

Fairfax India Holdings Corporation

TSX Stock Symbol: *FIH.U*

News Release

TORONTO, February 14, 2019

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FINANCIAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

Fairfax India Holdings Corporation (TSX: FIH.U) announces fiscal year 2018 net earnings of \$96.4 million (\$0.63 net earnings per diluted share) compared to fiscal year 2017 net earnings of \$452.5 million (\$2.94 net earnings per diluted share), reflecting decreased net unrealized gains on investments, partially offset by no performance fee being earned by Fairfax Financial Holdings in fiscal year 2018.

Highlights for 2018 (with comparisons to 2017 except as otherwise noted) included the following:

- Net earnings of \$96.4 million included a net change in unrealized gains on investments of \$179.0 million, principally from an increase in the fair values of the company's investments in the private companies Sanmar of \$221.5 million and Bangalore International Airport of \$84.3 million, and of the company's investment in Sanmar bonds of \$90.1 million, partially offset by a decrease in the market prices of the company's investments in the public companies IIFL and Fairchem that depreciated by \$203.2 million and \$40.7 million respectively.
- During the fourth quarter of 2018, the company purchased for cancellation 1,201,362 subordinate voting shares under the terms of its normal course issuer bid at a cost of \$16.0 million (approximately \$13.35 per subordinate voting share).
- At December 31, 2018 common shareholders' equity was \$2,117.9 million, or book value per share of \$13.86, compared to \$2,132.5 million, or book value per share of \$14.46, at December 31, 2017, a decrease of 4.1%, primarily related to unrealized foreign currency translation losses as a result of the weakening of the Indian rupee relative to the U.S. dollar, partially offset by the fiscal year 2018 net earnings.

There were 153.3 million and 147.4 million weighted average shares outstanding during the fourth quarters of 2018 and 2017 respectively. At December 31, 2018 there were 122,861,534 subordinate voting shares and 30,000,000 multiple voting shares outstanding.

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

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

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

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FAIRFAX INDIA HOLDINGS CORPORATION

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

Forward-looking statements are based on the opinions and estimates of the company as of the date of this press release, and they are subject to known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking statements, including but not limited to the following factors: taxation of the company and its subsidiaries; substantial loss of capital; long-term nature of investment; limited number of investments; geographic concentration of investments; potential lack of diversification; financial market fluctuations; pace of completing investments; control or significant influence position risk; minority investments; ranking of company investments and structural subordination; follow-on investments; prepayments of debt investments; risks upon dispositions of investments; bridge financings; reliance on key personnel; effect of fees; performance fee could induce Fairfax to make speculative investments; operating and financial risks of investments; allocation of personnel; potential conflicts of interest; employee misconduct at the portfolio advisor could harm the company; valuation methodologies involve subjective judgments; lawsuits; foreign currency fluctuation; derivative risks; unknown merits and risks of future investments; resources could be wasted in researching investment opportunities that are not ultimately completed; investments may be made in foreign private businesses where information is unreliable or unavailable; illiquidity of investments; competitive market for investment opportunities; use of leverage; investing in leveraged businesses; regulation; investment and repatriation restrictions; aggregation restrictions; restrictions relating to debt securities; pricing guidelines; emerging markets; corporate disclosure, governance and regulatory requirements; legal and regulatory risks; volatility of the Indian securities markets; political, economic, social and other factors; governance issues risk; Indian tax law; changes in law; exposure to permanent establishment; enforcement of rights; smaller company risk; due diligence and conduct of potential investment entities; Asian economic risk; reliance on trading partners risk; natural disaster risks; government debt risk; and economic risk. Additional risks and uncertainties are described in the company's annual information form dated March 9, 2018 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.

Information on
CONSOLIDATED BALANCE SHEETS
as at December 31, 2018 and December 31, 2017
(unaudited - US\$ thousands)

| | <u>December 31, 2018</u> | <u>December 31, 2017</u> |
|--|--------------------------|--------------------------|
| Assets | | |
| Cash and cash equivalents | 21,240 | 13,244 |
| Restricted cash | 13,833 | 10,598 |
| Short term investments | — | 27,481 |
| Bonds | 576,386 | 694,252 |
| Common stocks | <u>2,084,961</u> | <u>1,913,993</u> |
| Total cash and investments | <u>2,696,420</u> | <u>2,659,568</u> |
| Interest receivable | 7,039 | 9,422 |
| Income taxes refundable | 1,423 | 3,098 |
| Other assets | 668 | 133 |
| Total assets | <u><u>2,705,550</u></u> | <u><u>2,672,221</u></u> |
| Liabilities | | |
| Accounts payable and accrued liabilities | 1,034 | 977 |
| Payable for rights issue | — | 15,954 |
| Payable for partly paid shares | 29,827 | — |
| Payable to related parties | 8,827 | 122,826 |
| Deferred income taxes | 689 | — |
| Term loans | <u>547,228</u> | <u>400,000</u> |
| Total liabilities | <u>587,605</u> | <u>539,757</u> |
| Equity | | |
| Common shareholders' equity | <u>2,117,945</u> | <u>2,132,464</u> |
| | <u><u>2,705,550</u></u> | <u><u>2,672,221</u></u> |

Information on
CONSOLIDATED STATEMENTS OF EARNINGS
for the three and twelve months ended December 31, 2018 and 2017
(unaudited - US\$ thousands except per share amounts)

| | Fourth quarter | | Year ended December 31, | |
|---|--------------------|--------------------|-------------------------|--------------------|
| | 2018 | 2017 | 2018 | 2017 |
| Income | | | | |
| Interest | 3,769 | 6,788 | 21,659 | 21,848 |
| Dividends | 713 | 539 | 8,699 | 8,627 |
| Net realized gains (losses) on investments | (4,650) | — | (7,985) | 1,195 |
| Net change in unrealized gains on investments and other costs | 40,883 | 113,773 | 178,998 | 592,277 |
| Net foreign exchange gains (losses) | 20,215 | 8,937 | (34,853) | (14,277) |
| | 60,930 | 130,037 | 166,518 | 609,670 |
| Expenses | | | | |
| Investment and advisory fees | 8,651 | 8,228 | 33,908 | 27,531 |
| Performance fee | — | 27,884 | — | 112,218 |
| General and administration expenses | 802 | 648 | 4,079 | 4,166 |
| Interest expense | 9,519 | 4,825 | 28,898 | 15,664 |
| | 18,972 | 41,585 | 66,885 | 159,579 |
| Earnings before income taxes | 41,958 | 88,452 | 99,633 | 450,091 |
| Provision for (recovery of) income taxes | (1,116) | 387 | 3,201 | (2,418) |
| Net earnings | 43,074 | 88,065 | 96,432 | 452,509 |
| Net earnings per share | \$ 0.28 | \$ 0.60 | \$ 0.63 | \$ 3.10 |
| Net earnings per diluted share | \$ 0.28 | \$ 0.57 | \$ 0.63 | \$ 2.94 |
| Shares outstanding (weighted average) | 153,301,475 | 147,434,365 | 153,108,655 | 146,035,470 |

Information on
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
for the three and twelve months ended December 31, 2018 and 2017
(unaudited - US\$ thousands)

| | Fourth quarter | | Year ended December 31, | |
|---|----------------|----------------|-------------------------|----------------|
| | 2018 | 2017 | 2018 | 2017 |
| Net earnings | 43,074 | 88,065 | 96,432 | 452,509 |
| 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 (2017 - nil) | 76,516 | 47,754 | (193,141) | 110,910 |
| Other comprehensive income (loss), net of income taxes | 76,516 | 47,754 | (193,141) | 110,910 |
| Comprehensive income (loss) | 119,590 | 135,819 | (96,709) | 563,419 |