

Fairfax India Holdings Corporation

TSX Stock Symbol: *FIH.U*

News Release

TORONTO, February 13, 2020

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FINANCIAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2019

(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 2019 net earnings of \$516.3 million (\$3.30 net earnings per diluted share), compared to fiscal year 2018 net earnings of \$96.4 million (\$0.63 net earnings per diluted share), reflecting increased net unrealized and realized gains on investments, partially offset by increased tax expense and performance fees. The company's book value per share increased by 21.9% to \$16.89 at December 31, 2019 from \$13.86 at December 31, 2018, representing a compound annual growth rate of 11.2% (11.7% prior to the performance fee described below) from the initial public offering price of \$10.00 per share.

Highlights for 2019 (with comparisons to 2018 except as otherwise noted) included the following:

- Net change in unrealized gains on investments of \$530.4 million, principally from an increase in the fair value of the company's investments in the private companies Bangalore International Airport ("BIAL") (\$751.5 million) and Sanmar common shares (\$23.1 million) and an increase in the market prices of the company's investments in the public companies CSB Bank (\$60.9 million) and Fairchem (\$33.4 million), partially offset by a decrease in the market prices of the company's investments in the public companies IIFL Finance (\$196.0 million) and IIFL Securities (\$40.9 million) and a decrease in the fair value of the company's investment in the private company NCML (\$41.6 million).
- As announced on December 16, 2019 the company entered into an agreement to sell an interest in Anchorage Infrastructure Investments Holdings Limited ("Anchorage") of approximately 11.5% on a fully-diluted basis for gross proceeds of approximately 9.5 billion Indian rupees (approximately \$133 million at period end exchange rates). As part of the transaction, the company will restructure its interest in BIAL such that a portion of such interest will be held through Anchorage. The transaction is subject to customary closing conditions, including various third-party consents, and is expected to close in the first half of 2020. The net change in unrealized gains on BIAL of \$751.5 million are supported by positive operational developments and the finalization of BIAL's real estate development plan.
- On December 21, 2019 the company completed its previously announced transaction with Sanmar and recorded net realized gains on investments of \$156.5 million (\$107.8 million of which has been recognized as net unrealized gains in prior years). As part of the transaction, Sanmar redeemed \$300.0 million (19.9 billion Indian rupees at transaction exchange rates) principal amount of Sanmar bonds held by the company, plus accrued interest at an effective annual interest rate of 13.0%, for net cash consideration of \$425.5 million (30.3 billion Indian rupees at transaction exchange rates). The company re-invested \$198.0 million (14.1 billion Indian rupees at transaction exchange rates) of the cash consideration received from the bond sale in the purchase of Sanmar common shares. Following this equity investment, the company's equity interest in Sanmar increased to 42.9%.
- In accordance with the Investment Advisory Agreement, which provides for the payment of a performance fee of 20% of the increase in book value per share in excess of a hurdle rate of 5% per annum, a performance fee of \$47.9 million was accrued to the benefit of Fairfax Financial Holdings for the period from January 1, 2018 to December 31, 2019. The performance fee, if any, will only be finally determined by December 31, 2020 at the end of the three year measurement period.
- On December 31, 2019 the company repaid a \$50.0 million secured revolving credit facility with a Canadian bank.

FAIRFAX INDIA HOLDINGS CORPORATION

95 Wellington Street West, Suite 800, Toronto, Ontario, M5J 2N7 Telephone: 416-367-4755

- At December 31, 2019 common shareholders' equity was \$2,577.9 million, or book value per share of \$16.89, compared to \$2,117.9 million, or book value per share of \$13.86, at December 31, 2018, an increase of 21.9% (an increase of 24.2% prior to accounting for the performance fee recorded in 2019), primarily related to the fiscal year 2019 net earnings, partially offset by unrealized foreign currency translation losses as a result of the weakening of the Indian rupee relative to the U.S. dollar.

There were 152.6 million and 153.3 million weighted average common shares outstanding during the fourth quarters of 2019 and 2018 respectively. At December 31, 2019 there were 122,631,481 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.

For further information, contact: John Varnell, Vice President, Corporate Affairs
(416) 367-4755

This press release may contain forward-looking statements 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 our opinions and estimates 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: oil price risk; geographic concentration of investments; foreign currency fluctuation; volatility of the Indian securities markets; investments may be made in foreign private businesses where information is unreliable or unavailable; valuation methodologies involve subjective judgments; financial market fluctuations; pace of completing investments; minority investments; reliance on key personnel and risks associated with the Investment Advisory Agreement; lawsuits; use of leverage; significant ownership by Fairfax may adversely affect the market price of the subordinate voting shares; weather risk; taxation risks; emerging markets; economic risk; and trading price of common shares relative to book value per share risk. Additional risks and uncertainties are described in the company's annual information form dated March 8, 2019 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, 2019 and December 31, 2018
(unaudited - US\$ thousands)

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Assets		
Cash and cash equivalents	48,713	21,240
Restricted cash	16,915	13,833
Bonds	138,425	576,386
Common stocks	3,032,907	2,084,961
Total cash and investments	<u>3,236,960</u>	<u>2,696,420</u>
Interest receivable	3,453	7,039
Income taxes refundable	2,866	2,930
Other assets	1,658	668
Total assets	<u>3,244,937</u>	<u>2,707,057</u>
Liabilities		
Accounts payable and accrued liabilities	1,174	1,034
Payable for partly paid securities	—	29,827
Payable to related parties	50,519	8,827
Deferred income taxes	64,477	689
Income taxes payable	3,688	1,507
Borrowings	547,228	547,228
Total liabilities	<u>667,086</u>	<u>589,112</u>
Equity		
Common shareholders' equity	<u>2,577,851</u>	<u>2,117,945</u>
	<u>3,244,937</u>	<u>2,707,057</u>
Book value per basic share	<u>\$ 16.89</u>	<u>\$ 13.86</u>

Information on
CONSOLIDATED STATEMENTS OF EARNINGS
for the three and twelve months ended December 31, 2019 and 2018
(unaudited - US\$ thousands except per share amounts)

	Fourth quarter		Year ended December 31,	
	2019	2018	2019	2018
Income				
Interest	706	3,769	4,859	21,659
Dividends	2,453	713	10,141	8,699
Net realized gains (losses) on investments	139,216	(4,650)	181,123	(7,985)
Net change in unrealized gains on investments	495,582	40,883	530,372	178,998
Net foreign exchange gains (losses)	(4,089)	20,215	(13,806)	(34,853)
	633,868	60,930	712,689	166,518
Expenses				
Investment and advisory fees	2,593	8,651	27,473	33,908
Performance fee	48,514	—	48,514	—
General and administration expenses	1,603	802	5,300	4,079
Interest expense	9,489	9,519	38,781	28,898
	62,199	18,972	120,068	66,885
Earnings before income taxes	571,669	41,958	592,621	99,633
Provision for (recovery of) income taxes	36,445	(1,116)	76,283	3,201
Net earnings	535,224	43,074	516,338	96,432
Net earnings per share	\$ 3.51	\$ 0.28	\$ 3.38	\$ 0.63
Net earnings per diluted share	\$ 3.42	\$ 0.28	\$ 3.30	\$ 0.63
Shares outstanding (weighted average)	152,631,481	153,301,475	152,654,875	153,108,655

Information on
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
for the three and twelve months ended December 31, 2019 and 2018
(unaudited - US\$ thousands)

	Fourth quarter		Year ended December 31,	
	2019	2018	2019	2018
Net earnings	535,224	43,074	516,338	96,432
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 (2018 - nil)	(22,138)	76,516	(53,445)	(193,141)
Other comprehensive income (loss), net of income taxes	(22,138)	76,516	(53,445)	(193,141)
Comprehensive income (loss)	513,086	119,590	462,893	(96,709)