

## *Irrevocable Undertaking*

From: Bishop L.P.  
1 Waverley Place  
Union Street  
St. Helier  
Jersey JE1 1SG

To: Fairfax Financial Holdings Limited (“**Fairfax**”) and FFHL Group Ltd. (“**FGL**”)  
95 Wellington Street West, Suite 800  
Toronto M5J 2N7, Ontario, Canada

17 February 2015

Dear Sirs,

### **Proposed Acquisition of Brit plc (“Brit”)**

We understand that FGL, a wholly owned subsidiary of Fairfax, intends to make an offer to acquire all of the issued and to be issued ordinary share capital of Brit, at a cash price per Brit Share (as defined below) of 305 pence per share in cash (the “**Offer Price**”) comprising 280 pence in cash and the expected 2014 Final Dividend payable by Brit of 25 pence in cash to Brit Shareholders on the relevant record date, with the cash amount payable by Fairfax being subject to adjustment on the terms set out in the Announcement (as defined below) (the “**Proposed Acquisition**”). We further understand that (i) the Proposed Acquisition will be implemented by way of the Offer and (ii) the First Interim Dividend and the Second Interim Dividend may become due and payable on the basis set out in the Announcement. This undertaking (the “**Undertaking**”) sets out the terms and conditions on which we will accept the Offer when it is made.

In this Undertaking:

“**2014 Final Dividend**” has the meaning given to it in the Announcement;

“**Acceptance Condition**” means the acceptance condition to the Offer as set out in paragraph 1(a) of Appendix 1 to the Announcement;

“**Announcement**” means the announcement to be made by Fairfax of a firm intention to pursue the Proposed Acquisition in accordance with Rule 2.7 of the Code on the terms of the draft announcement attached as Schedule 2;

“**Apollo Shareholders**” means AP Achilles Holdings (EH-1), LLC, AP Helios Co-Invest, L.P. and AP Selene Co-Invest, L.P.;

“**Applicable Requirements**” means the Code, the Panel, any applicable law, the Companies Act 2006, the rules of the Main Market of the London Stock Exchange plc, the Listing Rules and the Disclosure and Transparency Rules made by the Financial Conduct Authority in exercise of its functions under the Financial Services and Markets Act 2000;

“**Brit Share**” means an ordinary share in Brit with a nominal value of £0.01;

“**Business Day**” has the meaning given to it in the Announcement;

“**Code**” means the City Code on Takeovers and Mergers issued by the Panel;

“**Committed Shares**” means 13,334,751 Brit Shares held by us in the manner referred to in clause 1 of this Undertaking, together with any Brit Shares issued or unconditionally allotted to us, or otherwise acquired by us, after the date hereof;

“**Conditions**” means the conditions to the Offer as set out in Appendix 1 to the Announcement;

“**CVC Shareholders**” means White Poolco Holdings Limited and Bishop L.P.;

“**First Interim Dividend**” has the meaning given to it in the Announcement;

“**Fairfax’s Financial Adviser**” means RBC Capital Markets;

“**Offer**” means the takeover offer, as such term is defined in section 974 of the Companies Act 2006, to be made by or on behalf of FGL to acquire all the issued and to be issued ordinary share capital of Brit at the Offer Price on the terms set out in the Announcement. A reference in this Undertaking to the Offer also includes any new, increased, renewed or revised offer made by or on behalf of FGL to acquire shares in Brit, provided that the terms of such offer (i) provide for a cash price per Brit Share of no less than the Offer Price on the terms set out in the Announcement and (ii) permit and provide for the declaration and payment of the First Interim Dividend and the Second Interim Dividend on the terms set out in the Announcement, and in each case such offer is recommended by the board of directors of Brit;

“**Panel**” means the Panel on Takeovers and Mergers;

“**Second Interim Dividend**” has the meaning given to it in the Announcement; and

“**securities**” means shares, options, warrants and other rights to subscribe for, purchase or otherwise acquire, any shares.

## **1. Shareholdings**

We warrant to Fairfax and FGL that:

- (a) we are the registered holder and beneficial owner of the number of Brit Shares set out in Schedule 1 to this undertaking;
- (b) save for the Brit Shares as set out in Schedule 1 to this Undertaking, we do not have any interest (as defined in the Code) in any securities of Brit or any rights to subscribe for, purchase or otherwise acquire any securities of Brit;
- (c) the details of our holdings in interests in Brit Shares set out in Schedule 1 to this Undertaking are accurate and not misleading; and
- (d) we have full power and authority to enter into this Undertaking, to perform the obligations under it and to accept the Offer.

## 2. Dealings and undertakings

- 2.1 We have not accepted any offer to dispose of any of the Committed Shares and we undertake to Fairfax and FGL that before the Offer closes, lapses or is withdrawn, we shall not, until our obligations under this Undertaking lapse in accordance with clause 9.1:
- (a) sell, transfer, charge, encumber, grant any option over or otherwise dispose of any interest in any Committed Shares other than pursuant to our acceptance of the Offer;
  - (b) accept any offer in respect of the Committed Shares other than the Offer;
  - (c) in respect of the Committed Shares, accept any offer, or vote in favour of any resolution to approve any scheme of arrangement of Brit which is proposed in competition with the Proposed Acquisition; or
  - (d) enter into any agreement or arrangement, or incur any obligation or announce any intention:
    - (i) to do any of the acts prohibited by clauses 2.1(a) to 2.1(c); or
    - (ii) which, in relation to the Committed Shares, would restrict or impede us accepting the Offer.
- 2.2 We further undertake, until our obligations under this Undertaking lapse in accordance with clause 9.1, not to acquire any interest (as defined in the Code) or otherwise deal or undertake any dealings (as defined in the Code) in any relevant securities (as defined in the Code) of Brit unless the Panel determines, and confirms to you, that, in respect of such acquisition or dealing, we are not acting in concert with you pursuant to Note 9 on the definition of “acting in concert” set out in the Code.

## 3. Undertaking to accept the Offer

- 3.1 We hereby irrevocably undertake to Fairfax and FGL, until our obligations under this Undertaking lapse in accordance with clause 9.1:
- (a) to accept or procure the acceptance of the Offer in respect of the Committed Shares in accordance with the procedure for acceptance set out in the formal document containing the Offer (the “**Offer Document**”) as soon as reasonably practicable after, and in any event no later than the date falling five (5) Business Days after, the publication of the Offer Document; and
  - (b) notwithstanding the provisions of the Code on, or any terms of the Offer regarding, withdrawal, not to withdraw any such acceptance of the Offer for so long as the Offer remains open for acceptance.
- 3.2 In the event that the Offer is modified or amended, we confirm and agree that this Undertaking shall continue to be binding *mutatis mutandis* in respect of the Committed Shares, provided that such Offer is not implemented by way of a scheme of arrangement and the terms of such modified or amended Offer (i)

provide for a cash price per Brit Share of the same price, or more than the price, then payable under the terms set out in the Announcement and (ii) permit and provide for the declaration and payment of the First Interim Dividend and the Second Interim Dividend on the terms set out in the Announcement, and in each case such offer is recommended by the board of directors of Brit.

3.3 Each of Fairfax and FGL undertakes that until its obligations under this Undertaking lapse in accordance with clause 9.2, to the extent it is considered by the Panel to be the offeror for the purposes of the Code:

- (a) it will not invoke non-fulfilment of any Condition to lapse the Offer prior to 1:00 p.m. on 30 September 2015;
- (b) to the extent that any Condition (other than the Conditions in paragraphs 1(b), (c), (d), (f), (g) or (h) of Appendix 1 to the Announcement) has not been fulfilled or waived before 1:00 p.m. on 30 September 2015, it will waive all Conditions which have not been fulfilled or waived prior to such time unless the failure to fulfil any such Condition has occurred as a result of a change of law which has led to circumstances which are, in the opinion of the Panel, of such material significance in the context of the Offer (within the meaning of Rule 13 of the Code) as to permit it to invoke the relevant Condition;
- (c) it will announce that the Acceptance Condition has been fulfilled no later than 5:00 p.m. on the Business Day following the date on which the Apollo Shareholders and the CVC Shareholders have accepted the Offer;
- (d) it will not seek to bring forward the last time and date for fulfilment or waiver of any of the Conditions, other than the Acceptance Condition, to a time and date which is earlier than 1:00 p.m. on 30 September 2015 unless it announces at the same time that it has waived or is treating as fulfilled all of the Conditions as of such earlier time and date; and
- (e) FGL will not seek to extend the last time and date for fulfilment or waiver of any of the Conditions, other than the Acceptance Condition, to a time and date which is later than 1:00 p.m. on 30 September 2015,

other than:

- (i) in the case of each of sub-clauses (a) to (e) above inclusive, with the prior written approval of the Apollo Shareholders and the CVC Shareholders; or
- (ii) in the case of each of sub-clauses (a), (b), (d) and (e) above, for so long as the Apollo Shareholders and the CVC Shareholders have not accepted the Offer when required to do so under clause 3.1(a) of this Undertaking or a corresponding undertaking.

3.4 For the purposes of Rule 21 of the Code, each of Fairfax and FGL, to the extent it is considered by the Panel to be the offeror for the purposes of the Code, consents to:

- (a) the declaration and payment of the 2014 Final Dividend on the basis set out in the Announcement;
- (b) the declaration and payment of the First Interim Dividend in the event that the Offer has not become or been declared unconditional in all respects on or prior to 1:00 p.m. on 30 June 2015; and
- (c) the declaration and payment of the Second Interim Dividend in the event that (i) the Offer has not become or been declared unconditional in all respects on or prior to 1:00 p.m. on 30 September 2015 and (ii) it has (with or without having obtained consent under clause 3.3(e) of this Undertaking or a corresponding undertaking) extended the last time and date for fulfilment of the conditions other than the Acceptance Condition to a time and date which is later than 1:00 p.m. on 30 September 2015.

#### **4. Ancillary Commitments**

- 4.1 Until our obligations under this Undertaking lapse in accordance with clause 9.1:
  - (a) we agree not to solicit or enter into discussions regarding any general offer for Brit Shares from any third party or any proposal for a merger of Brit with any other entity; and
  - (b) we agree not to requisition any shareholder meeting of Brit without Fairfax's and FGL's prior written consent.
- 4.2 Nothing in this Undertaking shall affect or in any way impede any person who is a director of Brit (including a person nominated to that office by us or any of our affiliates) from performing his or her fiduciary duties in any way he deems necessary.

#### **5. Documentation and Information**

- 5.1 We consent to:
  - (a) this Undertaking being disclosed to the Panel;
  - (b) the issue of the Announcement incorporating references to us and to this Undertaking;
  - (c) references to us, and particulars of this Undertaking and our holdings of shares in Brit, being included in the Announcement and the Offer Document and any other announcement made, or related or ancillary document issued, by or on behalf of Fairfax, FGL or Brit in connection with the Offer; and
  - (d) this Undertaking being published as required by the Code or any other applicable law or regulation.
- 5.2 We shall promptly provide you on request all information relating to us and our holdings of Brit Shares as you may reasonably require for the preparation of the Announcement, the Offer Document and any other announcement to be

made, or document to be issued, by or on behalf of Fairfax, FGL or Brit in connection with the Offer in order to comply with the Applicable Requirements.

## **6. Secrecy**

- 6.1 We shall keep secret the possibility, terms and conditions of the Proposed Acquisition and the existence of this Undertaking until the Announcement is released.
- 6.2 The obligations in this clause 6 shall survive termination of this Undertaking. We understand that the information you have given to us in relation to the Proposed Acquisition must, where not publicly available, be kept confidential until announced by Fairfax, FGL or Brit or the information has otherwise become generally available. To the extent any of the information is inside information for the purposes of the Criminal Justice Act 1993 or the Financial Services and Markets Act 2000 we will comply with the applicable restrictions in those enactments on dealing in securities and disclosing inside information.
- 6.3 Notwithstanding the foregoing, we may disclose the information described in clauses 6.1 and/or 6.2 (i) to Brit and its advisers, (ii) to our affiliates and advisers (“**Representatives**”), and (iii) as required by law or regulation or any competent judicial, governmental, supervisory or regulatory authority. We shall use reasonable endeavours to ensure that our Representatives maintain the confidentiality of such information in accordance with this clause 6.

## **7. Time of the Essence**

Any time, date or period mentioned in this Undertaking may be extended by mutual agreement but as regards any time, date or period originally fixed or as extended, time shall be of the essence.

## **8. Unconditional and Irrevocable Obligations**

Except to the extent otherwise specified, the undertakings, agreements, warranties, appointments, consents and waivers set out in this Undertaking are unconditional and irrevocable.

## **9. Lapse**

- 9.1 Our warranties, consents, waivers, agreements and obligations set out in this Undertaking shall lapse if:
- (a) the Announcement has not been issued by 5:00 p.m. on 18 February 2015 or such later time and/or date as Fairfax, Brit, the Apollo Shareholders and the CVC Shareholders may agree; or
  - (b) the Offer Document is not published within 28 days after the date of the Announcement (or such later date as Fairfax, Brit, the Apollo Shareholders and the CVC Shareholders may agree and the Panel may allow);
  - (c) subject to clause 3.3, the Offer, once made, lapses or is withdrawn.

- 9.2 Fairfax's and FGL's agreements and obligations set out in this Undertaking shall lapse if the Offer, once made, lapses (in accordance with clause 3.3) or (with the consent of the Panel) is withdrawn.
- 9.3 Any rights or liabilities under this Undertaking in respect of prior breaches by either party shall not be affected by either clause 9.1 or clause 9.2.

## **10. Miscellaneous**

- 10.1 Without prejudice to any other rights or remedies you may have, each party agrees that, if it fails to comply with any of the undertakings herein or breaches any of its obligations under this Undertaking, damages alone would not be an adequate remedy and accordingly that an injunction and/or an order for specific performance would be an essential element of any adequate remedy for such failure or breach.
- 10.2 A person who is not a party to this Undertaking shall not have any rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Undertaking but this does not affect any right or remedy of a third party that exists or is available apart from that Act.
- 10.3 We confirm that Fairfax's Financial Adviser is not acting for us in relation to the Proposed Acquisition and will not be responsible to us for providing protections afforded to its clients or advising us on any matter relating to the Proposed Acquisition.
- 10.4 References in this Undertaking to times of day are to London time.
- 10.5 This Undertaking may be executed in any number of counterparts, each of which is an original but all of which together shall constitute the same instrument

## **11. Governing Law and Jurisdiction**

- 11.1 This Undertaking and any non-contractual obligations arising out of or in connection with it shall be governed by and construed in accordance with English law and we submit to the exclusive jurisdiction of the English courts for all purposes in connection with this Undertaking and we waive any objection to any proceedings on the ground of venue or on the ground that the proceedings have been brought in an inconvenient forum.
- 11.2 We shall at all times maintain an agent for service of process and any other documents in proceedings in England or any other proceedings in connection with this Undertaking. Such agent shall be CVC Capital Partners Limited of 111 Strand, London WC2R 0AG and any writ, judgment or other notice of legal process shall be sufficiently served on us if delivered to such agent at its address, for the time being. We irrevocably undertake not to revoke the authority of the above agent and, if for any reason, Fairfax requests us to do so we shall promptly appoint another such agent with an address in England and advise Fairfax. If following such a request we fail to appoint another agent, Fairfax shall be entitled to appoint one on behalf of us.

11.3 Each of Fairfax and FGL shall at all times maintain an agent for service of process and any other documents in proceedings in England or any other proceedings in connection with this Undertaking. Such agent shall be Riverstone Insurance (UK) Limited of 161-163 Preston Road, Brighton, East Sussex BN1 6AU and any writ, judgment or other notice of legal process shall be sufficiently served on Fairfax and FGL if delivered to such agent at its address, for the time being. Each of Fairfax and FGL irrevocably undertakes not to revoke the authority of the above agent and, if for any reason, we request Fairfax and FGL to do so, Fairfax and FGL shall promptly appoint another such agent with an address in England and advise us. If following such a request we fail to appoint another agent, we shall be entitled to appoint one on behalf of Fairfax and FGL.



IN WITNESS WHEREOF this Undertaking has been executed and delivered as a deed by the parties on the date stated at the beginning of it.

EXECUTED and DELIVERED as a DEED )  
on behalf of Bishop L.P. )

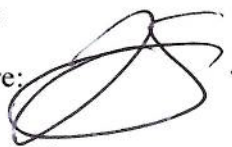
By: CVC European Equity V Limited, its )  
general partner )

By: Carl John Hansen )  
being a person(s) who, in accordance with )  
the laws of the jurisdiction of its )  
incorporation, are acting under its authority )



In the presence of:

Witness's signature:



Name (print):

JAMES WISHAW

Occupation:

MANAGER, CORPORATE ADMINISTRATION

Address:

THE COTTAGE FARM  
LA RUE DU BEL AU VENT  
ST LAWRENCE  
JERSEY  
JE3 1NT

EXECUTED and DELIVERED as a DEED )  
by FAIRFAX FINANCIAL HOLDINGS )  
LIMITED )  
acting by: Paul Rivett, President )

A handwritten signature in black ink, appearing to read "P. Rivett", with a large, stylized flourish above the name.

In the presence of:

Witness's signature: *Derek Bulas*

Name (print): *Derek Bulas*

Occupation: *Lawyer*

Address: *95 Wellington St. W.*

*Suite 800*

*Toronto, ON Canada*

EXECUTED and DELIVERED as a DEED )  
by FFHL GROUP LTD. )  
acting by: Paul Rivett, Director )

A handwritten signature in black ink, appearing to read 'P. Rivett', with a large, stylized flourish above the name.

In the presence of:

Witness's signature:

Name (print):

Occupation:

Address:

Denck Bulas

Denck Bulas

Lawyer

95 Wellington St W

Suite 800

Toronto, ON Canada

**SCHEDULE 1**

**EXISTING SHARES**

<b>Registered Holder</b>	<b>Beneficial Owner</b>	<b>Number of Brit Shares</b>
Bishop L.P.	Bishop L.P.	13,334,751

**SCHEDULE 2**  
**ANNOUNCEMENT**

**NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION IN WHOLE OR IN PART IN, INTO OR FROM ANY JURISDICTION WHERE TO DO SO WOULD CONSTITUTE A VIOLATION OF THE RELEVANT LAWS OF SUCH JURISDICTION**

**FOR IMMEDIATE RELEASE**

**17 February 2015**

**RECOMMENDED CASH OFFER**

**for**

**Brit plc (“Brit”)**

**by**

**FFHL Group Ltd. (“FGL”)**

**an entity wholly-owned by Fairfax Financial Holdings Limited (“Fairfax”)**

**Summary**

- The Boards of Fairfax and Brit are pleased to announce that they have reached agreement regarding the terms of a recommended cash offer through which the entire issued and to be issued ordinary share capital of Brit will be acquired by FGL, an entity wholly-owned by Fairfax (the “Offer”).
- Under the terms of the Offer, Brit Shareholders will be entitled to receive:

**For each Brit Share: 305 pence in cash** (the “**Brit Offer Price**”), comprising:  
**280 pence in cash** (the “**Cash Amount**”)

and

the expected 2014 Final Dividend payable by Brit of **25 pence in cash** to Brit Shareholders on the relevant record date

- The Brit Offer Price values the entire issued and to be issued ordinary share capital of Brit at approximately £1.22 billion and represents a premium of approximately:
  - 20.2 per cent. to the six-month volume weighted average closing price of 253.8 pence per Brit Share as of close of business on 16 February 2015;
  - 11.2 per cent. to the closing price of 274.2 pence per Brit Share on 16 February 2015; and
  - 27.1 per cent. to the offer price of 240.0 pence per Brit Share set at its initial public offering on 28 March 2014.
- The Brit Offer Price implies a price to net tangible assets multiple of 1.73x based on Brit’s net tangible assets of £704.4 million as at 30 June 2014.
- The 2014 Final Dividend is expected to be announced with the publication of Brit’s preliminary results on 25 February 2015. To the extent the 2014 Final Dividend declared by Brit is greater or less than 25 pence per Brit Share, the Cash Amount payable by FGL shall be adjusted accordingly such that the total amount payable to accepting Brit Shareholders in respect of each Brit Share under the Offer, when

aggregated with the 2014 Final Dividend payable to such Brit Shareholders by Brit, shall be the Brit Offer Price.

- The Brit Directors, who have been so advised by J.P. Morgan Cazenove, consider the terms of the Offer to be fair and reasonable. In providing its advice to the Brit Directors, J.P. Morgan Cazenove has taken into account the commercial assessments of the Brit Directors.
- The Brit Directors intend unanimously to recommend that Brit Shareholders accept the Offer, as Richard Ward, Mark Cloutier and Hans-Peter Gerhardt, being the Brit Directors who hold Brit Shares, have irrevocably undertaken to do in respect of their own beneficial holdings of 1,387,120 Brit Shares representing, in aggregate, approximately 0.35 per cent. of the ordinary share capital of Brit in issue on 16 February 2015.
- Fairfax has received hard irrevocable undertakings to accept the Offer at this price from entities managed by Apollo and CVC in respect of, in aggregate, a total of 293,566,117 Brit Shares representing approximately 73.3 per cent. of the ordinary share capital of Brit in issue on 16 February 2015. These entities have undertaken to accept the Offer as soon as is reasonably practicable and in any event within five Business Days following the posting of the Offer Document and, accordingly, it is expected that the Acceptance Condition will be satisfied on or prior to that date.
- Brit's position as a market-leading global specialty insurer and reinsurer, its major presence in Lloyd's and its disciplined approach to underwriting make it a natural candidate to join Fairfax's expanding European operations and global specialty insurance platform. Brit's growing US and international reach are also highly complementary to Fairfax's existing worldwide operations and will allow Fairfax to further diversify its risk portfolio. In addition, Brit will be able to leverage Fairfax's existing expertise in the US and international insurance and reinsurance markets, thus enhancing Brit's global product offering and providing it with expanded underwriting opportunities and support.
- It is intended that the Offer be effected by means of a takeover offer within the meaning of Part 28 of the Companies Act.
- The Offer is conditional, among other customary competition and merger clearances, on receiving the approval of the Prudential Regulation Authority in the UK, Lloyd's and the Financial Services Commission of Gibraltar.
- The Offer Document, containing further information about the Offer, will be published, other than with the consent of the Panel, within 28 days of this announcement and will be made available on Fairfax's website at [www.fairfax.ca/britoffer](http://www.fairfax.ca/britoffer).

Commenting on the Offer, Dr Richard Ward, the Brit Chairman said:

*"Brit's Board is pleased to recommend the combination with Fairfax, which I believe will bring us significantly closer to realising our strategy of building the leading global speciality (re)insurer. Our two businesses are highly complementary and the proposed deal provides both groups with an exciting opportunity to deliver our respective growth ambitions. Our simple and capital-efficient Lloyd's focused platform make us an attractive partner for Fairfax and our shared values in underwriting discipline, speciality lines focus, operational rigour and meticulous claims management make this transaction a compelling proposition for all stakeholders. The Offer represents a strong result for all our shareholders and*

*produces attractive financial returns following our successful IPO in April 2014. I am proud of the success we have achieved over the past year as a public company.”*

Commenting on the Offer, Mark Cloutier, the Brit CEO said:

*“Our business is complementary to their group’s current offering and the deal represents an exciting opportunity to continue our story on an even stronger footing. Our position as a market-leading global specialty insurer and re insurer and our major presence in Lloyd’s make us an attractive addition to Fairfax’s global footprint. There is very little crossover in our respective international operations, thus allowing Fairfax to further diversify its portfolio while enabling Brit to leverage Fairfax’s existing relationships and expertise in the international insurance and reinsurance markets. The combination will enable us to enhance our global product offering and provide us with expanded underwriting opportunities and distribution channels. We believe this is a great fit for both companies, our employees, customers and trading partners.”*

Commenting on the Offer, Prem Watsa, the Fairfax Chairman and CEO said:

*“We welcome Mark Cloutier and his market leading specialty insurance and reinsurance team at Brit to our expanding global specialty platform. Brit has an outstanding track record over the last ten years and will continue to operate on a decentralized basis once owned by Fairfax. With the acquisition of Brit, Fairfax will have a significant top five position at Lloyd’s of London. We look forward to working with Mark and the entire Brit team to further develop their business over the longer-term.”*

This summary should be read in conjunction with, and is subject to, the full text of this announcement (including its Appendices). The Offer will be subject to the conditions and further terms set out in Appendix I to this announcement and to the full terms and conditions which shall be set out in the Offer Document. Appendix II to this announcement contains the sources of information and bases of calculation of certain information contained in this announcement, Appendix III contains a summary of the irrevocable undertakings received in relation to the Offer, and Appendix IV contains definitions of certain expressions used in this announcement.

**Enquiries:**

**Fairfax**

Paul Rivett, President

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Joy Ferneyhough, Director of Strategy and Corporate Development



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**FTI Consulting (Public Relations adviser to Brit)**

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**About Fairfax**

Fairfax Financial Holdings Limited is a financial services holding company which, through its subsidiaries, is engaged in property and casualty insurance and reinsurance and investment management. Fairfax was founded in 1985 by the present Chairman and Chief Executive Officer, Prem Watsa. Fairfax has been under present management since 1985 and is headquartered in Toronto, Canada. Its common shares are listed on the Toronto Stock Exchange under the symbol FFH and in U.S. dollars under the symbol FFH.U.

**Further Information**

RBC Europe Limited (trading as RBC Capital Markets), which is authorised by the Prudential Regulation Authority and regulated in the United Kingdom by the Financial Conduct Authority and the Prudential Regulation Authority, is acting exclusively for Fairfax and no one else in connection with the Offer and will not be responsible to anyone other than Fairfax for providing the protections afforded to clients of RBC Capital Markets nor for providing advice in relation to the Offer or any other matter referred to in this announcement.

J.P. Morgan Limited, which conducts its UK investment banking businesses as J.P. Morgan Cazenove (“J.P. Morgan Cazenove”), is authorised and regulated in the United Kingdom by the Financial Conduct Authority. J.P. Morgan Cazenove is acting as financial adviser exclusively for Brit and no one else in connection with the matters set out in this announcement and will not regard any other person as its client in relation to the matters in this announcement and will not be responsible to anyone other than Brit for providing the protections afforded to clients of J.P. Morgan Cazenove, nor for providing advice in relation to any matter referred to herein.

Numis Securities Limited (“Numis”), is authorised and regulated in the United Kingdom by the Financial Conduct Authority. Numis is acting as financial adviser and broker exclusively for Brit and no one else in connection with the matters set out in this announcement and will not regard any other person as its client in

relation to the matters in this announcement and will not be responsible to anyone other than Brit for providing the protections afforded to clients of Numis, nor for providing advice in relation to any matter referred to herein.

Willis Capital Markets & Advisory Limited (“Willis Capital Markets”) is authorised and regulated in the United Kingdom by the Financial Conduct Authority. Willis Capital Markets is acting as financial adviser exclusively for Brit and no one else in connection with the matters set out in this announcement and will not regard any other person as its client in relation to the matters in this announcement and will not be responsible to anyone other than Brit for providing the protections afforded to clients of Willis Capital Markets, nor for providing advice in relation to any matter referred to herein.

This announcement is for information purposes only and is not intended to, and does not, constitute or form part of any offer, invitation, inducement or the solicitation of an offer to purchase, otherwise acquire, subscribe for, sell or otherwise dispose of or exercise rights in respect of any securities, or the solicitation of any vote or approval of an offer to buy securities in any jurisdiction, pursuant to the Offer or otherwise. Any response in respect of the Offer should be made only on the basis of information contained in the Offer Document, which will contain the full terms and conditions of the Offer, including how the Offer may be accepted. Brit Shareholders are advised to read the formal documentation in relation to the Offer carefully once it has been despatched.

This announcement does not constitute a prospectus or prospectus-equivalent document.

This announcement has been prepared for the purpose of complying with English law, the Code and the Listing Rules of the Financial Conduct Authority and the information disclosed may not be the same as that which would have been disclosed if this announcement had been prepared in accordance with the laws of jurisdictions outside the United Kingdom.

### **Overseas jurisdictions**

The release, publication or distribution of this announcement in, and the availability of the Offer to persons who are residents, citizens or nationals of, jurisdictions other than the United Kingdom may be restricted by laws and/or regulations of those jurisdictions. Therefore, any persons who are subject to the laws and regulations of any jurisdiction other than the United Kingdom should inform themselves about and observe any applicable requirements in their jurisdiction. Any failure to comply with the applicable requirements may constitute a violation of the laws and/or regulations of any such jurisdiction.

In particular, copies of this announcement and any formal documentation relating to the Offer are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in or into or from any Restricted Jurisdiction and persons receiving such documents (including custodians, nominees and trustees) must not mail or otherwise forward, distribute or send it in or into or from any Restricted Jurisdiction. Unless otherwise permitted by applicable law and regulation, the Offer may not be made, directly or indirectly, in or into, or by the use of mails or any means or instrumentality (including, but not limited to, facsimile, e-mail or other electronic transmission, telex or telephone) of interstate or foreign commerce of, or of any facility of a national, state or other securities exchange of any Restricted Jurisdiction and the Offer may not be capable of acceptance by any such use, means, instrumentality or facilities.

The receipt of cash pursuant to the Offer by Brit Shareholders may be a taxable transaction under applicable national, state and local, as well as foreign and other tax laws. Each Brit Shareholder is urged to consult their independent professional adviser regarding the tax consequences of accepting the Offer.

### **Notice to US investors**

The Offer is being made for securities of a United Kingdom company and Brit Shareholders in the United States should be aware that this announcement, the Offer Document and any other documents relating to the Offer have been or will be prepared in accordance with the Code and UK disclosure requirements, format and style, all of which differ from those in the United States. Brit’s financial statements, and all financial information that is included in this announcement or that may be included in the Offer Document, or any

other documents relating to the Offer, have been or will be prepared in accordance with International Financial Reporting Standards and may not be comparable to financial statements of companies in the United States or other companies whose financial statements are prepared in accordance with US generally accepted accounting principles.

The Offer will be made in the United States pursuant to applicable US tender offer rules and securities laws (or pursuant to exemptive relief therefrom granted by the United States Securities and Exchange Commission (the “SEC”)) and otherwise in accordance with the requirements of English law, the Code, the Panel, the London Stock Exchange and the Financial Conduct Authority. Accordingly, the Offer will be subject to disclosure and other procedural requirements, including with respect to withdrawal rights, offer timetable, settlement procedures and timing of payments that are different from those applicable under United States domestic tender offer procedures and law.

Neither the SEC nor any US state securities commission has approved or disapproved the Offer or passed upon the adequacy or completeness of this Announcement or the Offer Document. It may be difficult for US holders of Brit securities to enforce their rights under and any claim arising out of the US federal securities laws, since Fairfax, FGL and Brit are located outside of the United States, and some or all of their officers and directors may be resident outside of the United States.

In accordance with, and to the extent permitted by, the Code, normal UK market practice and Rule 14e-5 under the United States Securities Exchange Act of 1934, as amended (the “Exchange Act”), RBC Capital Markets and J.P. Morgan Cazenove and their affiliates may continue to act as exempt principal traders in Brit Shares on the London Stock Exchange and will engage in certain other purchasing activities consistent with their respective normal and usual practice and applicable law, including Rule 14e-5 under the Exchange Act. To the extent required to be disclosed in accordance with applicable regulatory requirements, information about any such purchases will be disclosed on a next day basis to the Panel and will be available from any Regulatory Information Service, including the Regulatory News Service on the London Stock Exchange website, [www.londonstockexchange.com](http://www.londonstockexchange.com). To the extent that such information is required to be publicly disclosed in the United Kingdom in accordance with applicable regulatory requirements, this information will as applicable also be publicly disclosed in the United States.

### **Forward Looking Statements**

This announcement contains statements which are, or may be deemed to be, “forward-looking statements” which are prospective in nature. All statements other than statements of historical fact may be forward-looking statements. They are based on current expectations and projections about future events, and are therefore subject to risks and uncertainties which could cause actual results to differ materially from the future results expressed or implied by the forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of forward-looking words such as “plans”, “expects”, “is expected”, “is subject to”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates”, “believes”, “targets”, “aims”, “projects” or words or terms of similar substance or the negative thereof, as well as variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “should”, “would”, “might” or “will” be taken, occur or be achieved. Such statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations.

Such forward-looking statements involve risks and uncertainties that could significantly affect expected results and are based on certain key assumptions. Many factors could cause actual results to differ materially from those projected or implied in any forward-looking statements. Due to such uncertainties and risks, readers are cautioned not to place undue reliance on such forward-looking statements, which speak only as of the date of this announcement. Any forward-looking statements made in this announcement on behalf of Fairfax, FGL or Brit are made as of the date of this announcement based on the opinions and estimates of directors of Fairfax, FGL and Brit, respectively. Each of Fairfax, FGL and Brit and their respective members, directors, officers, employees, advisers and any person acting on behalf of one or more of them, expressly disclaims any intention or obligation to update or revise any forward-looking or other

statements contained in this announcement, whether as a result of new information, future events or otherwise, except as required by applicable law. Neither Fairfax, FGL, Brit or their respective members, directors, officers or employees, advisers or any person acting on their behalf, provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this announcement will actually occur.

No forward-looking or other statements have been reviewed by the auditors of Fairfax, FGL or Brit. All subsequent oral or written forward-looking statements attributable to Fairfax, or its members, directors, officers, advisers or employees or any person acting on their behalf are expressly qualified in their entirety by the cautionary statement above.

#### **No profit forecasts or estimates**

Nothing in this announcement is intended or shall be deemed to be a forecast, projection or estimate of the future financial performance of Fairfax, FGL or Brit and no statement in this announcement should be interpreted to mean that earnings or earnings per share of those persons (where relevant) for the current or future financial years would necessarily match or exceed the historical published earnings or earnings per share of those persons (where relevant).

#### **Disclosure requirements of the Code**

Under Rule 8.3(a) of the Code, any person who is interested in 1 per cent. or more of any class of relevant securities of an offeree company or of any securities exchange offeror (being any offeror other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in cash) must make an Opening Position Disclosure following the commencement of the offer period and, if later, following the announcement in which any securities exchange offeror is first identified. An Opening Position Disclosure must contain details of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s). An Opening Position Disclosure by a person to whom Rule 8.3(a) applies must be made by no later than 3:30 pm (London time) on the 10<sup>th</sup> business day following the commencement of the offer period and, if appropriate, by no later than 3:30 pm (London time) on the 10<sup>th</sup> business day following the announcement in which any securities exchange offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a securities exchange offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.

Under Rule 8.3(b) of the Code, any person who is, or becomes, interested in 1 per cent. or more of any class of relevant securities of the offeree company or of any securities exchange offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of any securities exchange offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror, save to the extent that these details have previously been disclosed under Rule 8. A Dealing Disclosure by a person to whom Rule 8.3(b) applies must be made by no later than 3.30 pm (London time) on the business day following the date of the relevant dealing.

If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a securities exchange offeror, they will be deemed to be a single person for the purpose of Rule 8.3.

Opening Position Disclosures must also be made by the offeree company and by any offeror and Dealing Disclosures must also be made by the offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4). Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures must be made can be found in the Disclosure Table on the Takeover Panel's website at [www.thetakeoverpanel.org.uk](http://www.thetakeoverpanel.org.uk), including details of the number of relevant securities in issue, when the offer period commenced and when any offeror was first identified. You should contact the Panel's Market Surveillance Unit on +44 (0)20 7638 0129 if you are

in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure.

**Information relating to Brit Shareholders**

Please be aware that addresses, electronic addresses and certain other information provided by Brit Shareholders, persons with information rights and other relevant persons for the receipt of communications from Brit may be provided to Fairfax during the offer period as required under Section 4 of Appendix 4 of the Code to comply with Rule 2.12(c) of the Code.

**Publication on Website**

This announcement and the display documents required to be published pursuant to Rule 26.1 of the Code will be made available, free of charge and subject to certain restrictions relating to persons in Restricted Jurisdictions, on Fairfax's website at [www.fairfax.ca/britoffer](http://www.fairfax.ca/britoffer) and on Brit's website at [www.britinsurance.com](http://www.britinsurance.com) by no later than 12 noon (London time) on the Business Day following the date of this announcement. For the avoidance of doubt, the content of such website is not incorporated into, and does not form part of, this announcement.

**NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION IN WHOLE OR IN PART IN, INTO OR FROM ANY JURISDICTION WHERE TO DO SO WOULD CONSTITUTE A VIOLATION OF THE RELEVANT LAWS OF SUCH JURISDICTION**

**FOR IMMEDIATE RELEASE**

17 February 2015

**RECOMMENDED CASH OFFER**

for

**Brit plc (“Brit”)**

by

**FFHL Group Ltd. (“FGL”)**

**an entity wholly-owned by Fairfax Financial Holdings Limited (“Fairfax”)**

**1. Introduction**

The Boards of Fairfax and Brit are pleased to announce that they have reached agreement on the terms of a recommended cash offer for the acquisition of the entire issued and to be issued ordinary share capital of Brit by Fairfax, such offer to be made by FGL, an entity wholly-owned by Fairfax (the “Offer”). Under the terms of the Offer, Brit Shareholders will be entitled to receive 305 pence in cash per Brit Share.

It is Fairfax’s current intention that the Offer, which values the entire issued and to be issued ordinary share capital of Brit at approximately £1.22 billion, will be financed by Fairfax’s existing resources. However, for cash confirmation purposes, Fairfax and FGL have obtained financing pursuant to a commitment letter provided by the Bank of Montreal for the full amount of the consideration required.

**2. The Offer**

Under the terms of the Offer, which shall be subject to the conditions and further terms set out in Appendix I to this announcement and to be set out in the Offer Document, Brit Shareholders shall be entitled to receive:

**For each Brit Share:** **305 pence in cash** (the “**Brit Offer Price**”), comprising:  
**280 pence in cash** (the “**Cash Amount**”)  
and  
the expected 2014 Final Dividend payable by Brit of **25 pence in cash** to Brit Shareholders on the relevant record date

The Brit Offer Price represents a premium of approximately:

- 20.2 per cent. to the six-month volume weighted average closing price of 253.8 pence per Brit Share as of close of business on 16 February 2015;

- 11.2 per cent. to the closing price of 274.2 pence per Brit Share on 16 February 2015; and
- 27.1 per cent. to the offer price of 240.0 pence per Brit Share set at its initial public offering on 28 March 2014.

The Brit Offer Price implies a price to net tangible assets multiple of 1.73x based on Brit's net tangible assets of £704.4 million as at 30 June 2014.

The 2014 Final Dividend is expected to be announced with the publication of Brit's preliminary results on 25 February 2015. To the extent the 2014 Final Dividend declared by Brit is greater or less than 25 pence per Brit Share, the Cash Amount shall be adjusted by an amount equal to the difference between 25 pence and the amount of the 2014 Final Dividend payable in respect of each Brit Share such that the total amount payable to accepting Brit Shareholders in respect of each Brit Share under the Offer, when aggregated with the 2014 Final Dividend payable to Brit Shareholders by Brit, shall be the Brit Offer Price. If the 2014 Final Dividend is not declared, or is declared and cancelled prior to being paid, the Cash Amount shall be increased by 25 pence. The relevant record date for the 2014 Final Dividend will be announced when such dividend is declared. Brit Shareholders who have acquired their Brit Shares after the relevant record date for the 2014 Final Dividend will not receive the 2014 Final Dividend from Brit, and therefore the total amount received by accepting Brit Shareholders who acquire their Brit Shares after such record date shall be the Cash Amount.

In addition, in the event that the Offer has not become or been declared unconditional in all respects at or prior to 1:00 p.m. on 30 June 2015, Brit shall (if lawful) declare an interim dividend of 6.25 pence per Brit Share in favour of holders of Brit Shares on the register on 30 June 2015 (the "**First Interim Dividend**"), such First Interim Dividend to be paid by no later than 7 July 2015, irrespective of whether or not the Offer subsequently becomes or is declared unconditional in all respects. Brit Shareholders who have acquired their Brit Shares after 30 June 2015 would not receive the First Interim Dividend from Brit.

In the event that (i) the Offer has not become or been declared unconditional in all respects at or prior to 1:00 p.m. on 30 September 2015 and (ii) the Offer does not lapse at such time, Brit shall (if lawful) declare a further interim dividend of 6.25 pence per Brit Share in favour of holders of Brit Shares on the register on 30 September 2015 (the "**Second Interim Dividend**"), such dividend to be paid not later than 7 October 2015, irrespective of whether or not the Offer subsequently becomes or is declared unconditional in all respects. Brit Shareholders who have acquired their Brit Shares after 30 September 2015 would not receive the Second Interim Dividend from Brit.

The declaration and payment of the First Interim Dividend or the Second Interim Dividend will have no impact on the Brit Offer Price unless the First Interim Dividend or the Second Interim Dividend exceeds 6.25 pence per Brit Share, in which case the Cash Amount, and therefore the Brit Offer Price, will be reduced by the excess amount per Brit Share.

If FGL receives acceptances under the Offer in respect of, and/or otherwise acquires, 75 per cent. or more of the voting rights in the Brit Shares and assuming that all of the other conditions of the Offer have been satisfied or waived (if capable of being waived), then Fairfax will seek to delist Brit from the main market of the London Stock Exchange and may convert Brit into a private limited company.

### 3. Background to and reasons for the Offer

Brit's position as a market-leading global specialty insurer and reinsurer, its major presence in Lloyd's and its disciplined approach to underwriting make it a natural candidate to join Fairfax's expanding European operations and global specialty insurance platform. Brit's growing US and international reach are also highly complementary to Fairfax's existing worldwide operations and will allow Fairfax to further diversify its risk portfolio. In addition, Brit will be able to leverage Fairfax's existing expertise in the US and international insurance and reinsurance markets, thus enhancing Brit's global product offering and providing it with expanded underwriting opportunities and support.

#### **4. Recommendation by Brit Directors**

The Brit Directors, who have been so advised by J.P. Morgan Cazenove, consider the financial terms of the Offer to be fair and reasonable. In providing its advice to the Brit Directors, J.P. Morgan Cazenove has taken into account the commercial assessments of the Brit Directors.

The Brit Directors intend unanimously to recommend that Brit Shareholders accept the Offer, as Richard Ward, Mark Cloutier and Hans-Peter Gerhardt, being the Brit Directors who hold Brit Shares, have irrevocably undertaken to do in respect of their own beneficial holdings of 1,387,120 Brit Shares representing, in aggregate, approximately 0.35 per cent. of the ordinary share capital of Brit in issue on 16 February 2015.

Further details of these irrevocable undertakings are set out in Appendix III.

#### **5. Background to and reasons for the Brit Directors' recommendation**

Brit is a market-leading global specialty insurer and reinsurer, with a major presence in Lloyd's of London and a growing US and international presence. Following a transformation and simplification process commencing in 2009, which included a rigorous re-underwriting of the core syndicate business alongside disposals of non-core operations, Brit has made outstanding progress in delivering attractive underwriting returns and capitalising on profitable growth opportunities. Since its IPO in April 2014, Brit has delivered attractive financial returns for its shareholders and the Brit Offer Price represents a total return to investors since the IPO of 29.7 per cent, including the interim dividend of 6.25 pence declared on 13 August 2014.

While Brit has made meaningful strategic and financial progress as a standalone company, the current environment presents challenges for non-life and reinsurers globally. More specifically, insurance businesses have been impacted by the prolonged low interest rate environment and a softening of premium rates due to increased competitive pressures and continued surplus underwriting capacity across insurance and reinsurance markets. This trend is expected to continue and to lead to declining financial returns and more muted future growth prospects across the industry.

While the Brit Directors believe that Brit's present strategy and business model are capable of delivering growth and sustained profitability going forward, Brit faces the aforementioned industry challenges in the near term. The Brit Directors believe the terms of the Offer provide Brit's Shareholders with an immediate and certain value which represents an attractive premium upfront compared to Brit's net tangible assets and share price.

The Brit Directors have also considered the terms of the Proposed Acquisition in relation to the value of Brit as a standalone company and believe the Proposed Acquisition recognises Brit's long term



prospects and growth potential, taking into account the dynamics of the global market and competitive landscape in which Brit operates.

In light of the Brit Offer Price, the Board of Brit believes that the Offer presents an attractive exit for Brit Shareholders that would allow them to realise their investment in cash at a premium. As part of their evaluation of the attractiveness of the offer, the Brit Directors also recognise Brit's ownership structure and the irrevocable undertakings to accept the Offer from Brit's majority shareholders, the Apollo Shareholders and the CVC Shareholders, together representing 73.3 per cent of the ordinary share capital of Brit in issue on 16 February 2015. As such, the Brit Directors note that shareholders who do not accept the Proposed Acquisition may become minority shareholders in an unlisted company.

Furthermore, the Brit Directors believe Brit, its employees, brokers, clients and other stakeholders would greatly benefit from ownership by Fairfax given their global scale and financial resources to support future development of the business, whilst allowing Brit to continue to exist in name, culture and team under the umbrella of the Fairfax Group.

Following careful consideration of the above factors, the Brit Directors, as set out in paragraph 4 above, intend unanimously to recommend that Brit Shareholders accept the Offer, as Mark Cloutier, Hans-Peter Gerhardt and Richard Ward, being the Brit Directors who hold Brit Shares, have each irrevocably undertaken to do so in respect of their entire respective beneficial holdings of Brit Shares.

#### **6. Information on Fairfax and FGL**

Fairfax is a financial services holding company which, through its subsidiaries, is engaged in property and casualty insurance and reinsurance and investment management. Fairfax was founded in 1985 by the present Chairman and Chief Executive Officer, Prem Watsa. Fairfax has been under present management since 1985 and is headquartered in Toronto, Canada. Its common shares are listed on the Toronto Stock Exchange under the symbol FFH and in U.S. dollars under the symbol FFH.U.

For the six months ended 31 December 2014, Fairfax reported profit before tax of US\$ 695.4 million. For the twelve months ended 31 December 2014, Fairfax reported profit before tax of US\$ 2,337.9 million, and as at 31 December 2014 had total assets of US\$ 36,131.2 million.

FGL is a wholly-owned subsidiary of Fairfax incorporated in Ontario, Canada.

#### **7. Information relating to Brit**

Brit is a leading global specialty insurer and reinsurer, underwriting policies in the Lloyd's market across a broad range of commercial insurance and reinsurance classes with a strong focus on Property, Casualty and Energy business. Having streamlined its business in recent years, the Group's underwriting is now focused on the Syndicate, which is one of the largest syndicates at Lloyd's (based on total owned underwriting capacity). The Syndicate is "aligned" (i.e. its sole Lloyd's member, Brit UW, and its managing agent, BSL, are both in the same corporate group) and benefits from the strong financial strength ratings assigned to Lloyd's. The focus on the Lloyd's platform also affords the Group significant capital and expense efficiencies which alongside its disciplined underwriting approach have enabled Brit to generate attractive returns in recent years.

In H1 2014, the Brit Group generated GWP of £701.2 million (2013 FY: £1,185.7 million) and profit before tax, FX and IPO costs of £96.0 million (2013 FY: £167.6 million).

The Brit Group writes a diverse mix of specialty insurance and reinsurance business with a focus on direct insurance where the Group's experienced underwriting teams provide specialist, complex products and support to clients globally. In H1 2014, direct insurance accounted for 74 per cent. of the Group's GWP, with the remainder of the GWP composed of an attractive book of property and casualty reinsurance. The Group's business is also diversified geographically and since 2009 the Group has expanded its distribution reach internationally with the development of a local service company footprint which has generated efficient and profitable growth for the Group across the Americas, Bermuda and Asia.

#### **8. Management and employees**

Fairfax recognises the success of the Chairman, Dr Richard Ward, and CEO, Mark Cloutier, of Brit, and the Brit senior management team in creating significant value in a relatively short period of time. Fairfax is fully supportive of the management's current business plan and strategy and intends to retain Mark Cloutier and as much of the existing key management team as possible.

Following the Offer becoming or being declared unconditional in all respects, Fairfax intend to ensure that the existing employment rights, including pensions rights, of the management and employees of Brit will be safeguarded. Fairfax's current plans for Brit do not involve any material changes to the conditions of employment of Brit employees.

#### **9. Brit Share Schemes**

The Offer shall extend to any Brit Shares which are unconditionally allotted or issued under the Brit Share Schemes before the date on which the Offer closes.

If the Offer becomes unconditional, Fairfax intends to make appropriate proposals to participants in the Brit Share Schemes.

Participants in the Brit Share Schemes will be contacted regarding the effect of the Offer on their rights under these schemes and provided with further details concerning the proposals which will be made to them in due course. Details of the proposals will be set out in the Offer Document and in separate letters to be sent to participants in the share schemes.

#### **10. Financing arrangements**

It is Fairfax's current intention that the Offer will be financed by Fairfax's existing resources. However, for cash confirmation purposes, Fairfax and FGL have obtained a commitment letter from the Bank of Montreal for the full amount of the consideration required.

RBC Capital Markets, financial adviser to Fairfax, is satisfied that resources available to Fairfax are sufficient to satisfy in full the cash consideration payable to Brit Shareholders under the terms of the Offer.

#### **11. Irrevocable undertakings**

Fairfax has received irrevocable undertakings from the Apollo Shareholders to accept the Offer in respect of aggregate holdings of 158,999,085 Brit Shares, representing approximately 39.7 per cent. of the ordinary share capital of Brit in issue at close of business, London time, on 16 February 2015.

Fairfax has received irrevocable undertakings from the CVC Shareholders to accept the Offer in respect of aggregate holdings of 134,567,032 Brit Shares, representing approximately 33.6 per cent. of the ordinary share capital of Brit in issue at close of business, London time, on 16 February 2015.

Fairfax has also received irrevocable undertakings from Mark Cloutier, Hans-Peter Gerhardt and Richard Ward, being the Brit Directors who hold Brit Shares, to accept the Offer in respect of aggregate holdings of 1,387,120 Brit Shares, representing approximately 0.35 per cent. of the ordinary share capital of Brit in issue at close of business, London time, on 16 February 2015.

Therefore, in total, Fairfax has received irrevocable undertakings to accept the Offer in respect of aggregate holdings of 294,953,237 Brit Shares, which represent approximately 73.7 per cent. of the ordinary share capital of Brit in issue on 16 February 2015.

Further details of these irrevocable undertakings are set out in Appendix III.

## **12. Conditions to the Offer**

The following is a summary of the conditions to the Offer. The detailed conditions (and the extent to which any of these are capable of being waived at the sole discretion of FGL) are set out in Appendix I:

- acceptances received of not less than 70 per cent. of the Brit Shares to which the Offer relates;
- the approval of the UK Prudential Regulation Authority;
- the approval of Lloyd's;
- the approval of the Financial Services Commission of Gibraltar;
- satisfaction of clearance under applicable antitrust regulation (including Hart-Scott Rodino and EU merger clearance); and
- fulfilment of those other conditions listed in Appendix I to this announcement.

## **13. Structure of the Offer and Offer Document**

FGL plans to effect the Proposed Acquisition by way of takeover offer under section 974 of the Companies Act and the Code.

The Brit Shares shall be acquired under the Offer fully paid and free from all liens, charges, equitable interests, encumbrances, rights of pre-emption and any other rights and interests of any nature whatsoever and together with all rights now and hereafter attaching thereto, including voting rights and the right to receive and retain in full all dividends and other distributions (if any) declared, made or paid on or after the date of this announcement, save for the 2014 Final Dividend and, if paid, the First Interim Dividend and the Second Interim Dividend.

The Offer Document and the Form of Acceptance accompanying the Offer Document will be published (save with the consent of the Panel) within 28 days of this announcement. The Offer Document and accompanying Form of Acceptance will be made available to all Brit Shareholders at no charge to them. Brit Shareholders are urged to read the Offer Document and the accompanying Form of Acceptance when they are sent to them because they will contain important information.

As described above, the Apollo Shareholders and CVC Shareholders have given irrevocable undertakings to accept the Offer in respect of, in aggregate, approximately 73.3 per cent. of the

ordinary share capital of Brit, as soon as reasonably practicable and in any event within five Business Days following the posting of the Offer Document (and not to withdraw their acceptances for as long as the Offer remains open for acceptance). The acceptances of the Offer by the Apollo Shareholders and the CVC Shareholders pursuant to such undertakings will be sufficient to satisfy the Acceptance Condition. It is therefore expected that the Acceptance Condition will be satisfied on or prior to such date and, upon acceptance of the Offer by the Apollo Shareholders and CVC Shareholders, Fairfax will make an announcement to confirm that the Acceptance Condition has been satisfied.

In light of this, Fairfax and Brit have agreed with the Panel, and Fairfax has agreed with the Apollo Shareholders, the CVC Shareholders and Brit, that: (i) the last day for satisfaction or waiver of the Conditions shall be extended, in accordance with Rule 31.7 of the Code, to 30 September 2015 (and that such date may not be further extended, other than with the agreement of Fairfax, Brit, the Apollo Shareholders and the CVC Shareholders, as well as the consent of the Panel); (ii) without prejudice to (i) above, the Offer shall remain open for acceptance until the later of (a) the date falling 20 Business Days following the posting of the Offer Document and (b) a date falling no less than 14 days following the Offer becoming or being declared unconditional in all respects; and (iii) subject, in respect of the Apollo Shareholders and CVC Shareholders, to the irrevocable undertakings described more fully below, Brit Shareholders who have accepted the Offer shall be entitled to withdraw their acceptances until the Offer has become or is declared unconditional in all respects.

The Apollo Shareholders and the CVC Shareholders have agreed with Fairfax that they will not withdraw their acceptances for as long as the Offer remains open for acceptance (irrespective of whether this post-dates 30 September 2015).

The irrevocable undertakings of the Apollo Shareholders and the CVC Shareholders to accept the Offer and not withdraw their acceptances will lapse if:

- (a) the Offer Document is not published within 28 days after the date of this announcement (or such later date as Fairfax, Brit, the Apollo Shareholders and the CVC Shareholders may agree and the Panel may allow); or
- (b) the Offer, once made, lapses or is withdrawn.

Fairfax has also agreed with the Apollo Shareholders and the CVC Shareholders that:

- (i) FGL will not invoke non-fulfilment of any Condition to lapse the Offer prior to 1:00 p.m. on 30 September 2015;
- (ii) to the extent that any Condition (other than the Conditions in paragraphs 1(b), (c), (d), (f), (g) or (h) of Appendix I) has not been fulfilled or waived before 1:00 p.m. on 30 September 2015, FGL will waive all Conditions which have not been fulfilled or waived prior to such time unless the failure to fulfil any such Condition has occurred as a result of a change of law which has led to circumstances which are, in the opinion of the Panel, of such material significance in the context of the Offer (within the meaning of Rule 13 of the Code) as to permit FGL to invoke the relevant Condition;
- (iii) FGL will announce that the Acceptance Condition has been fulfilled no later than 5:00 p.m. on the Business Day following the date on which the Apollo Shareholders and the CVC Shareholders have accepted the Offer;

- (iv) FGL will not seek to bring forward the last time and date for fulfilment or waiver of any of the Conditions other than the Acceptance Condition to a time and date which is earlier than 1:00 p.m. on 30 September 2015 unless it announces at the same time that it has waived or is treating as fulfilled all of the Conditions as of such earlier time and date; and
- (v) FGL will not seek to extend the last time and date for fulfilment or waiver of any of the Conditions other than the Acceptance Condition to a time and date which is later than 1:00 p.m. on 30 September 2015,

other than:

- (A) in the case of each of (i) to (v) above inclusive, with the prior written approval of the Apollo Shareholders and the CVC Shareholders; or
- (B) in the case of each of (i), (ii), (iv) and (v) above, for so long as the Apollo Shareholders and the CVC Shareholders have not accepted the Offer when required to do so under their irrevocable undertaking.

An indicative timetable setting out the expected dates for implementation of the Offer will be included in the Offer Document.

#### **14. Opening Position Disclosure**

Neither Fairfax, FGL, nor any persons acting in concert with it hold any interests in Brit. An Opening Position Disclosure will be made to this effect setting out details required to be disclosed under Rule 8.1(a) of the Code.

#### **15. Offer related Arrangements**

##### *Confidentiality agreement*

On 5 February 2015, Fairfax and Brit entered into a confidentiality agreement in a customary form in relation to the Offer, pursuant to which they each undertook, subject to certain exceptions, to keep information relating to one another confidential and to not disclose it to third parties. Unless terminated earlier, the confidentiality obligations will remain in force for two years from the date of the agreement.

##### *Co-operation Agreement*

On 16 February 2015, Fairfax and Brit entered into the Co-operation Agreement.

The Co-operation Agreement clarifies the intentions of the parties towards the existing share schemes of Brit. Fairfax and Brit agree that Brit may, following announcement of its results for the year ended 31 December 2014, grant awards over shares in Brit, up to certain thresholds, under and in accordance with the rules of its long term incentive plan and deferred share plan. Participants in the Brit all employee share plan will in accordance with the trust deed and rules of the plan and applicable legislation, be entitled to participate in the Offer on the same terms as other Brit Shareholders. Awards under international incentive plans will vest in accordance with their respective rules.

The Co-operation Agreement also includes an acknowledgement from Fairfax that each of the 2014 Final Dividend, the First Interim Dividend and the Second Interim Dividend shall be permitted on the

terms of this announcement. The Co-operation Agreement also includes undertakings by the parties to co-operate to satisfy certain Conditions.

#### **16. Compulsory acquisition**

If FGL receives acceptances under the Offer in respect of, and/or otherwise acquires, 90 per cent. or more of the Brit Shares by nominal value and voting rights attaching to such shares to which the Offer relates and assuming that all of the other conditions of the Offer have been satisfied or waived (if capable of being waived), FGL may exercise its rights pursuant to the provisions of Chapter 3 of Part 28 of the Companies Act to acquire compulsorily the remaining Brit Shares in respect of which the Offer has not been accepted on the same terms as the Offer.

#### **17. Delisting and cancellation of trading and re-registration**

If the Offer becomes or is declared unconditional in all respects and FGL has, by virtue of its shareholdings and acceptances of the Offer, acquired Brit Shares carrying 75 per cent. or more of the voting rights of Brit, Fairfax intends to apply to the London Stock Exchange and the FCA will be requested respectively to cancel trading in Brit Shares on the London Stock Exchange's market for listed securities and the listing of the Brit Shares from the Official List. It is anticipated that the cancellation of Brit's listing on the Official List and admission to trading on the London Stock Exchange's market for listed securities will take effect no earlier than 20 Business Days following the date on which the Offer becomes or is declared unconditional in all respects, provided FGL has, by virtue of its shareholdings and acceptances of the Offer, acquired Brit Shares carrying 75 per cent. or more of the voting rights of Brit.

It is Fairfax's intention that, following a delisting, Brit will be re-registered as a private limited company. Delisting and re-registration would significantly reduce the liquidity and marketability of any Brit Shares in respect of which the Offer has not been accepted at that time.

#### **18. Offer website**

The following documents will be published on Fairfax's website ([www.fairfax.ca/britoffer](http://www.fairfax.ca/britoffer)) and Brit's website ([www.britinsurance.com](http://www.britinsurance.com)) in accordance with Rule 26.1 and 26.2 of the Code:

- the irrevocable undertakings summarised in Appendix III to this announcement;
- the commitment letter with the Bank of Montreal;
- the Confidentiality Agreement;
- the Co-operation Agreement; and
- the articles and by-laws of FGL.

#### **Enquiries:**

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**Further Information**

RBC Europe Limited (trading as RBC Capital Markets), which is authorised by the Prudential Regulation Authority and regulated in the United Kingdom by the Financial Conduct Authority and the Prudential Regulation Authority, is acting exclusively for Fairfax and no one else in connection with the Offer and will not be responsible to anyone other than Fairfax for providing the protections afforded to clients of RBC Capital Markets nor for providing advice in relation to the Offer or any other matter referred to in this announcement.

J.P. Morgan Limited, which conducts its UK investment banking businesses as J.P. Morgan Cazenove (“J.P. Morgan Cazenove”), is authorised and regulated in the United Kingdom by the Financial Conduct Authority. J.P. Morgan Cazenove is acting as financial adviser exclusively for Brit and no one else in connection with the matters set out in this announcement and will not regard any other person as its client in relation to the

matters in this announcement and will not be responsible to anyone other than Brit for providing the protections afforded to clients of J.P. Morgan Cazenove, nor for providing advice in relation to any matter referred to herein.

Numis Securities Limited (“Numis”), is authorised and regulated in the United Kingdom by the Financial Conduct Authority. Numis is acting as financial adviser and broker exclusively for Brit and no one else in connection with the matters set out in this announcement and will not regard any other person as its client in relation to the matters in this announcement and will not be responsible to anyone other than Brit for providing the protections afforded to clients of Numis, nor for providing advice in relation to any matter referred to herein.

Willis Capital Markets & Advisory Limited (“Willis Capital Markets”) is authorised and regulated in the United Kingdom by the Financial Conduct Authority. Willis Capital Markets is acting as financial adviser exclusively for Brit and no one else in connection with the matters set out in this announcement and will not regard any other person as its client in relation to the matters in this announcement and will not be responsible to anyone other than Brit for providing the protections afforded to clients of Willis Capital Markets, nor for providing advice in relation to any matter referred to herein.

This announcement is for information purposes only and is not intended to, and does not, constitute or form part of any offer, invitation, inducement or the solicitation of an offer to purchase, otherwise acquire, subscribe for, sell or otherwise dispose of or exercise rights in respect of any securities, or the solicitation of any vote or approval of an offer to buy securities in any jurisdiction, pursuant to the Offer or otherwise. Any response in respect of the Offer should be made only on the basis of information contained in the Offer Document, which will contain the full terms and conditions of the Offer, including how the Offer may be accepted. Brit Shareholders are advised to read the formal documentation in relation to the Offer carefully once it has been despatched.

This announcement does not constitute a prospectus or prospectus-equivalent document.

This announcement has been prepared for the purpose of complying with English law, the Code and the Listing Rules of the Financial Conduct Authority and the information disclosed may not be the same as that which would have been disclosed if this announcement had been prepared in accordance with the laws of jurisdictions outside the United Kingdom.

### **Overseas jurisdictions**

The release, publication or distribution of this announcement in, and the availability of the Offer to persons who are residents, citizens or nationals of, jurisdictions other than the United Kingdom may be restricted by laws and/or regulations of those jurisdictions. Therefore, any persons who are subject to the laws and regulations of any jurisdiction other than the United Kingdom should inform themselves about and observe any applicable requirements in their jurisdiction. Any failure to comply with the applicable requirements may constitute a violation of the laws and/or regulations of any such jurisdiction.

In particular, copies of this announcement and any formal documentation relating to the Offer are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in or into or from any Restricted Jurisdiction and persons receiving such documents (including custodians, nominees and trustees) must not mail or otherwise forward, distribute or send it in or into or from any Restricted Jurisdiction. Unless otherwise permitted by applicable law and regulation, the Offer may not be made, directly or indirectly, in or into, or by the use of mails or any means or instrumentality (including, but not limited to, facsimile, e-mail or other electronic transmission, telex or telephone) of interstate or foreign commerce of, or of any facility of a national, state or other securities exchange of any Restricted Jurisdiction and the Offer may not be capable of acceptance by any such use, means, instrumentality or facilities.

The receipt of cash pursuant to the Offer by Brit Shareholders may be a taxable transaction under applicable national, state and local, as well as foreign and other tax laws. Each Brit Shareholder is urged to consult their independent professional adviser regarding the tax consequences of accepting the Offer.



### **Notice to US investors**

The Offer is being made for securities of a United Kingdom company and Brit Shareholders in the United States should be aware that this announcement, the Offer Document and any other documents relating to the Offer have been or will be prepared in accordance with the Code and UK disclosure requirements, format and style, all of which differ from those in the United States. Brit's financial statements, and all financial information that is included in this announcement or that may be included in the Offer Document, or any other documents relating to the Offer, have been or will be prepared in accordance with International Financial Reporting Standards and may not be comparable to financial statements of companies in the United States or other companies whose financial statements are prepared in accordance with US generally accepted accounting principles.

The Offer will be made in the United States pursuant to applicable US tender offer rules and securities laws (or pursuant to exemptive relief therefrom granted by the United States Securities and Exchange Commission (the "SEC")) and otherwise in accordance with the requirements of English law, the Code, the Panel, the London Stock Exchange and the Financial Conduct Authority. Accordingly, the Offer will be subject to disclosure and other procedural requirements, including with respect to withdrawal rights, offer timetable, settlement procedures and timing of payments that are different from those applicable under United States domestic tender offer procedures and law.

Neither the SEC nor any US state securities commission has approved or disapproved the Offer or passed upon the adequacy or completeness of this Announcement or the Offer Document. It may be difficult for US holders of Brit securities to enforce their rights under and any claim arising out of the US federal securities laws, since Fairfax and Brit are located outside of the United States, and some or all of their officers and directors may be resident outside of the United States.

In accordance with, and to the extent permitted by, the Code, normal UK market practice and Rule 14e-5 under the United States Securities Exchange Act of 1934, as amended (the "Exchange Act"), RBC Capital Markets and J.P. Morgan Cazenove and their affiliates may continue to act as exempt principal traders in Brit Shares on the London Stock Exchange and will engage in certain other purchasing activities consistent with their respective normal and usual practice and applicable law, including Rule 14e-5 under the Exchange Act. To the extent required to be disclosed in accordance with applicable regulatory requirements, information about any such purchases will be disclosed on a next day basis to the Panel and will be available from any Regulatory Information Service, including the Regulatory News Service on the London Stock Exchange website, [www.londonstockexchange.com](http://www.londonstockexchange.com). To the extent that such information is required to be publicly disclosed in the United Kingdom in accordance with applicable regulatory requirements, this information will as applicable also be publicly disclosed in the United States.

### **Forward Looking Statements**

This announcement contains statements which are, or may be deemed to be, "forward-looking statements" which are prospective in nature. All statements other than statements of historical fact may be forward-looking statements. They are based on current expectations and projections about future events, and are therefore subject to risks and uncertainties which could cause actual results to differ materially from the future results expressed or implied by the forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of forward-looking words such as "plans", "expects", "is expected", "is subject to", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", "believes", "targets", "aims", "projects" or words or terms of similar substance or the negative thereof, as well as variations of such words and phrases or statements that certain actions, events or results "may", "could", "should", "would", "might" or "will" be taken, occur or be achieved. Such statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations.

Such forward-looking statements involve risks and uncertainties that could significantly affect expected results and are based on certain key assumptions. Many factors could cause actual results to differ materially from those projected or implied in any forward-looking statements. Due to such uncertainties and

risks, readers are cautioned not to place undue reliance on such forward-looking statements, which speak only as of the date of this announcement. Any forward-looking statements made in this announcement on behalf of Fairfax, FGL or Brit are made as of the date of this announcement based on the opinions and estimates of directors of Fairfax, FGL and Brit, respectively. Each of Fairfax, FGL and Brit and their respective members, directors, officers, employees, advisers and any person acting on behalf of one or more of them, expressly disclaims any intention or obligation to update or revise any forward-looking or other statements contained in this announcement, whether as a result of new information, future events or otherwise, except as required by applicable law. Neither Fairfax, FGL, Brit or their respective members, directors, officers or employees, advisers or any person acting on their behalf, provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this announcement will actually occur.

No forward-looking or other statements have been reviewed by the auditors of Fairfax, FGL or Brit. All subsequent oral or written forward-looking statements attributable to Fairfax, or its members, directors, officers, advisers or employees or any person acting on their behalf are expressly qualified in their entirety by the cautionary statement above.

#### **No profit forecasts or estimates**

Nothing in this announcement is intended or shall be deemed to be a forecast, projection or estimate of the future financial performance of Fairfax, FGL or Brit and no statement in this announcement should be interpreted to mean that earnings or earnings per share of those persons (where relevant) for the current or future financial years would necessarily match or exceed the historical published earnings or earnings per share of those persons (where relevant).

#### **Disclosure requirements of the Code**

Under Rule 8.3(a) of the Code, any person who is interested in 1 per cent. or more of any class of relevant securities of an offeree company or of any securities exchange offeror (being any offeror other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in cash) must make an Opening Position Disclosure following the commencement of the offer period and, if later, following the announcement in which any securities exchange offeror is first identified. An Opening Position Disclosure must contain details of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s). An Opening Position Disclosure by a person to whom Rule 8.3(a) applies must be made by no later than 3.30 pm (London time) on the 10<sup>th</sup> business day following the commencement of the offer period and, if appropriate, by no later than 3.30 pm (London time) on the 10<sup>th</sup> business day following the announcement in which any securities exchange offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a securities exchange offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.

Under Rule 8.3(b) of the Code, any person who is, or becomes, interested in 1 per cent. or more of any class of relevant securities of the offeree company or of any securities exchange offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of any securities exchange offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror, save to the extent that these details have previously been disclosed under Rule 8. A Dealing Disclosure by a person to whom Rule 8.3(b) applies must be made by no later than 3.30 pm (London time) on the business day following the date of the relevant dealing.

If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a securities exchange offeror, they will be deemed to be a single person for the purpose of Rule 8.3.

Opening Position Disclosures must also be made by the offeree company and by any offeror and Dealing Disclosures must also be made by the offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4). Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures must be made can be found in the Disclosure Table on the Takeover Panel's website at [www.thetakeoverpanel.org.uk](http://www.thetakeoverpanel.org.uk), including details of the number of relevant securities in issue, when the offer period commenced and when any offeror was first identified. You should contact the Panel's Market Surveillance Unit on +44 (0)20 7638 0129 if you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure.

#### **Information relating to Brit Shareholders**

Please be aware that addresses, electronic addresses and certain other information provided by Brit Shareholders, persons with information rights and other relevant persons for the receipt of communications from Brit may be provided to Fairfax during the offer period as required under Section 4 of Appendix 4 of the Code to comply with Rule 2.12(c) of the Code.

#### **Publication on Website**

This announcement and the display documents required to be published pursuant to Rule 26.1 of the Code will be made available, free of charge and subject to certain restrictions relating to persons in Restricted Jurisdictions, on Fairfax's website at [www.fairfax.ca/britoffer](http://www.fairfax.ca/britoffer) and Brit's website at [www.britinsurance.com](http://www.britinsurance.com) by no later than 12 noon (London time) on the Business Day following the date of this announcement. For the avoidance of doubt, the content of such website is not incorporated into, and does not form part of, this announcement.

**Appendix I**  
**Conditions and Further Terms of the Offer**

**1 Conditions of the Offer**

The Offer shall be subject to the following Conditions:

**Acceptance Condition**

- (a) valid acceptances of the Offer being received (and not, where permitted, withdrawn) by no later than 1.00 p.m. (London time) on the 20<sup>th</sup> Business Day following the date of publication of the Offer Document or the next following Business Day (or such later time(s) and/or date(s), falling no later than 1.00 pm on 30 September 2015, as FGL and Brit may agree) in respect of not less than 70 per cent. (or such lower percentage as FGL may, subject to the Code, decide) of the Brit Shares to which the Offer relates and of the voting rights attached to those shares, provided that this Condition shall not be satisfied unless FGL, together with its wholly owned subsidiaries (if any), shall have acquired or agreed to acquire (whether pursuant to the Offer or otherwise), Brit Shares which carry in aggregate more than 70 per cent. of the voting rights then normally exercisable at a general meeting of Brit, including for this purpose (except to the extent otherwise agreed by the Panel) any such voting rights attaching to Brit Shares that are unconditionally allotted or issued before the Offer becomes or is declared unconditional as to acceptances whether pursuant to the exercise of any outstanding subscription or conversion rights or otherwise.

For the purposes of this Condition:

- (i) Brit Shares which have been unconditionally allotted but not issued before the Offer becomes or is declared unconditional as to acceptances, whether pursuant to the exercise of any outstanding subscription or conversion rights or otherwise, shall be deemed to carry the voting rights they shall carry upon issue;
- (ii) the expression “**Brit Shares to which the Offer relates**” shall be construed in accordance with Chapter 3 of Part 28 of the Companies Act;
- (iii) Brit Shares (if any) that cease to be held in treasury before the Offer becomes or is declared unconditional as to acceptances are Brit Shares to which the Offer relates; and
- (iv) acquisitions of, or contracts to acquire, Brit Shares by Fairfax or by its associates to which sections 979(8) and (9) of the Companies Act apply shall be treated as valid acceptances and for these purposes “associates” shall be construed in accordance with section 988 of the Companies Act;

**European Commission**

- (b) insofar as the Offer falls within the scope of Council Regulation (EC) No 139/2004 (the “**Regulation**”):
- (i) the European Commission taking a decision, on terms reasonably satisfactory to FGL, that it does not intend to initiate proceedings under Article 6(1)I of the Regulation in relation to the Offer or any matter arising from or relating to the Offer (or being deemed to have done so under Article 10(6) of the Regulation);
- (ii) if the European Commission makes a referral under Article 4(4) or 9(1) of the Regulation to the competent National Competition Authority (“**NCA**”) of any Member State other than the UK, that NCA taking a decision, on terms reasonably satisfactory to FGL, of equivalent effect to that set out in sub-paragraph (i) above;

#### **Other anti-trust/merger clearances clearance**

- (c) insofar as applicable, the relevant waiting period shall have expired or been waived and the Commissioner of the Canadian Competition Bureau shall have advised FGL or Fairfax that s/he does not intend to oppose the consummation of the transactions contemplated by the Agreement or shall have issued an advance ruling certificate in respect of such transactions pursuant to Section 102 of the Competition Act (Canada);
- (d) in so far as the Offer meets the filing thresholds under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (“**HSR Act**”), the expiration or termination of the waiting period under the HSR Act;

#### **Merger control clearance in any other jurisdiction**

- (e) to the extent that any other merger control consents or approvals are required prior to the completion of the Offer according to the law of any other jurisdiction, all relevant notifications or filings having been made, all appropriate waiting periods (including any extensions thereof) having expired, lapsed or been terminated and all such clearances or approvals having been granted (or being deemed to have been granted in accordance with the relevant law) provided that each such clearance or approval has an equivalent effect to the decision referred to in paragraph (b)(i) above and is on terms reasonably satisfactory to FGL;

#### **Regulatory Clearances**

- (f) the Prudential Regulation Authority (the “**PRA**”) notifying Fairfax or FGL pursuant to section 189(4)(a) of the Financial Services and Markets Act 2000 (“**FSMA**”) (or issuing a decision notice under section 189(7) FSMA, in terms which do not impose any conditions, obligations or restrictions on the Wider Fairfax Group or the Wider Brit Group that are material in the context of their respective businesses and/or the Proposed Acquisition) that it approves any acquisition or increase in control (as defined in sections 181 and 182 FSMA) over Brit Syndicates Limited by any member of the Wider Fairfax Group which, in either case, would take place as a result of the Proposed Acquisition or its implementation, or the PRA being treated as having given such approval under section 189(6) of FSMA;
- (g) the Financial Services Commission of Gibraltar (“**FSCG**”) approving the proposed acquisition of a qualifying holding in respect of Brit Insurance (Gibraltar) PCC Limited by each member of the Wider Fairfax Group that will acquire such a qualifying holding within the meaning of Act 1987-10 of Gibraltar (the Financial Services (Insurance Companies) Act) (as amended) either in writing or by virtue of the FSCG being treated as having such approval under section 39B(5) of such Act;
- (h) Lloyd’s giving its prior written consent, pursuant to: (i) paragraph 43 of the Lloyd’s Underwriting Byelaw, in respect of each member of the Wider Fairfax Group that will become a controller of Brit Syndicates Limited; and (ii) paragraph 12 of the Lloyd’s Membership Byelaw, in respect of each member of the Wider Fairfax Group that will become a controller of Brit UW Limited; in each case as would take place as a result of the Proposed Acquisition or its implementation and in each case within the meaning of the relevant byelaw;

#### **Other third party clearances**

- (i) other than in relation to the competition law and regulatory approvals referred to in paragraphs (b) to (h) above, no government or governmental, quasi-governmental, supranational, statutory, administrative or regulatory body or association, institution or agency (including any trade agency) or any court or other body (including any professional or environmental body) or person in any jurisdiction (each a “**Relevant Authority**”) having decided to take, institute or threaten any action, proceeding, suit, investigation, enquiry or reference or enacted, made or

proposed and there not continuing to be outstanding any statute, regulation, order or decision that would or might reasonably be expected to (in any case which is material in the context of the Offer):

- (i) make the Proposed Acquisition or other acquisition of Brit Shares, or control or management of Brit by FGL or any member of the Wider Fairfax Group void, unenforceable or illegal in any jurisdiction or directly or indirectly prohibit or otherwise restrict, delay or interfere with the implementation of, or impose additional conditions or obligations with respect to, or otherwise challenge or require amendment to the terms of, the Offer or the Proposed Acquisition or other acquisition of any Brit Shares, or control or management of Brit by FGL or any member of the Wider Fairfax Group;
- (ii) require, prevent or delay the divestiture (or alter the terms of any proposed divestiture) by the Wider Fairfax Group or the Wider Brit Group of all or any part of their respective businesses, assets or properties or impose any material limitation on their ability to conduct their respective businesses and to own, control or manage their respective assets or properties;
- (iii) impose any limitation on, or result in any delay in, the ability of any member of the Wider Fairfax Group to acquire or hold or to exercise effectively, directly or indirectly, all or any rights of ownership of shares or other securities (or the equivalent) in, or to exercise management control over, any member of the Wider Brit Group or on the ability of any member of the Wider Brit Group to hold or exercise effectively, directly or indirectly, all or any rights of ownership of shares or other securities (or the equivalent) in, or to exercise management control over, any other member of the Wider Brit Group;
- (iv) require any member of the Wider Fairfax Group or of the Wider Brit Group to acquire or offer to acquire any shares or other securities (or the equivalent) or interest in any member of the Wider Brit Group or any member of the Wider Fairfax Group owned by a third party (other than in the implementation of the Offer);
- (v) impose any limitation on, or result in any delay in, the ability of any member of the Wider Fairfax Group or the Wider Brit Group to integrate or co-ordinate its business, or any part of it, with the businesses or any part of the businesses of any other member of the Wider Fairfax Group and/or the Wider Brit Group;
- (vi) result in any member of the Wider Fairfax Group or any member of the Wider Brit Group ceasing to be able to carry on business under any name under which it presently does so; or
- (vii) otherwise adversely affect the business, assets, financial or trading position or profits or prospects of any member of the Wider Fairfax Group or of the Wider Brit Group,

and all applicable waiting and other time periods (including extensions thereof) during which any such Relevant Authority could decide to take, institute or threaten any such action, proceeding, suit, investigation, enquiry or reference having expired, lapsed or been terminated;

- (j) other than in relation to the competition law and regulatory approvals referred to in paragraphs (b) to (h) above, all material filings, applications and/or notifications which are necessary or reasonably considered appropriate by FGL or Fairfax having been made and all relevant waiting periods and other time periods (including any extensions thereof) under any applicable legislation or regulation of any jurisdiction having expired, lapsed or been terminated and all

applicable statutory or regulatory obligations in any jurisdiction having been complied with in each case in respect of the Offer and the Proposed Acquisition or other acquisition of any shares or other securities in, or control or management of, Brit or any member of the Wider Brit Group by any member of the Wider Fairfax Group or the carrying on by any member of the Wider Brit Group of its business;

- (k) other than in relation to the competition law and regulatory approvals referred to in paragraphs (b) to (h) above, all material authorisations, orders, grants, recognitions, confirmations, licences, consents, clearances, permissions and approvals which are necessary or reasonably considered appropriate by FGL or Fairfax in any jurisdiction for or in respect of the Proposed Acquisition and other acquisition of any Brit Shares, or control of Brit, by FGL or any member of the Wider Fairfax Group being obtained on terms and in a form reasonably satisfactory to FGL or Fairfax from appropriate Relevant Authorities, or from any persons or bodies with whom any member of the Wider Fairfax Group or the Wider Brit Group has entered into contractual arrangements or material business relationships, and such authorisations, orders, grants, recognitions, confirmations, licences, consents, clearances, permissions and approvals, together with all authorisations, orders, grants, recognitions, confirmations, licences, consents, clearances, permissions and approvals necessary or reasonably considered appropriate for any member of the Wider Brit Group to carry on its business, remaining in full force and effect and no intimation of any intention to revoke, suspend, restrict or modify or not to renew any of the same having been made and all necessary statutory or regulatory obligations in any jurisdiction having been complied with;

**Confirmation of absence of adverse circumstances**

- (l) except as Disclosed, there being no provision of any agreement, arrangement, regulatory authorisation, status licence or other instrument to which any member of the Wider Brit Group is a party or by or to which any such member or any of its assets is or may be bound, entitled or subject which, as a result of the implementation of the Proposed Acquisition or other acquisition by FGL or any member of the Wider Fairfax Group of any Brit Shares, or change in the control or management of Brit or otherwise, would or might reasonably be expected to result in (in each case to an extent which is material in the context of the Wider Brit Group taken as a whole):
  - (i) any monies borrowed by or any other indebtedness (actual or contingent) of, or any grant available to, any such member of the Wider Brit Group becoming repayable, or capable of being declared repayable, immediately or earlier than the stated repayment date or the ability of such member to borrow monies or incur any indebtedness being withdrawn or inhibited;
  - (ii) the creation or enforcement of any mortgage, charge or other security interest over the whole or any material part of the business, property or assets of any such member of the Wider Brit Group or any such mortgage, charge or other security interest (whenever arising or having arisen) becoming enforceable;
  - (iii) any assets or interest of any such member of the Wider Brit Group being or falling to be disposed of or ceasing to be available to any member of the Wider Brit Group or any right arising under which any such asset or interest could be required to be disposed of or could cease to be available to any member of the Wider Brit Group;
  - (iv) the interest or business of any such member of the Wider Brit Group in or with any other person, firm or company (or any agreements or arrangements relating to such interest or business) being terminated or adversely modified or affected;

- (v) any such member of the Wider Brit Group ceasing to be able to carry on business under any name under which it presently does so;
- (vi) the value of any such member of the Wider Brit Group or its financial or trading position or prospects being prejudiced or adversely affected;
- (vii) any such agreement, arrangement, regulatory authorisation, status, permission, licence or other instrument being terminated or adversely modified or any onerous obligation arising or any adverse action being taken or arising thereunder;
- (viii) the creation of any material liabilities (actual or contingent) by any such member of the Wider Brit Group; or
- (ix) any requirement on any such member to acquire, subscribe, pay up or repay any shares or other securities (or the equivalent);

and no event having occurred which, under any provision of any agreement, arrangement, licence or other instrument to which any member of the Wider Brit Group is a party or by or to which any such member or any of its assets may be bound or be subject, might reasonably be expected to result in any events or circumstances as are referred to in this paragraph (n) (in each case to an extent which is material in the context of the Wider Brit Group taken as a whole);

**No material transactions, claims or changes in the conduct of the business of the Brit Group**

(m) except as Disclosed, no member of the Wider Brit Group having since 31 December 2014:

- (i) issued or agreed to issue or authorised or proposed the issue of additional shares of any class, or securities convertible into, or exchangeable for, or rights, warrants or options to subscribe for or acquire, any such shares or convertible or exchangeable securities or transferred or sold (or agreed to transfer or sell) any shares out of treasury (except, where relevant, as between Brit and its wholly owned subsidiaries or between its wholly owned subsidiaries, save in connection with the ongoing operation of the Brit Share Schemes (in accordance with their respective terms) or as provided for in the Co-operation Agreement;
- (ii) recommended, declared, paid or made or resolved to recommend, declare, pay or make any bonus, dividend or other distribution, whether payable in cash or otherwise, in each case save for (i) the 2014 Final Dividend, (ii) the First Interim Dividend, (iii) the Second Interim Dividend and (iv) as between Brit and its wholly owned subsidiaries or between its wholly owned subsidiaries;
- (iii) implemented or authorised any merger or demerger or (except for transactions between Brit and its wholly-owned subsidiaries, or between its wholly-owned subsidiaries or transactions in the ordinary course of business) acquired or disposed of or transferred, mortgaged or charged, or created any other security interest over, any asset or any right, title or interest in any asset (in each case to an extent which is material in the context of the Wider Brit Group taken as a whole);
- (iv) entered into, or authorised the entry into, any joint venture, asset or profit sharing arrangement, partnership or merger of businesses or corporate entities (in each case to an extent which is material in the context of the Wider Brit Group taken as a whole);
- (v) (except for transactions between Brit and its wholly-owned subsidiaries or between its wholly owned subsidiaries) other than pursuant to the Offer, implemented or authorised any reconstruction, amalgamation, scheme or other transaction or arrangement with a substantially equivalent effect (in each case to an extent which is material in the context



of the Wider Brit Group taken as a whole and other than pursuant to the Proposed Acquisition);

- (vi) (except for transactions between Brit and its wholly-owned subsidiaries or between its wholly owned subsidiaries) purchased, redeemed or repaid any of its own shares or other securities or reduced or made or authorised any other change in its share capital;
- (vii) (except for transactions between Brit and its wholly-owned subsidiaries or between its wholly owned subsidiaries) made or authorised any material change in its loan capital or issued or authorised the issue of any debentures or incurred or increased any indebtedness or contingent liability;
- (viii) entered into, varied or terminated, or authorised the entry into, variation or termination of, any contract, commitment or arrangement (whether in respect of capital expenditure, real estate or otherwise) which is outside the ordinary course of business or which is of a long term, onerous or unusual nature or magnitude or which involves, or might reasonably be expected to involve, an obligation of a nature or magnitude which is materially restrictive on the business of any member of the Wider Brit Group (in each case to an extent which would be material in the context of the Wider Brit Group taken as a whole);
- (ix) been unable or deemed unable, or admitted in writing that it is unable, to pay its debts as they fall due or having stopped or suspended (or threatened to stop or suspend) payment of its debts generally or ceased or threatened to cease carrying on all or a substantial part of its business (in each case to an extent which is material in the context of the Wider Brit Group taken as a whole);
- (x) commenced negotiations with any of its creditors or taken any step with a view to rescheduling or restructuring any of its indebtedness or entered into a composition, compromise, assignment or arrangement with any of its creditors whether by way of a voluntary arrangement, scheme of arrangement, deed of compromise or otherwise (in each case to an extent which is material in the context of the Wider Brit Group taken as a whole);
- (xi) (other than in respect of a member of the Wider Brit Group which is dormant and solvent at the relevant time) taken any corporate action or had any legal proceedings started, served or threatened against it or any documents filed or faxed in court for its winding-up (voluntary or otherwise), dissolution or reorganisation (or for any analogous proceedings or steps in any jurisdiction) or for the appointment of a liquidator, provisional liquidator, receiver, administrator, administrative receiver, trustee or similar officer (or for the appointment of any analogous person in any jurisdiction) of all or any of its assets and revenues or had notice given of the intention to appoint any of the foregoing to it (in each case to an extent which is material in the context of the Wider Brit Group taken as a whole);
- (xii) except in the ordinary course of business, waived, compromised, settled, abandoned or admitted any dispute, claim or counter-claim whether made or potential and whether by or against any member of the Wider Brit Group (in each case to an extent which is material in the context of the Wider Brit Group taken as a whole);
- (xiii) made any material alteration to its constitutional documents;

- (xiv) entered into, or varied the terms of, or terminated or given notice of termination of, any service agreement or arrangement with any director or senior executive of any member of the Wider Brit Group;
  - (xv) proposed, agreed to provide, or agreed to modify the terms of, any share option scheme, incentive scheme or other benefit relating to the employment or termination of employment of any person employed by any member of the Wider Brit Group, other than in accordance with the terms of the Proposed Acquisition other than as permitted pursuant to the Cooperation Agreement.
  - (xvi) made or consented to any material change to the terms of the trust deeds constituting the pension schemes established for its directors and/or employees and/or their dependants or to the benefits which accrue, or to the pensions which are payable thereunder, or to the basis on which qualification for or accrual or entitlement to such benefits or pensions are calculated or determined, or to the basis upon which the liabilities (including pensions) of such pension schemes are funded or made, or agreed or consented to, any change to the trustees, other than in accordance with applicable law;
  - (xvii) not surrendered or disclosed any agreement, arrangement, regulatory authorisation, status, permission, licence or other instrument of the kind referred to in paragraph (m) above; or
  - (xviii) entered into any contract, commitment or arrangement or passed any resolution or made any offer (which remains open for acceptance) with respect to, or proposed or announced any intention to effect or propose, any of the transactions, matters or events referred to in this paragraph (m);
- (n) except as Disclosed, since 31 December 2014:
- (i) no adverse change having occurred, and no circumstances having arisen which would or might reasonably be expected to result in any adverse change in the business, assets, financial or trading position or profits or prospects of any member of the Wider Brit Group (in each case to an extent which is material in the context of the Wider Brit Group taken as a whole); and
  - (ii) no litigation, arbitration proceedings, prosecution or other legal proceedings in any jurisdiction having been threatened, announced, instituted or remaining outstanding by, against or in respect of any member of the Wider Brit Group or to which any member of the Wider Brit Group is a party (whether as claimant or defendant or otherwise) and no investigation by any Relevant Authority or other investigative body against or in respect of any member of the Wider Brit Group having been threatened, announced, instituted or remaining outstanding by, against or in respect of any member of the Wider Brit Group (in each case to an extent which is material in the context of the Wider Brit Group taken as a whole);
- (o) no contingent or other liability having arisen outside the ordinary course of business which would or might reasonably be expected to adversely affect any member of the Wider Brit Group (in each case to an extent which is material in the context of the Wider Brit Group taken as a whole); and
- (p) Fairfax not having discovered that (except as Disclosed):

- (i) any financial, business or other information concerning the Wider Brit Group publicly disclosed prior to the date of this announcement at any time by any member of the Wider Brit Group is misleading, contains a misrepresentation of fact or omits to state a fact necessary to make the information contained therein not misleading (in each case to an extent which is material in the context of the Wider Brit Group taken as a whole);
- (ii) any member of the Wider Brit Group is subject to any liability, contingent or otherwise, other than in the ordinary course of business (in each case to an extent which is material in the context of the Wider Brit Group taken as a whole); or
- (iii) there is or is likely to be any obligation or liability (whether actual or contingent) to make good, repair, re-instate or clean up any property now or previously owned, occupied, operated or made use of or controlled by any past or present member of the Wider Brit Group under any environmental legislation, regulation, notice, circular or order of any Relevant Authority in any jurisdiction (in each case to an extent which is material in the context of the Wider Brit Group taken as a whole).

## **2 Certain further terms of the Offer**

- (a) FGL reserves the right (subject to the requirements of the Code and the Panel) to waive, in whole or in part, the above Conditions in paragraphs (e) and (i) to (p) (inclusive).
- (b) If FGL is required by the Panel to make an offer for Brit Shares under the provisions of Rule 9 of the Code, FGL may make such alterations to any of the above Conditions, including the Acceptance Condition, and terms of the Offer as are necessary to comply with the provisions of that Rule.
- (c) The Offer shall lapse unless all the above Conditions have been fulfilled or, where permitted, waived or, where appropriate, have been determined by FGL to be or remain satisfied, by 1:00 pm (London time) on 30 September 2015. Such date may not be further extended, other than with the agreement of Fairfax, Brit, the Apollo Shareholders, the CVC Shareholders and the Panel. Without prejudice to the preceding sentence, the Offer shall remain open until the later of (i) the date falling 20 Business Days following the posting of the Offer Document and (ii) a date falling no less than 14 days following the Offer becoming or being declared unconditional in all respects.
- (d) FGL shall be under no obligation to waive (if capable of waiver), to determine to be or remain satisfied or to treat as fulfilled any of the Conditions in paragraphs (e) and (i) to (p) (inclusive) by a date earlier than the latest date for the fulfilment of that condition notwithstanding that the other Conditions of the Offer may at such earlier date have been waived or fulfilled and that there are at such earlier date no circumstances indicating that any of such conditions may not be capable of fulfilment.
- (e) Subject, in respect of the Apollo Shareholders and the CVC Shareholders, to the irrevocable undertakings described more fully in Appendix III of this announcement, Brit Shareholders (including the Apollo Shareholders and the CVC Shareholders) who have accepted the Offer shall be entitled to withdraw their acceptance until the Offer has become or is declared unconditional in all respects and the Apollo Shareholders and the CVC Shareholders have also agreed with Fairfax that they will not withdraw their acceptances for so long as the Offer remains open for acceptance.
- (f) Fairfax has also agreed with the Apollo Shareholders and the CVC Shareholders that:

- (i) FGL will not invoke non-fulfilment of any Condition to lapse the Offer prior to 1:00 p.m. on 30 September 2015;
- (ii) to the extent that any Condition (other than the Conditions in paragraphs 1(b), (c), (d), (f), (g) or (h) of Appendix I) has not been fulfilled or waived before 1:00 p.m. on 30 September 2015, FGL will waive all Conditions which have not been fulfilled or waived prior to such time unless the failure to fulfil any such Condition has occurred as a result of a change of law which has led to circumstances which are, in the opinion of the Panel, of such material significance in the context of the Offer (within the meaning of Rule 13 of the Code) as to permit Fairfax to invoke the relevant Condition;
- (iii) FGL will announce that the Acceptance Condition has been fulfilled no later than 5:00 p.m. on the Business Day following the date on which the Apollo Shareholders and the CVC Shareholders have accepted the Offer;
- (iv) FGL will not seek to bring forward the last time and date for fulfilment or waiver of any of the Conditions other than the Acceptance Condition to a time and date which is earlier than 1:00 p.m. on 30 September 2015 unless it announces at the same time that it has waived or is treating as fulfilled all of the Conditions as of such earlier time and date; and
- (v) FGL will not seek to extend the last time and date for fulfilment or waiver of any of the Conditions other than the Acceptance Condition to a time and date which is later than 1:00 p.m. on 30 September 2015,

other than:

- (A) in the case of each of (i) to (v) above inclusive, with the prior written approval of the Apollo Shareholders and the CVC Shareholders; or
- (B) in the case of each of (i), (ii) (iv) and (v) above, for so long as the Apollo Shareholders and the CVC Shareholders have not accepted the Offer when required to do so under their irrevocable undertaking.

(g) The Offer shall lapse if:

- (i) in so far as the Offer or any matter arising from or relating to the Offer constitutes a concentration with a Community dimension within the scope of the Regulation, the European Commission either initiates proceedings under Article 6(1)I of the Regulation or makes a referral under Article 9(1) of the Regulation to the CMA and the CMA makes a CMA Phase 2 Reference; or
- (ii) in so far as the Offer or any matter arising from the Offer does not constitute a concentration with a Community dimension within the scope of the Regulation, the Offer or any matter arising from or relating to the Offer becomes subject to a CMA Phase 2 Reference,

in each case before 1:00 pm (London time) on the date when the Offer becomes or is declared unconditional as to acceptances.

(h) Under Rule 13.5 of the Code, FGL may not invoke a Condition so as to cause the Offer not to proceed, to lapse or any offer to be withdrawn unless the circumstances which give rise to the right to invoke the Condition are of material significance to FGL in the context of the Proposed Acquisition. The Condition contained in Part 1, paragraph (b) is not subject to this provision of the Code.

- (i) If the 2014 Final Dividend declared by Brit in respect of each Brit Share is greater or less than 25 pence per Brit Share, the Cash Amount shall be adjusted by an amount equal to the difference between 25 pence and the amount of the 2014 Final Dividend payable in respect of each Brit Share such that the total amount payable to accepting Brit Shareholders for each Brit Share under the Offer, when aggregated with the 2014 Final Dividend paid to Brit Shareholders by Brit (and whether or not paid to the relevant accepting Brit Shareholder) shall be the Brit Offer Price. If the 2014 Final Dividend is not declared, or is declared and subsequently cancelled or reduced prior to being paid, the Cash Amount shall be increased by 25 pence or such lesser amount as is required to cause such aggregate amount to be the Brit Offer Price (without prejudice to paragraph (j) below). To the extent that the 2014 Final Dividend is or will be (i) transferred pursuant to the Offer on a basis that entitles FGL alone to receive such dividend and retain it or (ii) cancelled, the Cash Amount shall be equal to the Brit Offer Price (without prejudice to paragraph (j) below). Any adjustment in the Cash Amount in accordance with this paragraph will be the subject of an announcement and, for the avoidance of doubt, will not be regarded as constituting any revision or variation of the Offer.
- (j) The Brit Shares shall be acquired under the Offer fully paid and free from all liens, charges, equitable interests, encumbrances, rights of pre-emption and any other rights and interests of any nature whatsoever and together with all rights now and hereafter attaching thereto, including voting rights and the right to receive and retain in full all dividends and other distributions (if any) declared, made or paid on or after the date of this announcement save for the 2014 Final Dividend, the First Interim Dividend and the Second Interim Dividend, if declared. Accordingly, without prejudice to paragraph 2 of this announcement: (i) if the 2014 Final Dividend paid in respect of each Brit Share is greater or less than 25 pence per Brit Share, the Cash Amount shall be adjusted by an amount equal to the difference between 25 pence and the 2014 Final Dividend payable in respect of each Brit Share such that the total paid to Brit Shareholders for each Brit Share prior to the closing of the Offer, when aggregated with the 2014 Final Dividend paid to Brit Shareholders by Brit (and whether or not paid to the relevant accepting Brit Shareholders), shall be the Brit Offer Price, except insofar as the Brit Share is or will be transferred on a basis which entitles FGL alone to receive the 2014 Final Dividend; (ii) the declaration and payment of the First Interim Dividend and the Second Interim Dividend shall have no impact on the Brit Offer Price unless and only to the extent that it exceeds 6.25 pence per Brit Share, in which case the Cash Amount, and therefore the Brit Offer Price, shall be reduced by the excess amount per Brit Share except insofar as the Brit Share is or will be transferred on a basis which entitles FGL alone to receive the relevant Interim Dividend and (iii) insofar as a dividend and/or distribution and/or a return of capital is proposed, declared, made, paid or payable by Brit in respect of a Brit Share on or after the date of this announcement, in each case other than the 2014 Final Dividend, the First Interim Dividend or the Second Interim Dividend, the Cash Amount, and therefore the Brit Offer Price, shall be reduced by the amount of such dividend and/or distribution and/or return of capital, except insofar as the Brit Share is or will be transferred on a basis which entitles FGL alone to receive the dividend and/or distribution and/or return of capital.
- (k) If the Offer lapses, the Offer shall cease to be capable of further acceptance and accepting Brit Shareholders and FGL shall cease to be bound by Forms of Acceptance submitted at or before the time when the Offer so lapses.
- (l) The availability of the Offer to persons not resident in the United Kingdom may be affected by the laws of the relevant jurisdictions. Persons who are not resident in the United Kingdom should inform themselves about and observe any applicable requirements.

- (m) The Offer is not being made, directly or indirectly, in, into or from, or by use of the mails of, or by any means of instrumentality (including, but not limited to, facsimile, e-mail or other electronic transmission, telex or telephone) of interstate or foreign commerce of, or of any facility of a national, state or other securities exchange of, any jurisdiction where to do so would violate the laws of that jurisdiction and shall not be capable of acceptance by any such use, means, instrumentality or facility or from within such Restricted Jurisdiction (unless otherwise determined by FGL) and the Offer cannot be accepted by any such use, means or instrumentality or otherwise from any Restricted Jurisdiction.
- (n) The Offer is governed by English law and is subject to the jurisdiction of the English courts and to the Conditions and further terms set out in this Appendix I (and, in the case of certificated Brit Shares, the Form of Acceptance). The Offer shall be subject to the applicable requirements of the Code, the Panel, the London Stock Exchange and the Financial Conduct Authority.
- (o) Each of the Conditions shall be regarded as a separate Condition and shall not be limited by reference to any other Condition.

**Appendix II**  
**Sources of information and bases of calculation**

1. As at the close of business on 16 February 2015, Brit had in issue 400,452,960 shares. The International Securities Identification Number for the Brit Shares is GB00BKRV3L73.
2. The value attributed to Brit's existing issued and to be issued ordinary share capital as implied by the offer price stated in paragraph 2 of this announcement is based upon the 400,452,960 Brit Shares in issue on 16 February 2015 plus a maximum of 1,038,546 Brit shares which will be the result of vesting options.
3. The price to net tangible assets multiple of 1.73x is based on the Brit Offer Price, the number of issued ordinary shares of 400,452,960 and Brit's net tangible assets of £704.4 million as at 30 June 2014 (the Cash Amount of 280 pence represents a multiple of 1.59x Brit's net tangible assets per share of 176.2 pence as at 30 June 2014).
4. Unless otherwise stated, the financial information on Fairfax is extracted from Fairfax's financial results for the year ended 31 December 2014 and Fairfax's Interim Report for the six months ended 30 June 2014.
5. Unless otherwise stated, the financial information on Brit is extracted from Brit's 2014 Interim report and the Interim Management Statement released on 12 November 2014.
6. The market prices of the Brit Shares have been derived from the Daily Official List and represent Closing Prices of the relevant date(s).
7. The offer price of the Brit Shares set at Brit's initial public offering is derived from the pricing announcement released by Brit dated 28 March 2014.
8. Volume weighted average closing prices are derived from Bloomberg.

### Appendix III

#### Irrevocable Undertakings

##### Brit Shareholders' Irrevocable Undertakings

The following Brit Shareholders have given an irrevocable undertaking to accept, or procure the acceptance of, the Offer, made on the terms contained in this announcement, as soon as practicable after, and in any event no later than the date falling five Business Days after, the publication of the Offer Document:

Name	Number of Brit Shares in respect of which undertaking is given	Percentage of Brit's issued share capital
AP Achilles Holdings (EH-1), LLC	116,939,174	29.20%
AP Helios Co-Invest, L.P.	3,635,842	0.91%
AP Selene Co-Invest, L.P.	38,424,069	9.60%
White Poolco Holdings Limited	121,232,281	30.27%
Bishop L.P.	13,334,751	3.33%

These irrevocable undertakings cease to be binding if:

- (a) the Offer Document is not published within 28 days after the date of this announcement (or such later date as Fairfax, Brit, the Apollo Shareholders and the CVC Shareholders may agree and the Panel may allow); or
- (b) the Offer, once made, lapses or is withdrawn.

The irrevocable undertakings given by the Apollo Shareholders and the CVC Shareholders will prevent them from (i) accepting or irrevocably undertaking to accept a competing offer at a higher price than the Brit Offer Price at the relevant time, (ii) exercising any right of withdrawal of any acceptance of the Offer where such a right is otherwise exercisable under the Code, or (iii) otherwise selling all or any part of their respective Brit Shares into the market.

##### Brit Directors' Irrevocable Undertakings

The following Brit Directors have given an irrevocable undertaking to accept, or procure the acceptance of, the Offer, made substantially on the terms and subject to the conditions contained in this announcement, within five Business Days following the positing of the Offer Document:

Name	Number of Brit Shares in respect of which undertaking is given <sup>1</sup>	Percentage of Brit's issued share capital
Richard Ward	102,750	0.03%

<sup>1</sup> The numbers referred to in this table refer only to those Brit Shares which the relevant director is beneficially entitled to or is otherwise able to control the exercise of, including the ability to procure the transfer of such share. The undertakings cover any Brit Shares that may be issued or allotted to Richard Ward, Mark Cloutier and/or Hans-Peter Gerhardt before closing of the Offer pursuant to any award under the Brit Share Schemes.



<b>Name</b>	<b>Number of Brit Shares in respect of which undertaking is given<sup>1</sup></b>	<b>Percentage of Brit's issued share capital</b>
Mark Cloutier	1,204,776	0.30%
Hans-Peter Gerhardt	79,594	0.02%

These irrevocable undertakings cease to be binding if the Offer, when made, does not become effective or otherwise lapses in accordance with its terms, or the Offer is withdrawn.

The undertakings given by the Brit Directors listed above prevent them from exercising any right or withdrawal of any acceptance of the Offer where such a right is exercisable under the Code, or otherwise selling all or any part of their respective Brit Shares into the market.

## Appendix IV

### Definitions

<b>“2014 Final Dividend”</b>	the final dividend expected to be declared by the Board of Brit in respect of the year ended 31 December 2014, and expected to be announced with the publication of Brit’s preliminary results on 25 February 2015, in an amount of 25 pence per Brit Share
<b>“Acceptance Condition”</b>	the condition set out in paragraph 1(a) of Appendix I to this announcement
<b>“Apollo”</b>	Apollo Management VII, L.P.
<b>“Apollo Shareholders”</b>	AP Achilles Holdings (EH-1), LLC, AP Helios Co-Invest, L.P. and AP Selene Co-Invest, L.P.
<b>“Authorisations”</b>	regulatory authorisations, orders, recognitions, grants, consents, clearances, confirmations, certificates, licences, permissions or approvals
<b>“Board”</b>	the board of directors of the relevant company
<b>“Brit”</b>	Brit plc, a company incorporated in England and Wales with registered number 08821629
<b>“Brit Directors”</b>	the directors of Brit
<b>“Brit Group”</b>	Brit and its subsidiaries and subsidiary undertakings
<b>“Brit Offer Price”</b>	the headline price offered to Brit Shareholders under the terms of the Offer, being 305 pence in cash for each Brit Share, comprising the Cash Amount and the 2014 Final Dividend
<b>“Brit Shareholders”</b>	the holders of Brit Shares from time to time
<b>“Brit Shares”</b>	the issued and to be issued ordinary shares of 1 pence each in the capital of Brit, being 400,452,960 in issue as at the date of this announcement, and up to a further 1,038,546 ordinary shares to be issued prior to close of the Offer as a result of vesting options under the Brit Share Schemes
<b>“Brit Share Schemes”</b>	the share schemes operated by Brit and its subsidiaries, being the Brit Long Term Incentive Plan, the Brit Deferred Share Bonus Plan, the Brit plc 2014 International Free Share Incentive Plan and the Brit All-Employee Share Plan
<b>“Business Day”</b>	a day (other than Saturdays, Sundays and public holidays in the UK) on which banks are open for business in the City of London (and, for the purposes of the Acceptance Condition and paragraph 2(c) of Appendix I, in New York)
<b>“Cash Amount”</b>	the cash amount of 280 pence payable by FGL under the Offer in respect of each Brit Share, as adjusted in accordance with the terms of the Offer
<b>“CMA”</b>	the Competition and Markets Authority, a UK statutory body established under the Enterprise and Regulatory Reform Act

	2013 or any successor thereto
<b>“CMA Phase 2 Reference”</b>	a referral to the Chair of the Competition and Markets Authority for the constitution of a group under Schedule 4 to the Enterprise and Regulatory Reform Act 2013
<b>“Code”</b>	the City Code on Takeovers and Mergers issued from time to time by the Panel on Takeovers and Mergers
<b>“Companies Act”</b>	the (United Kingdom) Companies Act of 2006 (including the schedules thereto), as amended
<b>“Co-operation Agreement”</b>	the agreement between Brit and Fairfax referred to in paragraph 15 of this announcement
<b>“CVC”</b>	CVC European Equity V Limited
<b>“CVC Shareholders”</b>	White Poolco Holdings Limited and Bishop L.P.
<b>“Disclosed”</b>	the information disclosed by, or on behalf of, Brit (i) in the annual report and accounts for Brit for the financial year ended 31 December 2013, (ii) the interim accounts for Brit for the six month period ended 30 June 2014, (iii) in any announcement to a regulatory information service by, or on behalf of, Brit, prior to the publication of this announcement and (iv) the prospectus published by Brit in connection with its Initial Public Offering in April 2014
<b>“Fairfax”</b>	Fairfax Financial Holdings Limited
<b>“FGL”</b>	FFHL Group Limited
<b>“First Interim Dividend”</b>	the interim dividend of 6.25 pence per Brit Share to be declared and paid (if lawful) by Brit in the event that the Offer has not been declared unconditional in all respects at or prior to 1:00 p.m. on 30 June 2015
<b>“Form of Acceptance”</b>	the Form of Acceptance, Authority and Election for use by Brit Shareholders in connection with the Offer
<b>“FSCG”</b>	The Financial Services Commission of Gibraltar, or any successor thereto
<b>“GWP”</b>	gross written premium
<b>“J.P. Morgan Cazenove”</b>	J.P. Morgan Limited, which conducts its UK investment banking business as J.P. Morgan Cazenove
<b>“Lloyd’s”</b>	The Society of Lloyd’s created by the Lloyd’s Acts 1871-1982, or any successor thereto
<b>“London Stock Exchange”</b>	The London Stock Exchange plc
<b>“Numis”</b>	Numis Securities Limited
<b>“Offer”</b>	the terms of the offer for Brit to be made pursuant to this announcement
<b>“Offer Document”</b>	the offer document to be despatched by or on behalf of Fairfax to the Brit Shareholders setting out the terms and conditions of the

	Offer
<b>“Panel”</b>	the Panel on Takeovers and Mergers, or any successor thereto
<b>“PRA”</b>	the Prudential Regulatory Authority of the United Kingdom, or any successor thereto
<b>“Proposed Acquisition”</b>	the proposed acquisition of Brit by FGL pursuant to the terms of the Offer
<b>“Relevant Authority”</b>	has the meaning given to it in paragraph 1(i) of Appendix I to this announcement
<b>“Restricted Jurisdiction”</b>	any jurisdiction where the extension or availability of the Offer would breach any applicable law or regulation
<b>“Second Interim Dividend”</b>	the interim dividend of 6.25 pence per Brit Share to be declared and paid (if lawful) by Brit in the event that the Offer has not been declared unconditional in all respects at or prior to 1:00 p.m. on 30 September 2015
<b>“Significant Interest”</b>	in relation to an undertaking, a direct or indirect interest of 20 per cent. or more of (i) the total voting rights conferred by the equity share capital (as defined in section 548 of the UK Companies Act) of such undertaking or (ii) the relevant partnership interest
<b>“Third Party”</b>	each of a central bank, government or governmental, quasi-governmental, supranational, statutory, regulatory, environmental, administrative, fiscal or investigative body, court, trade agency, association, institution, environmental body, employee representative body or any other body or person whatsoever in any jurisdiction;
<b>“Wider Brit Group”</b>	Brit and its subsidiaries, subsidiary undertakings, associated undertakings and any other body corporate, partnership, joint venture or person in which Brit and all such undertakings (aggregating their interests) have a Significant Interest
<b>“Wider Fairfax Group”</b>	Fairfax and its subsidiaries, including FGL, subsidiary undertakings, associated undertakings and any other body corporate partnership, joint venture or person in which Fairfax and all such undertakings (aggregating their interests) have a Significant Interest and any person who has a Significant Interest in Fairfax (other than any member of the Wider Brit Group)
<b>“Willis Capital Markets”</b>	Willis Capital Markets & Advisory Limited

For the purposes of this announcement, “**subsidiary**”, “**subsidiary undertaking**”, “**undertaking**” and “**associated undertaking**” have the respective meanings given thereto by the Companies Act.

All references to “**pounds**”, “**pounds Sterling**”, “**Sterling**”, “**£**”, “**pence**”, “**penny**” and “**p**” are to the lawful currency of the United Kingdom.

All the times referred to in this announcement are London times unless otherwise stated.

References to the singular include the plural and vice versa