India, and in parallel, overall construction demand has also been witnessed. CPVC can also be used for industrial applications which require a high level of chemical resistance and for sprinklers. The demand for CPVC is expanding significantly and will continue to grow rapidly in India. The manufacturing joint venture company will thus provide the domestic answer to the Indian customers' needs that is currently being met through imports.

Valuation and Interim Consolidated Financial Statement Impact

During 2016 management undertook a valuation study to formalize valuation models and determine the appropriate separate fair values for its bond and common share investments in Sanmar. Fair value of the Sanmar investments cannot be derived from an active market and accordingly, are determined using industry accepted valuation techniques and models. Market observable inputs are used where possible, with unobservable inputs used where necessary. Use of unobservable inputs can involve significant judgment and may materially affect the reported fair value of the Sanmar investments.

Sanmar Common Stock

At March 31, 2017 the company estimated fair value using a discounted cash flow analysis based on multi-year free cash flow projections with assumed after-tax discount rates ranging from 14.5% to 19.0% and long term growth rates ranging from 2.0% to 3.6% (December 31, 2016 - 15.5% to 22.5% and 2.0% to 3.6%, respectively). Free cash flow projections were based on EBITDA projections from financial information for Sanmar's three main business operations that had been prepared in the first quarter of 2017 by Sanmar's management. Discount rates were based on the company's assessment of risk premiums to the appropriate risk-free rate of the economic environment in which Sanmar operates. At March 31, 2017 the company's internal valuation model indicated that the fair value of the common shares was $238 (December 31, 2016 - $440), resulting in an unrealized loss of $215 (2016 - nil) which was recorded in net unrealized gains on investments in the consolidated statements of earnings.

Sanmar Bonds

The debt securities mature 7 years from the date of issuance of the first tranche, maturing April 22, 2023, subject to earlier redemption by Sanmar under certain circumstances. The company is entitled to a coupon payment payable in kind and capitalized in lieu of payment of such amount in cash on an annual basis. A redemption premium may also be payable in kind to the company. The Sanmar debt securities are currently rated BBB- with a stable outlook by Brickworks Ratings, an Indian rating agency.

At March 31, 2017 the company estimated fair value using an industry accepted discounted cash flow and option pricing model that incorporated Sanmar's assumed credit spread of 7.1% (December 31, 2016 - 7.1%) and certain redemption options embedded in the bonds. The assumed credit spread was based on credit spreads of industry comparables with company specific adjustments for credit risk premium. At March 31, 2017 the company's internal valuation model indicated that the fair value of the bonds was $314,888 (December 31, 2016 - $299,093), resulting in an unrealized gain of $2,209 (2016 - nil) and an unrealized foreign currency translation gain of $13,586 (2016 - nil) which were recorded in net unrealized gains on investments in the consolidated statements of earnings and in the consolidated statements of comprehensive income, respectively. The net unrealized gain of $2,209 was primarily related to the accretion of the security to the company's redemption value after incorporating both the issue's credit risk and the redemption option held by the issuer prior to maturity.

Sanmar's Summarized Financial Information

On April 18, 2016 Sanmar Engineering Services Limited ("SESL") acquired 100% of SHL Securities Alpha Limited ("SHL Alpha") and as a result of this transaction SHL Alpha became a wholly-owned subsidiary of SESL. SESL and its subsidiaries are called Sanmar Chemicals Group ("Sanmar"). The historical audited and interim financial statements of Sanmar do not include the consolidated financial information of SHL Alpha and its subsidiaries. Accordingly, the balance sheets of SESL and SHL Alpha at March 31, 2016 were combined ("Sanmar Combined") to give effect to the acquisition.

The company's fiscal year ends on December 31 and Sanmar's fiscal year ends on March 31. Summarized below are Sanmar's balance sheets at December 31, 2016 and March 31, 2016.

Balance Sheets
(**unaudited - US$ thousands**)

	December 31, 2016[(1)]	March 31, 2016[(1)]
	Sanmar	Sanmar Combined
Current assets	**264,167**	148,892
Non-current assets	**1,263,415**	1,285,258
Current liabilities	**400,943**	463,725
Non-current liabilities	**1,302,180**	1,062,992
Shareholders' equity	**(175,541)**	(92,567)

(1) The net assets of Sanmar were translated at December 31, 2016 at $1 U.S. dollar = 67.87 Indian rupees and at March 31, 2016 at $1 U.S. dollar = 66.22 Indian rupees. The exchange rates used were the spot rates prevailing on those respective dates.

Current assets increased by $115,275 to $264,167 at December 31, 2016 from $148,892 at March 31, 2016 primarily due to increases in cash and cash equivalents relating to the September 26, 2016 investment from Fairfax India and bank loans received by Sanmar Egypt to finance the Phase 2 expansion project in Egypt.

Non-current assets decreased by $21,843 to $1,263,415 at December 31, 2016 from $1,285,258 at March 31, 2016 primarily due to a decrease in property, plant and equipment due to depreciation for the period.

Current liabilities decreased by $62,782 to $400,943 at December 31, 2016 from $463,725 at March 31, 2016 primarily due to a reduction in short term loans and borrowings relating to repayment of certain higher interest bearing loans. The higher interest bearing loans were repaid and new long term loans and borrowings with lower interest rates were entered into during the period.

Non-current liabilities increased by $239,188 to $1,302,180 at December 31, 2016 from $1,062,992 at March 31, 2016 primarily due to an increase in long term loans and borrowings principally relating to the $299,000 bond investment by Fairfax India and bank loans received by the Sanmar Egypt segment to finance the Phase 2 expansion project in Egypt, partially offset by repayment of a portion of long term debt in Chemplast.

Summarized below is Sanmar's statement of earnings for nine months ended December 31, 2016.

Statement of Earnings
(**unaudited - US$ thousands**)

	Nine months ended December 31, 2016[(1)]
	Sanmar
Revenue	**416,519**
Loss before income taxes	**(55,434)**
Net loss	**(85,701)**

(1) Amounts for the nine months ended December 31, 2016 were translated into US$ using the average exchange rate of $1 U.S. dollar = 67.07 Indian rupees prevailing during that period.

Sanmar's revenue of $416,519 for the nine months ended December 31, 2016 was principally comprised of revenues from its Chemplast division with higher than budgeted volumes achieved in the PVC business, which were negatively impacted by lower revenues from the Sanmar Egypt business as a result of lower production volumes stemming from short term plant shutdowns to address industrial relations and maintenance issues, which have since been resolved. Sanmar's loss before income taxes of $55,434 for the nine months ended December 31, 2016 principally related to losses before income taxes in the Sanmar Egypt business as a result of lower production volumes, as described above, partially offset by earnings before income taxes in the Chemplast business. Sanmar's net loss of $85,701 was negatively impacted by deferred income tax expenses recorded in the Sanmar Egypt business principally related to temporary differences.

National Stock Exchange of India Limited

Business Overview

National Stock Exchange of India Limited ("NSE"), a private company located in Mumbai, India, is India's largest stock exchange covering various cities and towns across the country. In addition to being a platform for all exchange-traded financial products in India, NSE's flagship index, Nifty50, is used extensively by investors in India and around the world as a barometer of the Indian capital markets.

Transaction Description

In the third quarter of 2016 the company, through its wholly-owned subsidiary, acquired a 1.0% common share equity interest in NSE for total consideration of $26,783 (approximately 1.8 billion Indian rupees).

Key Business Drivers, Events and Risks

India has two main stock exchanges where most of its trading takes place, the BSE and the NSE. Almost all significant firms in India are listed on both the BSE and the NSE but NSE enjoys a dominant market share position that represents a significant portion of the exchange market with the NSE representing an 86% market share in the equity trading cash segment, a 99% market share in the equity derivatives trading segment and a 56% market share in the foreign exchange derivatives market.

On June 23, 2016 NSE announced that they will be filing for an IPO in early 2017 (anticipated to be completed by September 2017) and will also look to file for an overseas listing in 2017. They have appointed Citibank, JM Financial, Kotak Mahindra and Morgan Stanley as lead investment banks to manage the IPO. The IPO was in response to their dominance in the domestic equity market and will enable existing shareholders of the NSE to dilute their ownership in the exchange through an open offer.

On February 3, 2017 the NSE appointed Vikram Limaye (formerly the CEO of infrastructure lender IDFC Limited "IDFC") as CEO. Mr. Limaye will be the first head of the NSE to come from outside the ranks of the NSE's founding team since it was set up in 1992. Mr. Limaye had been with IDFC since 2005 and has served more than 25 years with financial institutions, global investment banks, international commercial banks, and global accounting firms.

Valuation and Interim Consolidated Financial Statement Impact

During the first quarter of 2017 the company refined its internal valuation model used in the determination of NSE's fair value. The fair value of NSE cannot be derived from an active market and accordingly, is determined using industry accepted valuation techniques and models. Market observable inputs are used where possible, with unobservable inputs used where necessary. Use of unobservable inputs can involve significant judgment and may materially affect the reported fair value of NSE.

At March 31, 2017 the company estimated fair value using a market approach by reference to the earnings multiple of comparable companies based on industry comparables with a median of 20.2 times. At March 31, 2017 the company's internal valuation model indicated that the fair value of the common shares was $31,081 (December 31, 2016 - $26,504), resulting in an unrealized gain of $3,278 (2016 - nil) and an unrealized foreign currency translation gain of $1,299 (2016 - nil) which were recorded in net unrealized gains on investments in the consolidated statements of earnings and in the consolidated statements of comprehensive income, respectively.

Saurashtra Freight Private Limited

Business Overview

Saurashtra Freight Private Limited ("Saurashtra"), a private company, runs the largest container freight station at Mundra port (Gujarat), the second largest and fastest growing port in India. Saurashtra's container freight station business provides services such as moving of containers to and from the port, stuffing/destuffing of containers, cargo storage and transportation of cargo to the end customer as well as the storage, maintenance and repair of empty containers.

Transaction Description

On February 14, 2017 the company, through its wholly-owned subsidiary, acquired a 51.0% common share equity interest in Saurashtra for cash consideration of $30,018 (2.0 billion Indian rupees).

At March 31, 2017 the company had appointed two of the four Saurashtra board members.

Key Business Drivers, Events and Risks

Saurashtra has the capacity to handle 180,000 twenty-foot equivalents ("TEUs") per annum and in 2016 handled 88,000 TEUs, implying capacity utilization of approximately 50%. Saurashtra has a market share of approximately 20% at Mundra port which is the highest amongst all container freight stations ("CFS") at that port. Mundra port is in the process of expanding from 3.2 million to 6.6 million TEUs.

The CFS and Inland Container Depots industry is correlated to container traffic growth, which during the last 15 years has grown at a rate of 1.3 to 1.4 times India's GDP growth, aided by increasing containerization of cargo. The CFS industry is highly fragmented with 15 CFS in Mundra port and an additional 34 CFS in the Mumbai port. Many of these CFS are inefficient and operating below capacity providing Saurashtra with the opportunity to serve as a platform for consolidation.

Valuation and Interim Consolidated Financial Statement Impact

The initial transaction price was considered to approximate fair value as there had been no significant changes to Saurashtra's business, capital structure and operating environment and the key assumptions in the company's acquisition valuation model continued to be valid due to the proximity of the transaction closing date to March 31, 2017. As a result, in first quarter of 2017 the consolidated statements of earnings included nil (2016 - nil) in net unrealized gains on investments related to the investment in Saurashtra.

Bangalore International Airport Limited

Business Overview

Bangalore International Airport Limited ("BIAL"), a private company, owns and operates the Kempegowda International Airport Bengaluru (“KIAB”), under a 30+30 year concession agreement from the Government of India. KIAB has the distinction of being the first greenfield airport in India that was built to the highest level of international standards by the private sector under a public-private partnership.

BIAL's principal lines of business are as follows:

Aero revenue

Aero revenue is revenue earned from airlines for providing services such as landing, parking, housing, and user development fees ("Aeronautical services"). Tariffs for these services are fixed in a manner to generate a fixed 16% per annum regulated return on invested equity for the airport operator. Under the current regulatory approach applicable to BIAL, aviation concession (which includes cargo, ground handling, fuel throughput, and into-plane services) are treated as Aeronautical services. The regulator considers 40% of non-aero revenue as a part of aero revenue to compute the regulated return.

Non-aero revenue

All the revenue sources other than aero revenue, which includes aviation concession, are treated as non-aero revenue. This includes income from activities such as catering services, vehicle parking, advertising, retail and duty free shops, and food and beverages. BIAL earns its non-aero revenue from concession arrangements that reflect a percentage of revenue share with minimum guaranteed revenue each year. Non-aero revenue is expected to grow substantially due to an increase in passenger growth rates, the availability of additional space and the increasing propensity of passengers to spend money.

Real estate monetization

The airport is located on 4,000 acres of land and the concession agreement provides for development of 1,000 acres of this land for commercial purposes such as hotels, retail establishments, offices and industrial or entertainment parks. This will permit BIAL to monetize approximately 460 acres after providing land to build roads, utilities, landscaping and other services. This is very valuable real estate because Bangalore, given its congestion, is expanding fast in the direction of the new airport. To date, apart from building a 5-star hotel next to the airport which is being operated by Indian Hotels Company Limited under the brand 'Taj' on a management contract, all other land remains undeveloped. There is potential for significant upside, over time, from monetization of this real estate.

Transaction Description

On March 24, 2017 the company, through its wholly-owned subsidiary, acquired 38% of the outstanding common shares of BIAL for cash consideration of $385,498 (approximately 25.2 billion Indian rupees). Of the 38%, 33% was purchased from Bangalore Airport & Infrastructure Developers Private Limited, a wholly-owned subsidiary of GVK Power and Infrastructure Limited ("GVK"), and 5% was purchased from Flughafen Zürich AG ("Zürich").

At March 31, 2017 the company had appointed four of the sixteen BIAL board members.

Key Business Drivers, Events and Risks

KIAB is the busiest airport in South India and third largest in the country. The airport handled over 22 million passengers during the year ended December 31, 2016 representing an overall traffic growth of 22.5% compared to the year ended December 31, 2015.

Plans are in place to expand the capacity of the airport, including building a second runway, an additional terminal building and related infrastructure. Land preparation for the second runway is underway and is estimated to be completed by September 2019. The work for the additional terminal building will commence in 2017 and will be constructed in two phases; the first phase will cater to 25 million passengers per annum, while the second phase of the project will add another 20 million passenger capacity. To cater to the growing traffic, the current terminal is undergoing expansion to accommodate the growth until the first phase of the additional terminal is completed. The combined capacity of the existing and additional terminal will be approximately 65 million passengers per annum.

On March 14, 2017 the airport was awarded the SKYTRAX Award for 'Best Regional Airport in India and Central Asia' by air travelers at the World Airport Awards, held at the Passenger Terminal EXPO in Amsterdam, Netherlands. The SKYTRAX World Airport Awards is the largest passenger satisfaction assessment and the most prestigious amongst all the surveys measuring airport service excellence and quality. The airport was previously recognized as the Best Airport in India by SKYTRAX in 2011 and Best Regional Airport in Central Asia in 2015.

Valuation and Interim Consolidated Financial Statement Impact

The initial transaction price was considered to approximate fair value as there had been no significant changes to BIAL's business, capital structure and operating environment and the key assumptions in the company's acquisition valuation model continued to be valid. In the first quarter of 2017 an unrealized foreign currency translation gain of $2,827 (2016 - nil) was recorded in the consolidated statements of comprehensive income.

BIAL's Summarized Financial Information

A business acquisition report ("BAR") in accordance with section 8.2 of *National Instrument 51-102 Continuous Disclosure Obligations* is required to be filed by June 7, 2017 for the company's investment in BIAL. Commencing in Fairfax India's second quarter of 2017, upon completion of the BAR, Fairfax India will provide summarized financial information prepared in accordance with IFRS for BIAL in the MD&A.

Results of Operations

Fairfax India's consolidated statements of earnings for the quarters ended March 31, 2017 and 2016 are shown in the following table:

	2017	2016
Income		
Interest	**4,918**	7,762
Dividends	**4,625**	4,331
Net realized gains (losses) on investments	**1,195**	(3,307)
Net unrealized gains on investments	**214,119**	7,341
Net foreign exchange losses	**(16,749)**	(8,352)
	208,108	7,775
Expenses		
Investment and advisory fees	**4,803**	2,141
Performance fees	**44,571**	—
General and administration expenses	**1,502**	1,756
Interest expense	**3,241**	—
	54,117	3,897
Earnings before income taxes	**153,991**	3,878
Provision for income taxes	**4,988**	3,136
Net earnings	**149,003**	742
Net earnings per share (basic and diluted)	**$ 1.05**	$ 0.01

Total income of $208,108 in the first quarter of 2017 increased from $7,775 in the first quarter of 2016 principally as a result of increased net unrealized gains on investments, primarily related to unrealized gains in the first quarter of 2017 on the Indian Investments IIFL ($160,138), Fairchem ($54,538), NSE ($3,278) and NCML ($2,370), partially offset by net unrealized losses on Indian government and corporate bonds (inclusive of unrealized gains on Sanmar bonds ($2,209)), and a modest increase in dividend income, partially offset by increased net foreign exchange losses (principally as a result of the strengthening of the Indian rupee relative to the U.S. dollar during the first quarter of 2017). Dividend income in the first quarter of 2017 of $4,625

(2016 - $4,331) was primarily comprised of dividends received from the company's investment in IIFL. In addition, total income in the first quarter of 2017 increased as a result of increased net realized gains on investments of $1,195 (principally related to realized gains on the sale of Indian government bonds where the proceeds were used to partially fund the investment in BIAL) from net realized losses on investments of $3,307 in the first quarter of 2016.

Net gains (losses) on investments and net foreign exchange gains (losses) for the quarters ended March 31, 2017 and 2016 were comprised as follows:

	2017			2016		
	Net realized gains (losses)	**Net change in unrealized gains (losses)**	**Net gains (losses) on investments**	Net realized gains (losses)	Net change in unrealized gains (losses)	Net gains (losses) on investments
Net gains (losses) on investments:						
Bonds	**1,195**	**(5,990)**	**(4,795)**	(3,307)	2,534	(773)
Common stocks	**—**	**220,109** (1)	**220,109**	—	3,783	3,783
Common stocks - Investment funds	**—**	**—**	**—**	—	1,024	1,024
	1,195	**214,119**	**215,314**	(3,307)	7,341	4,034
Net foreign exchange gains (losses) on:						
Cash and cash equivalents	**(25,755)** (2)	**—**	**(25,755)**	(8,300)	—	(8,300)
Investments	**182**	**(1,204)**	**(1,022)**	190	(242)	(52)
Term loan	**9,812**	**—**	**9,812**	—	—	—
Other	**216**	**—**	**216**	—	—	—
	(15,545)	**(1,204)**	**(16,749)**	(8,110)	(242)	(8,352)

(1) Principally comprised of net unrealized gains on the Indian investments, IIFL ($160,138), Fairchem ($54,538), NSE ($3,278) and NCML ($2,370) in the first quarter of 2017.

(2) Primarily related to the U.S. dollar net proceeds received from the Offerings that were held in U.S. dollar denominated cash equivalents until the funds were deployed to acquire the investment in BIAL.

Total expenses increased from $3,897 in the first quarter of 2016 to $54,117 in the first quarter of 2017 primarily as a result of increased performance fees (no performance fee was accrued in the first quarter of 2016), investment and advisory fees (principally as a result of increased holdings of Indian Investments) and interest expense incurred on the 2-year secured term loan.

The performance fee is accrued quarterly and 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 common shareholders' equity (including distributions) above a 5% per annum increase. The amount of common shareholders' equity at any time which must be achieved before any performance fee would be payable is sometimes referred to as the "hurdle per share". The company determined that a performance fee of $45,941 should be accrued for the first quarter of 2017 as the book value per share of $12.50 (before factoring in the impact of the performance fee) at March 31, 2017 was greater than the hurdle per share at that date of $10.98.

The per annum investment and advisory fee is calculated as 0.5% of the value of undeployed capital and 1.5% of the company's common shareholders' equity less the value of undeployed capital. For the first quarter of 2017 the company determined that the majority of its assets were invested in Indian Investments, which are considered deployed capital.

The provision for income taxes of $4,988 in the first quarter of 2017 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 as a result of foreign exchange fluctuations, partially offset by the tax rate differential on income earned outside of Canada and unrecorded deferred taxes in Canada.

The provision for income taxes of $3,136 in the first quarter of 2016 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 the unrecorded benefit of losses and the reversal of temporary differences, partially offset by the tax rate differential on income earned outside of Canada and foreign exchange fluctuations.

The company reported net earnings of $149,003 (net earnings of $1.05 per basic and diluted share) in the first quarter of 2017 compared to net earnings of $742 (net earnings of $0.01 per basic and diluted share) in the first quarter of 2016. The year-over-year increase in profitability in the first quarter of 2017 primarily reflected increased net unrealized gains on investments, partially offset by increased performance fees, investment and advisory fees (principally as a result of increased holdings of Indian Investments) and interest expense.

Consolidated Balance Sheet Summary

The assets and liabilities reflected on the company's consolidated balance sheet at March 31, 2017 were impacted by the acquisitions of the Indian Investments (Saurashtra and BIAL), the additional investment in IIFL, the Offerings and partial sale of Government of India bonds to finance those Indian Investments, the repayment of the 2-year secured $225,000 term loan and the performance fee accrual.

Total Assets

Total assets at March 31, 2017 of $1,854,205 (December 31, 2016 - $1,303,497) were comprised as follows:

Total cash and investments increased to $1,844,938 at March 31, 2017 from $1,261,339 at December 31, 2016. The company's cash and investments composition by the issuer's country of domicile was as follows:

	March 31, 2017			December 31, 2016		
	India	**U.S.**	**Total**	India	U.S.	Total
Cash and cash equivalents	**909** (1)	**8,826**	**9,735**	719 (1)	165,051 (2)	165,770
Short term investments - U.S. treasury bills	**—**	**27,466**	**27,466**	—	27,428	27,428
Bonds:						
Government of India	**103,415**	**—**	**103,415**	130,317	—	130,317
Indian corporate	**101,848**	**—**	**101,848**	99,447	—	99,447
Sanmar	**314,888**	**—**	**314,888**	299,093	—	299,093
	520,151	**—**	**520,151**	528,857	—	528,857
Common stocks:						
IIFL	**520,805**	**—**	**520,805**	265,951	—	265,951
BIAL	**388,325**	**—**	**388,325**	—	—	—
Fairchem	**160,529**	**—**	**160,529**	45,488	—	45,488
NCML	**155,654**	**—**	**155,654**	146,586	—	146,586
Saurashtra	**30,954**	**—**	**30,954**	—	—	—
NSE	**31,081**	**—**	**31,081**	26,504	—	26,504
Sanmar	**238**	**—**	**238**	440	—	440
Privi	**—**	**—**	**—**	54,315	—	54,315
	1,287,586	**—**	**1,287,586**	539,284	—	539,284
Total cash and investments	**1,808,646**	**36,292**	**1,844,938**	1,068,860	192,479	1,261,339

(1) Included cash and cash equivalents invested in Mauritius and Canada of $903 at March 31, 2017 (December 31, 2016 - $716).

(2) Included restricted cash of $18,810 at December 31, 2016.

Cash and cash equivalents decreased to $9,735 at March 31, 2017 from $165,770 at December 31, 2016 principally reflecting the repayment of the term loan. Restricted cash of $18,810 at December 31, 2016 related to requirements under the term loan for the company to establish a debt service reserve account to fund the term loan interest payments. The term loan was fully repaid on March 31, 2017 and the restricted cash was used to partially fund the repayment.

Bonds and Common stocks - The company is actively seeking investment opportunities in India and will continue to redirect capital from its cash and cash equivalents and bond portfolio into Indian Investments as and when those opportunities are identified. For more information about recent Indian Investments, see the Indian Investments section of this MD&A. For more information on the company's total cash and investment holdings of $1,844,938 at March 31, 2017 (December 31, 2016 - $1,261,339) see note 6 (Cash and Investments) to the interim consolidated financial statements for the three months ended March 31, 2017.

Interest receivable decreased by $2,070 to $5,423 at March 31, 2017 from $7,493 at December 31, 2016 primarily reflecting decreased interest receivable from Government of India and Indian corporate bonds as a result of sales in 2016 where the proceeds were used to finance the Indian Investments.

Income taxes refundable decreased by $3,853 from $7,326 at December 31, 2016 to $3,473 at March 31, 2017 primarily reflecting the current year income tax expense of $4,392 recorded in the first quarter of 2017, partially offset by the impact of foreign exchange.

Other assets decreased to $371 at March 31, 2017 from $27,339 at December 31, 2016 primarily relating to the receipt of proceeds in January 2017 of $26,525 on the sale of the company's investment in investment funds which was recorded as a receivable at December 31, 2016.

Total Liabilities

Total liabilities at March 31, 2017 of $57,520 (December 31, 2016 - $228,051) were comprised as follows:

Accounts payable and accrued liabilities increased to $6,073 at March 31, 2017 from $606 at December 31, 2016 principally reflecting withholding tax payable of $4,952, payable on behalf of Zürich. This amount was withheld from the total purchase consideration paid to Zürich and has been remitted to the appropriate tax authorities subsequent to March 31, 2017.

Payable to related parties increased to $51,447 at March 31, 2017 from $3,673 at December 31, 2016 principally reflecting performance fees accrued in the first quarter of 2017, higher investment and advisory fees as a result of increased common shareholders' equity (primarily as a result of net earnings of $149,003 and net unrealized foreign currency translation gains of $78,042 in the first quarter of 2017). At March 31, 2017 a performance fee of $45,941 (December 31, 2016 - nil) was accrued in the consolidated balance sheets.

Term loan - On September 16, 2016, the company completed a 2-year secured term loan (the ''term loan'') bearing an interest rate of LIBOR plus 350 to 500 basis points with a syndicate of Canadian banks for $225,000. The term loan contained a mandatory prepayment clause that became effective when the company received the net proceeds from the Offerings (see note 8 (Total Equity) to the interim consolidated financial statements for the three months ended March 31, 2017), requiring repayment of the $225,000 principal amount of the term loan by March 31, 2017. The term loan was fully repaid on March 31, 2017.

Financial Risk Management

The primary goals of the company's financial risk management program are to ensure that the outcomes of activities involving elements of risk are consistent with the company's objectives and risk tolerance, while maintaining an appropriate balance between risk and reward and protecting the company's consolidated balance sheets from events that have the potential to materially impair its financial strength. There were no significant changes in the types of the company's risk exposures or the processes used by the company for managing those risk exposures at March 31, 2017 compared to those identified at December 31, 2016 and disclosed in the company's 2016 Annual Report, other than as outlined in note 11 (Financial Risk Management) to the interim consolidated financial statements for the three months ended March 31, 2017.

Capital Resources and Management

The company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for common 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 seek downside protection and attempt to minimize the loss of capital. Total capital increased from $1,299,218 at December 31, 2016 (comprised of the term loan and common shareholders' equity) to $1,796,685 at March 31, 2017 (comprised of common shareholders' equity) principally reflecting the net proceeds from the Offerings, net earnings and other comprehensive income, partially offset by the repayment of the term loan.

On September 16, 2016 the company completed a $225,000 term loan with a syndicate of Canadian banks. As noted above, the term loan contained a mandatory prepayment clause, requiring repayment by March 31, 2017. The term loan was fully repaid on March 31, 2017.

On January 13, 2017 the company completed an underwritten public offering and concurrent with the public offering, Fairfax and OMERS acquired additional subordinate voting shares resulting in net proceeds of $493,504. Net proceeds from the Offerings provided financing to acquire additional Indian Investments and will be used for general corporate purposes.

Common shareholders' equity at March 31, 2017 increased to $1,796,685 from $1,075,446 at December 31, 2016 primarily reflecting the net proceeds from the Offerings of $493,504, net earnings of $149,003 and unrealized foreign currency translation gains of $78,042 in the three months ended March 31, 2017.

Book Value per Share

Common shareholders' equity at March 31, 2017 was $1,796,685 (December 31, 2016 - $1,075,446). The book value per share at March 31, 2017 was $12.19 compared to $10.25 at December 31, 2016 representing an increase in the first quarter of 2017 of 18.9%, primarily reflecting net earnings of $149,003 and unrealized foreign currency translation gains of $78,042.

	March 31, 2017	December 31, 2016
Common shareholders' equity	**1,796,685**	1,075,446
Number of common shares effectively outstanding (1)	**147,434,531**	104,881,031
Book value per share	**$12.19**	$10.25

(1) On January 13, 2017 the company issued 42,553,500 subordinate voting shares at a price of $11.75 per share pursuant to the Offerings.

Liquidity

The company believes that cash and cash equivalents at March 31, 2017 provides adequate liquidity to meet the company's remaining known significant commitments in 2017, which are principally comprised of investment and advisory fees, an additional investment in NCML, corporate income taxes and general and administration expenses. The company expects to continue to receive investment income on its holdings of fixed income securities and dividends from its equity investments to supplement its cash and cash equivalents. The company has adequate working capital to support its operations.

Refer to the Contractual Obligations section of this MD&A for details on the settlement of the performance fees, if any, at the end of the first calculation period, December 31, 2017.

Highlights in the first quarter of 2017 (with comparisons to the first quarter of 2016 except as otherwise noted) of major components of cash flow are presented in the following table:

	2017	2016
Operating activities		
Cash provided by operating activities before the undernoted	**16,645**	29,201
Net sales of short term investments classified as FVTPL	**—**	7,121
Purchases of bonds and common stocks classified as FVTPL	**(515,885)**	(43,119)
Sales of bonds and common stocks classified as FVTPL	**78,458**	290,114
Decrease in restricted cash in support of investments	**—**	6,457
Financing activities		
Repayment of term loan	**(225,000)**	—
Decrease in restricted cash in support of term loan	**18,810**	—
Issuance of subordinate voting shares, net of issuance costs	**493,967**	—
Increase (decrease) in cash and cash equivalents during the period	**(133,005)**	289,774

Cash provided by operating activities before the undernoted is comprised of net earnings adjusted for items not affecting cash and cash equivalents and changes in operating assets and liabilities. Cash provided by operating activities before the undernoted of $16,645 in the first quarter of 2017 decreased from $29,201 in the first quarter of 2016, principally reflecting lower interest income received on Government of India and Indian Corporate bonds and higher interest paid on the term loan.

Net sales of short term investments classified as FVTPL of $7,121 in first quarter of 2016 primarily related to sale of U.S. treasury bills. Purchases of bonds and common stocks classified as FVTPL increased from $43,119 in the first quarter of 2016 to $515,885 in the first quarter of 2017 primarily reflecting increased purchases of both bonds and common stocks. In the first quarter of 2016 purchases of bonds and common stocks classified as FVTPL related to purchases of Indian Investments (primarily Fairchem) compared to the first quarter of 2017 primarily related to purchases of the investments in BIAL and Saurashtra, and an additional investment in IIFL. Sales of bonds and common stocks classified as FVTPL of $78,458 and $290,114 in the first quarters of 2017 and 2016 respectively, were principally related to the sale of Government of India bonds in the first quarter 2017 and Indian corporate bonds in the first quarter of 2016 to partially finance the deployment of capital into the Indian Investments noted above. Decrease in restricted cash in support of investments in the first quarter of 2016 related to the release of cash in escrow arising from investments in IIFL ($3,600) and Fairchem ($2,857). Refer to note 14 (Supplementary Cash Flow Information) to the interim consolidated financial statements for the three months ended March 31, 2017 for details of purchases and sales of investments classified as FVTPL.

Repayment of the term loan of $225,000 and decrease in restricted cash in support of term loan of $18,810 in the first quarter of 2017 related to the repayment of the 2-year secured term loan on March 31, 2017. Issuance of subordinate voting shares, net of issuance costs of $493,967 in the first quarter of 2017 reflected net proceeds received from the Offerings. Issuance costs were primarily comprised of fees paid to underwriters of the subordinate voting shares. At March 31, 2017 unpaid expenses relating to the Offerings of $463 were recorded in accounts payable and accrued liabilities on the consolidated balance sheets. Refer to note 8 (Total Equity) to the interim consolidated financial statements for the three months ended March 31, 2017 for details.

Contractual Obligations

Under the terms of the Investment Advisory Agreement, the company and its subsidiaries are contractually obligated to pay a Fairfax investment and advisory fee and, if applicable, a performance fee. These fees will vary based on the book value per share of the company.

In the first quarter of 2017 the investment and advisory fee recorded in the consolidated statement of earnings was $4,803 (2016 - $2,141).

The performance fee is accrued quarterly and 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 common shareholders' equity (including distributions) above a 5% per annum increase. The amount of common shareholders' equity at any time which must be achieved before any performance fee would be payable is sometimes referred to as the "hurdle per share". The company determined that a performance fee of $45,941 should be accrued for the first quarter of 2017 as the book value per share of $12.50 (before factoring in the impact of the performance fee) at March 31, 2017 was greater than the hurdle per share at that date of $10.98.

If a performance fee is payable for the period ending on December 31, 2017, it will be paid in subordinate voting shares of the company unless the market prices per share of those shares is at least two times the then book value per share, in which event Fairfax may elect to receive that fee in cash.

Related Party Transactions

For details on the company's related party transactions, see note 12 (Related Party Transactions) to the interim consolidated financial statements for the three months ended March 31, 2017.

Other

Quarterly Data (unaudited)

	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015
Income	**208,108**	11,566	75,346	33,917	7,775	29,668	30,114	1,267
Expenses	**54,117**	8,036	5,760	3,967	3,897	2,559	4,418	2,487
Provision for (recovery of) income taxes	**4,988**	1,106	3,186	(8,309)	3,136	6,318	7,378	964
Net earnings (loss)	**149,003**	2,424	66,400	38,259	742	20,791	18,318	(2,184)
Net earnings (loss) per share	**$ 1.05**	$ 0.02	$ 0.62	$ 0.36	$ 0.01	$ 0.19	$ 0.17	$ (0.02)

(in Indian rupees and in thousands)[(1)]	**March 31, 2017**	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015
Income	**13,928,854**	784,002	5,040,596	2,276,566	524,810	1,902,290
Expenses	**3,622,100**	540,632	383,530	265,351	263,045	164,092
Provision for (recovery of) income taxes	**333,851**	74,174	215,826	(559,268)	211,699	405,088
Net earnings	**9,972,903**	169,196	4,441,240	2,570,483	50,066	1,333,110
Net earnings per share	**70.35**	1.60	41.63	24.10	0.47	12.50

(1) Presented for the quarters subsequent to October 1, 2015, the date upon which the company's functional currency changed from the U.S. dollar to the Indian rupee.

Income continues to be primarily comprised of interest and dividend income and it was significantly impacted in the first quarter of 2017 by net unrealized gains on Indian Investments, the timing of which are not predictable. Individual quarterly results have been (and may in the future be) affected by increased expenses impacted by the growth in the holdings of Indian Investments that result in higher performance fees and investment and advisory fees.

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 or an Indian Investment'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, an Indian Investment, 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 annual 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; 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 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.

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