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FAIRFAX INDIA  
HOLDINGS CORPORATION

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**INTERIM REPORT**

For the nine months ended  
September 30, 2023

**Consolidated Balance Sheets***as at September 30, 2023 and December 31, 2022**(unaudited - US\$ thousands)*

	Notes	September 30, 2023	December 31, 2022
<b>Assets</b>			
Cash and cash equivalents	6	91,840	147,448
Short term investments	6	36,858	49,692
Bonds	5, 6	137,250	140,693
Common stocks	5, 6	3,369,622	3,020,223
Total cash and investments		<u>3,635,570</u>	<u>3,358,056</u>
Interest receivable		1,879	5,599
Income taxes refundable		217	1,012
Other assets		646	902
Total assets		<u>3,638,312</u>	<u>3,365,569</u>
<b>Liabilities</b>			
Accounts payable and accrued liabilities		876	1,143
Accrued interest expense	7, 11	2,361	8,611
Income taxes payable		152	331
Payable to related parties	11	92,668	50,851
Deferred income taxes		86,645	50,554
Borrowings	7, 11	497,697	497,306
Total liabilities		<u>680,399</u>	<u>608,796</u>
<b>Equity</b>			
Common shareholders' equity	8	2,833,398	2,642,036
Non-controlling interests		124,515	114,737
Total equity		<u>2,957,913</u>	<u>2,756,773</u>
		<u>3,638,312</u>	<u>3,365,569</u>

*See accompanying notes.*

## Consolidated Statements of Earnings

for the three and nine months ended September 30, 2023 and 2022

(unaudited - US\$ thousands except per share amounts)

	Notes	Third quarter		First nine months	
		2023	2022	2023	2022
<b>Income</b>					
Interest	6	4,128	2,923	13,322	7,956
Dividends	6	8,333	7,436	16,623	21,135
Net realized gains (losses) on investments	6	(218)	(655)	47,445	27,113
Net change in unrealized gains on investments	6	177,463	153,675	317,121	105,951
Net foreign exchange losses	6	(4,581)	(14,608)	(2,035)	(44,189)
		<u>185,125</u>	<u>148,771</u>	<u>392,476</u>	<u>117,966</u>
<b>Expenses</b>					
Investment and advisory fees	11	10,376	9,757	28,662	29,544
Performance fee (recovery)	11	20,469	4,798	41,536	(45,283)
General and administration expenses	12	1,126	3,930	10,788	7,153
Interest expense	7	6,380	6,380	19,141	19,141
		<u>38,351</u>	<u>24,865</u>	<u>100,127</u>	<u>10,555</u>
<b>Earnings before income taxes</b>		146,774	123,906	292,349	107,411
Provision for income taxes	9	13,789	11,206	45,256	8,483
<b>Net earnings</b>		<u>132,985</u>	<u>112,700</u>	<u>247,093</u>	<u>98,928</u>
<b>Attributable to:</b>					
Shareholders of Fairfax India		132,954	112,613	236,802	98,865
Non-controlling interests		31	87	10,291	63
		<u>132,985</u>	<u>112,700</u>	<u>247,093</u>	<u>98,928</u>
<b>Net earnings per share</b>		\$ 0.97	\$ 0.81	\$ 1.73	\$ 0.71
<b>Net earnings per diluted share</b>		\$ 0.93	\$ 0.79	\$ 1.65	\$ 0.69
<b>Shares outstanding (weighted average)</b>		136,461,692	138,821,283	137,274,424	139,263,808

See accompanying notes.

**Consolidated Statements of Comprehensive Income (Loss)**  
*for the three and nine months ended September 30, 2023 and 2022*  
*(unaudited - US\$ thousands)*

	<b>Third quarter</b>		<b>First nine months</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>Net earnings</b>	132,985	112,700	247,093	98,928
Other comprehensive loss, net of income taxes				
<b>Item that may be subsequently reclassified to net earnings (loss)</b>				
Unrealized foreign currency translation losses, net of income taxes of nil (2022 - nil)	(35,672)	(84,344)	(12,129)	(252,937)
<b>Other comprehensive loss</b> , net of income taxes	(35,672)	(84,344)	(12,129)	(252,937)
<b>Comprehensive income (loss)</b>	97,313	28,356	234,964	(154,009)
<b>Attributable to:</b>				
Shareholders of Fairfax India	98,788	31,786	225,186	(143,061)
Non-controlling interests	(1,475)	(3,430)	9,778	(10,948)
	97,313	28,356	234,964	(154,009)

*See accompanying notes.*

**Consolidated Statements of Changes in Equity**  
*for the nine months ended September 30, 2023 and 2022*  
*(unaudited - US\$ thousands)*

	Subordinate voting shares	Multiple voting shares	Share- based payments, net	Retained earnings	Accumulated other comprehensive loss	Common shareholders' equity	Non- controlling interests	Total equity
<b>Balance as of January 1, 2023</b>	1,143,368	300,000	(379)	1,810,723	(611,676)	2,642,036	114,737	2,756,773
Net earnings for the period	—	—	—	236,802	—	236,802	10,291	247,093
Other comprehensive loss:								
Unrealized foreign currency translation losses	—	—	—	—	(11,616)	(11,616)	(513)	(12,129)
Purchases for cancellation (note 8)	(27,455)	—	—	(6,421)	—	(33,876)	—	(33,876)
Amortization	—	—	52	—	—	52	—	52
<b>Balance as of September 30, 2023</b>	<u>1,115,913</u>	<u>300,000</u>	<u>(327)</u>	<u>2,041,104</u>	<u>(623,292)</u>	<u>2,833,398</u>	<u>124,515</u>	<u>2,957,913</u>
<b>Balance as of January 1, 2022</b>	1,174,558	300,000	(319)	1,623,676	(323,123)	2,774,792	127,642	2,902,434
Net earnings for the period	—	—	—	98,865	—	98,865	63	98,928
Other comprehensive loss:								
Unrealized foreign currency translation losses	—	—	—	—	(241,926)	(241,926)	(11,011)	(252,937)
Purchases for cancellation (note 8)	(26,853)	—	—	(4,305)	—	(31,158)	—	(31,158)
Amortization	—	—	36	—	—	36	—	36
<b>Balance as of September 30, 2022</b>	<u>1,147,705</u>	<u>300,000</u>	<u>(283)</u>	<u>1,718,236</u>	<u>(565,049)</u>	<u>2,600,609</u>	<u>116,694</u>	<u>2,717,303</u>

See accompanying notes.

## Consolidated Statements of Cash Flows

for the three and nine months ended September 30, 2023 and 2022

(unaudited - US\$ thousands)

	Notes	Third quarter		First nine months	
		2023	2022	2023	2022
<b>Operating activities</b>					
Net earnings		132,985	112,700	247,093	98,928
Items not affecting cash and cash equivalents:					
Net bond premium (discount) amortization		(377)	87	(2,033)	1,279
Performance fee (recovery)	11	20,469	4,798	41,536	(45,283)
Deferred income taxes	9	12,857	10,526	36,576	3,295
Amortization of share-based payment awards		17	12	52	36
Net realized (gains) losses on investments	6	218	655	(47,445)	(27,113)
Net change in unrealized gains on investments	6	(177,463)	(153,675)	(317,121)	(105,951)
Net foreign exchange losses	6	4,581	14,608	2,035	44,189
Net sales of short term investments		11,975	—	14,761	6,047
Purchases of investments		(26,134)	(21,928)	(131,595)	(184,293)
Sales of investments		41,325	44,924	138,857	238,274
Changes in operating assets and liabilities:					
Interest receivable		428	2,014	304	(1,127)
Income taxes refundable		(28)	(67)	798	(67)
Accrued interest expense		(6,250)	(6,774)	(6,250)	(6,250)
Income taxes payable		(20)	175	(179)	362
Payable to related parties		716	624	813	91
Other		25	1,849	(211)	465
Cash provided by (used in) operating activities		<u>15,324</u>	<u>10,528</u>	<u>(22,009)</u>	<u>22,882</u>
<b>Financing activities</b>					
Subordinate voting shares:					
Purchases for cancellation	8	(13,504)	(4,877)	(33,876)	(31,158)
Cash used in financing activities		<u>(13,504)</u>	<u>(4,877)</u>	<u>(33,876)</u>	<u>(31,158)</u>
<b>Increase (decrease) in cash and cash equivalents</b>					
Cash and cash equivalents – beginning of period		90,049	17,318	147,448	30,376
Foreign currency translation		(29)	(1,460)	277	(591)
<b>Cash and cash equivalents – end of period</b>		<u>91,840</u>	<u>21,509</u>	<u>91,840</u>	<u>21,509</u>

See accompanying notes.

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## Notes to Interim Consolidated Financial Statements

for the three and nine months ended September 30, 2023 and 2022

(unaudited - US\$ thousands except share and per share amounts and as otherwise indicated)

### 1. Business Operations

Fairfax India Holdings Corporation ("the company" or "Fairfax India") is an investment holding company whose objective is to achieve long term capital appreciation, while preserving capital, by investing in public and private equity securities and debt instruments in India and Indian businesses or other businesses with customers, suppliers or business primarily conducted in, or dependent on, India ("Indian Investments"). The company makes all or substantially all of its investments either directly or through one of its wholly-owned consolidated subsidiaries based in Mauritius, FIH Mauritius Investments Ltd ("FIH Mauritius") and FIH Private Investments Ltd ("FIH Private"). In 2019 the company formed Anchorage Infrastructure Investments Holdings Limited ("Anchorage"), a consolidated subsidiary of FIH Mauritius based in India.

Fairfax Financial Holdings Limited ("Fairfax") is Fairfax India's ultimate parent and acts as its administrator. Fairfax is a holding company which, through its subsidiaries, is engaged in property and casualty insurance and reinsurance and the associated investment management. Hamblin Watsa Investment Counsel Ltd. (the "Portfolio Advisor"), a wholly-owned subsidiary of Fairfax and registered portfolio manager in the province of Ontario, is the portfolio advisor of the company and its consolidated subsidiaries, responsible to source and advise with respect to all investments. Refer to note 11 for details on Fairfax's voting rights and equity interest in the company.

The company is federally incorporated and is domiciled in Ontario, Canada. The principal office of the company, Fairfax and the Portfolio Advisor is located at 95 Wellington Street West, Suite 800, Toronto, Ontario M5J 2N7.

### 2. Basis of Presentation

The company's interim consolidated financial statements for the three and nine months ended September 30, 2023 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including International Accounting Standard 34 *Interim Financial Reporting*. Accordingly, certain information and disclosures normally included in the annual consolidated financial statements prepared in accordance with IFRS as issued by the IASB have been omitted or condensed. These interim consolidated financial statements should be read in conjunction with the company's annual consolidated financial statements for the year ended December 31, 2022, which have been prepared in accordance with IFRS as issued by the IASB.

These interim consolidated financial statements were approved for issue by the company's Board of Directors on November 2, 2023.

### 3. Summary of Significant Accounting Policies

The principal accounting policies applied to the preparation of these interim consolidated financial statements are as set out in the company's annual consolidated financial statements for the year ended December 31, 2022, prepared in accordance with IFRS as issued by the IASB. Those policies and methods of computation have been consistently applied to all periods presented.

The consolidated financial statements are presented in U.S. dollars while the Indian rupee is the functional currency of the company and its consolidated subsidiaries.

#### *New accounting pronouncements adopted in 2023*

On January 1, 2023 the company adopted the following amendments, which did not have a significant impact on the company's consolidated financial statements: *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)*, *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)* and *Definition of Accounting Estimates (Amendments to IAS 8)*.

#### *International Tax Reform – Pillar Two Model Rules*

On May 23, 2023 the IASB issued amendments to IAS 12 *Income Taxes* to provide temporary relief from accounting and disclosure for deferred taxes arising from the implementation of Pillar Two model rules published by the Organisation for Economic Co-operation and Development (OECD). The Pillar Two model rules provide a general framework for the implementation of a 15% global minimum tax, which is to be applied on a jurisdiction-by-jurisdiction basis. The amendment does not have a significant impact on the company's consolidated financial statements.



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

The IASB issued the following amendments which the company does not expect to adopt in advance of their effective date of January 1, 2024: *Classification of Liabilities as Current or Non-current (Amendments to IAS 1)* and *Non-current Liabilities with Covenants (Amendments to IAS 1)*. The company is currently evaluating the expected impact of these amendments on its consolidated financial statements.

#### **4. Critical Accounting Estimates and Judgments**

In the preparation of the company's interim consolidated financial statements, management has made a number of critical estimates and judgments in determining the valuation of Private Indian Investments, the provision for income taxes and the consolidation of Anchorage in a manner consistent with those as described in the company's annual consolidated financial statements for the year ended December 31, 2022.

While the company's valuation techniques for Private Indian Investments remained principally unchanged during the first nine months of 2023, consideration has been given to the current economic and market environment in the determination of unobservable inputs used in discounted cash flows, including the amount and timing of future cash flows prepared by investees' management, discount rates, growth rates and other inputs. Such considerations include the effects of economic uncertainty caused by heightened inflationary pressures and actions taken by central banks across the world to control inflation levels. Additional volatility in the fair values of Private Indian Investments may arise in future periods if actual results differ materially from the company's estimates. Refer to notes 5 and 6 for details on the valuation of company's Private Indian Investments at September 30, 2023.

## 5. Indian Investments

Throughout the company's interim consolidated financial statements for the three and nine months ended September 30, 2023, the term "Indian Investments" refers to deployed capital invested in Public and Private Indian Investments as disclosed within this note.

### Summary of Changes in the Fair Value of the Company's Indian Investments

A summary of changes in the fair value of the company's Public and Private Indian Investments for the third quarter of 2023 is as follows:

	Third quarter					Balance as of September 30
	Balance as of July 1	Sales	Amortization	Net change in unrealized gains (losses) on investments <sup>(1)</sup>	Net unrealized foreign currency translation losses	
<b>Public Indian Investments:</b>						
Common stocks:						
IIFL Finance	487,734	—	—	89,011	(6,585)	570,160
IIFL Securities	62,937	—	—	26,158	(979)	88,116
CSB Bank	271,167	—	—	53,695	(3,629)	321,233
Fairchem Organics	103,260	—	—	(4,702)	(1,228)	97,330
Spaipa	34,594	—	—	6,507	(460)	40,641
Other	2,132	—	—	58	(27)	2,163
<b>Total Public Indian Investments</b>	<b>961,824</b>	<b>—</b>	<b>—</b>	<b>170,727</b>	<b>(12,908)</b>	<b>1,119,643</b>
<b>Private Indian Investments:</b>						
Common stocks:						
BIAL	1,424,982	—	—	472	(17,051)	1,408,403
Sanmar	340,060	—	—	(34,932)	(3,835)	301,293
Seven Islands	115,782	—	—	29,234	(1,603)	143,413
NCML	51,308	—	—	(301)	(648)	50,359
Maxop	55,588	—	—	613	(671)	55,530
Saurashtra	52,643	—	—	2,089	(651)	54,081
Jaynix	43,259	—	—	3,246	(531)	45,974
NSE	172,847	—	—	6,061	(2,119)	176,789
IH Fund	14,633	(768)	—	452	(180)	14,137
Other Indian Fixed Income	7,328	—	106	—	(89)	7,345
<b>Total Private Indian Investments</b>	<b>2,278,430</b>	<b>(768)</b>	<b>106</b>	<b>6,934</b>	<b>(27,378)</b>	<b>2,257,324</b>
<b>Total Indian Investments</b>	<b>3,240,254</b>	<b>(768)</b>	<b>106</b>	<b>177,661</b>	<b>(40,286)</b>	<b>3,376,967</b>

(1) All Private Indian Investments and certain common shares of CSB Bank (subject to selling restrictions) were classified as Level 3 in the fair value hierarchy. Net change in unrealized gains (losses) on investments classified as Level 3 in the fair value hierarchy related to investments held at the end of the reporting period. Net change in unrealized gains related to common shares of CSB Bank classified as Level 3 was \$42,622.

A summary of changes in the fair value of the company's Public and Private Indian Investments for the third quarter of 2022 is as follows:

	Third quarter						
	2022						
	Balance as of July 1	Purchases	Sales	Amortization	Net change in unrealized gains (losses) on investments <sup>(1)</sup>	Net unrealized foreign currency translation gains (losses)	Balance as of September 30
<b>Public Indian Investments:</b>							
Common stocks:							
IIFL Finance	346,186	—	—	—	30,974	(10,924)	366,236
360 ONE (formerly IIFL Wealth) <sup>(2)</sup>	226,606	—	—	—	56,877	(9,237)	274,246
IIFL Securities	74,435	—	—	—	(3,141)	(2,365)	68,929
CSB Bank	183,601	—	—	—	33,536	(7,459)	209,678
Fairchem Organics	131,676	—	—	—	39,437	(5,977)	165,136
5paisa	28,122	—	—	—	4,682	(1,209)	31,595
Other	20,680	—	—	—	3,085	(779)	22,986
Derivatives:							
IIFL Wealth forward sale derivative <sup>(2)</sup>	17,783	—	—	—	(43,116)	1,840	(23,493)
<b>Total Public Indian Investments</b>	<b>1,029,089</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>122,334</b>	<b>(36,110)</b>	<b>1,115,313</b>
<b>Private Indian Investments:</b>							
Common stocks:							
BIAL	1,291,610	—	—	—	1,019	(37,818)	1,254,811
Sanmar	355,286	—	—	—	(24,732)	(9,807)	320,747
Seven Islands	100,648	—	—	—	301	(2,943)	98,006
NCML	64,923	—	—	—	(5,910)	(1,620)	57,393
Saurashtra	47,592	—	—	—	4,318	(1,553)	50,357
Maxop	28,092	21,928	—	—	—	(1,238)	48,782
Jaynix	31,025	—	—	—	—	(907)	30,118
NSE	121,867	—	—	—	56,414	(5,826)	172,455
IH Fund	20,358	—	(1,249)	—	127	(580)	18,656
Other Indian Fixed Income	20,974	—	—	100	(658)	(583)	19,833
<b>Total Private Indian Investments</b>	<b>2,082,375</b>	<b>21,928</b>	<b>(1,249)</b>	<b>100</b>	<b>30,879</b>	<b>(62,875)</b>	<b>2,071,158</b>
<b>Total Indian Investments</b>	<b>3,111,464</b>	<b>21,928</b>	<b>(1,249)</b>	<b>100</b>	<b>153,213</b>	<b>(98,985)</b>	<b>3,186,471</b>

(1) All Private Indian Investments and certain common shares of CSB Bank (subject to selling restrictions) were classified as Level 3 in the fair value hierarchy. Net change in unrealized gains (losses) on investments classified as Level 3 in the fair value hierarchy related to investments held at the end of the reporting period. Net change in unrealized gains related to common shares of CSB Bank classified as Level 3 was \$27,061.

(2) On March 30, 2022 the company entered into an agreement to sell 8,722,886 equity shares of IIFL Wealth at a specified contract price, based on an initial share price adjusted for dividends received from IIFL Wealth up to the closing date. The agreement resulted in the recognition of an equity forward sale derivative obligation ("IIFL Wealth forward sale derivative") and an unrealized loss implied by the contract price of sale shares relative to the closing bid price at September 30, 2022. The transaction closed on November 22, 2022 for aggregate proceeds of \$171,846 (approximately 14.0 billion Indian rupees).

A summary of changes in the fair value of the company's Public and Private Indian Investments for the first nine months of 2023 is as follows:

	First nine months							Balance as of September 30
	2023							
	Balance as of January 1	Purchases / Conversion	Sales / Conversion	Amortization	Net realized gains (losses) on investments	Net change in unrealized gains (losses) on investments <sup>(1)</sup>	Net unrealized foreign currency translation gains (losses)	
<b>Public Indian Investments:</b>								
Common stocks:								
IIFL Finance <sup>(2)</sup>	493,341	—	(30,512)	—	30,512	79,253	(2,434)	570,160
IIFL Securities	65,837	—	—	—	—	22,709	(430)	88,116
360 ONE (formerly IIFL Wealth)	46,730	—	(45,974)	—	16,551	(17,727)	420	—
CSB Bank	223,268	—	—	—	—	99,606	(1,641)	321,233
Fairchem Organics	111,083	—	—	—	—	(13,445)	(308)	97,330
5paisa	28,421	—	—	—	—	12,427	(207)	40,641
Other	15,577	—	(13,447)	—	6,403	(6,467)	97	2,163
<b>Total Public Indian Investments</b>	<b>984,257</b>	<b>—</b>	<b>(89,933)</b>	<b>—</b>	<b>53,466</b>	<b>176,356</b>	<b>(4,503)</b>	<b>1,119,643</b>
<b>Private Indian Investments:</b>								
Common stocks:								
BIAL	1,233,747	75,000	—	—	—	106,039	(6,383)	1,408,403
Sanmar	337,846	—	—	—	—	(35,574)	(979)	301,293
Seven Islands	96,910	—	—	—	—	47,248	(745)	143,413
NCML <sup>(3)</sup>	56,871	9,824	—	—	—	(16,173)	(163)	50,359
Maxop	51,886	—	—	—	—	3,870	(226)	55,530
Saurashtra	50,707	—	—	—	—	3,593	(219)	54,081
Jaynix	32,796	—	—	—	—	13,409	(231)	45,974
NSE	159,627	—	—	—	—	17,905	(743)	176,789
IH Fund	15,576	—	(1,668)	—	—	284	(55)	14,137
Other Indian Fixed Income <sup>(3)</sup>	19,585	—	(6,399)	306	(5,803)	(399)	55	7,345
<b>Total Private Indian Investments</b>	<b>2,055,551</b>	<b>84,824</b>	<b>(8,067)</b>	<b>306</b>	<b>(5,803)</b>	<b>140,202</b>	<b>(9,689)</b>	<b>2,257,324</b>
<b>Total Indian Investments</b>	<b>3,039,808</b>	<b>84,824</b>	<b>(98,000)</b>	<b>306</b>	<b>47,663</b>	<b>316,558</b>	<b>(14,192)</b>	<b>3,376,967</b>

- (1) All Private Indian Investments and certain common shares of CSB Bank (subject to selling restrictions) were classified as Level 3 in the fair value hierarchy. Net change in unrealized gains (losses) on investments classified as Level 3 in the fair value hierarchy related to investments held at the end of the reporting period, with exception of net change in unrealized losses of \$399 related to the reversal of prior period unrealized gains on the NCML CCD included in Other Indian Fixed Income. Net change in unrealized gains related to common shares of CSB Bank classified as Level 3 was \$79,577.
- (2) As a result of past spin offs of 5paisa, IIFL Securities and 360 ONE (formerly IIFL Wealth) at their respective fair values, the company's cost basis of IIFL Finance is nil. Accordingly, all proceeds from sales of IIFL Finance common shares during the first nine months of 2023 are reflected as realized gains.
- (3) On March 31, 2023, the company exercised its option to convert the NCML CCD (included within Other Indian Fixed Income) into NCML common shares. The NCML common shares were recognized at a fair value of \$6,399 (525.8 million Indian rupees), which resulted in a realized loss on the NCML CCD of \$5,803 (476.9 million Indian rupees).

A summary of changes in the fair value of the company's Public and Private Indian Investments for the first nine months of 2022 is as follows:

	First nine months							Balance as of September 30
	2022							
	Balance as of January 1	Purchases	Sales	Amortization	Net realized gains on investments	Net change in unrealized gains (losses) on investments <sup>(1)</sup>	Net unrealized foreign currency translation gains (losses)	
<b>Public Indian Investments:</b>								
Common stocks:								
IIFL Finance	318,136	—	—	—	—	79,389	(31,289)	366,236
360 ONE (formerly IIFL Wealth) <sup>(2)</sup>	230,111	—	—	—	—	67,244	(23,109)	274,246
IIFL Securities	103,217	—	—	—	—	(26,682)	(7,606)	68,929
CSB Bank	227,649	—	—	—	—	1,747	(19,718)	209,678
Fairchem Organics	155,020	—	(25)	—	20	24,686	(14,565)	165,136
5paisa	41,232	—	—	—	—	(6,392)	(3,245)	31,595
Privi Speciality	79	—	(83)	—	79	(74)	(1)	—
Other	69,612	3,386	(58,344)	—	28,429	(16,847)	(3,250)	22,986
Derivatives:								
IIFL Wealth forward sale derivative <sup>(2)</sup>	—	—	—	—	—	(24,691)	1,198	(23,493)
<b>Total Public Indian Investments</b>	<b>1,145,056</b>	<b>3,386</b>	<b>(58,452)</b>	<b>—</b>	<b>28,528</b>	<b>98,380</b>	<b>(101,585)</b>	<b>1,115,313</b>
<b>Private Indian Investments:</b>								
Common stocks:								
BIAL	1,372,170	—	—	—	—	1,025	(118,384)	1,254,811
Sanmar	421,153	—	—	—	—	(67,355)	(33,051)	320,747
Seven Islands	105,926	—	—	—	—	1,276	(9,196)	98,006
NCML	69,578	—	—	—	—	(6,500)	(5,685)	57,393
Saurashtra	47,157	—	—	—	—	7,637	(4,437)	50,357
Maxop	29,844	21,928	—	—	—	—	(2,990)	48,782
Jaynix	—	32,504	—	—	—	—	(2,386)	30,118
NSE	111,216	—	—	—	—	74,443	(13,204)	172,455
IH Fund	23,613	—	(2,803)	—	—	(280)	(1,874)	18,656
Other Indian Fixed Income	22,083	—	—	295	—	(658)	(1,887)	19,833
<b>Total Private Indian Investments</b>	<b>2,202,740</b>	<b>54,432</b>	<b>(2,803)</b>	<b>295</b>	<b>—</b>	<b>9,588</b>	<b>(193,094)</b>	<b>2,071,158</b>
<b>Total Indian Investments</b>	<b>3,347,796</b>	<b>57,818</b>	<b>(61,255)</b>	<b>295</b>	<b>28,528</b>	<b>107,968</b>	<b>(294,679)</b>	<b>3,186,471</b>

(1) All Private Indian Investments and certain common shares of CSB Bank (subject to selling restrictions) were classified as Level 3 in the fair value hierarchy. Net change in unrealized gains (losses) on investments classified as Level 3 in the fair value hierarchy related to investments held at the end of the reporting period. Net change in unrealized gains related to common shares of CSB Bank classified as Level 3 was \$4,667.

(2) On March 30, 2022 the company entered into an agreement to sell 8,722,886 equity shares of IIFL Wealth at a specified contract price, based on an initial share price adjusted for dividends received from IIFL Wealth up to the closing date. The agreement resulted in the recognition of an equity forward sale derivative obligation ("IIFL Wealth forward sale derivative") and an unrealized loss implied by the contract price of sale shares relative to the closing bid price at September 30, 2022. The transaction closed on November 22, 2022 for aggregate proceeds of \$171,846 (approximately 14.0 billion Indian rupees).

## Public Indian Investments

The fair values of Fairfax India's Public Indian Investments, with shares listed on both the BSE (formerly known as Bombay Stock Exchange Limited) and the National Stock Exchange of India ("NSE of India"), are determined using the bid prices of those investments (without adjustments or discounts) at the balance sheet date, with the exception of certain common shares of CSB Bank subject to selling restrictions.

The table below provides a summary of the company's Public Indian Investments at September 30, 2023 and December 31, 2022:

Public Indian Investments:	Industry	September 30, 2023		December 31, 2022	
		Shares held	Ownership	Shares held	Ownership
Common stocks:					
IIFL Finance Limited ("IIFL Finance")	Financial services	79,641,445	20.9 %	84,641,445	22.3 %
IIFL Securities Limited ("IIFL Securities")	Financial services	84,641,445	27.7 %	84,641,445	27.8 %
360 ONE WAM Limited ("360 ONE") (formerly IIFL Wealth Management Limited)	Financial services	—	— %	2,182,749	2.5 %
CSB Bank Limited ("CSB Bank") <sup>(1)</sup>	Financial services	86,262,976	49.7 %	86,262,976	49.7 %
Fairchem Organics Limited ("Fairchem Organics")	Commercial and industrial	6,878,656	52.8 %	6,878,656	52.8 %
5paisa Capital Limited ("5paisa")	Financial services	7,670,130	24.9 %	7,670,130	25.0 %
Other <sup>(2)</sup>	Various <sup>(2)</sup>	—	< 1.0 %	Various <sup>(2)</sup>	< 1.0 %

(1) The company is restricted from selling a certain percentage of its common shares of CSB Bank for a specified period due to restrictions imposed by the Reserve Bank of India ("RBI") and the Securities and Exchange Board of India ("SEBI"). At September 30, 2023 and December 31, 2022 the company held 69,394,331 common shares of CSB Bank that continue to be restricted until August 7, 2024.

(2) At September 30, 2023, Other Public Indian Investments was comprised of an investment of less than 1.0% equity interest in the financial services sector (December 31, 2022 - investments of less than 1.0% equity interest in the financial services and utilities sectors).

The changes in fair value of the company's Public Indian Investments for the third quarters and first nine months of 2023 and 2022 are presented in the tables disclosed earlier in note 5.

## Private Indian Investments

The fair values of Fairfax India's Private Indian Investments cannot be derived from an active market and accordingly, are determined using industry accepted valuation techniques and models. Market observable inputs are used where possible, with unobservable inputs used where necessary. Use of unobservable inputs can involve significant judgment and may materially affect the reported fair value of these investments.

The changes in fair value of the company's Private Indian Investments for the third quarters and first nine months of 2023 and 2022 are presented in the tables disclosed earlier in note 5.

### ***Investment in Bangalore International Airport Limited***

Bangalore International Airport Limited ("BIAL") is a private company located in Bengaluru, India. BIAL, under a concession agreement with the Government of India until the year 2068, has the exclusive rights to carry out the development, design, financing, construction, commissioning, maintenance, operation and management of the Kempegowda International Airport Bengaluru ("KIAB") through a public-private partnership. KIAB is the first greenfield airport in India built through a public-private partnership.

At September 30, 2023 the company estimated the fair value of its investment in BIAL using a discounted cash flow analysis for its three business units based on multi-year free cash flow forecasts with assumed after-tax discount rates ranging from 12.6% to 16.5% and a long term growth rate of 3.5% (December 31, 2022 - 12.4% to 16.1%, and 3.5%, respectively). At September 30, 2023 free cash flow forecasts were based on EBITDA estimates derived from financial information for three business units prepared in the second quarter of 2023 (December 31, 2022 - second quarter of 2022 for two business units and fourth quarter of 2022 for one business unit) by BIAL's management.

#### *Free Cash Flow Forecast Inputs*

The primary drivers of free cash flow estimates are future domestic and international passenger traffic, airport tariff assumptions for future control periods, completion of capital expansion projects and development of leasehold land. In the event that forecasted passenger traffic or expected airport tariff levels are not met in future periods, or significant delays in construction and development activities occur, this may result in a negative impact on the fair value of the company's investment in BIAL.

### *Current Model Assumptions*

Free cash flow forecasts were revised by BIAL's management in the second quarter of 2023 primarily to reflect (i) changes in the timing of capital expenditures to reflect the commencement of international operations at BIAL's Terminal 2 in fiscal year 2024 (April 2023 to March 2024); (ii) higher user development fees ("UDF") in the fourth control period commencing in fiscal year 2027; and (iii) reduced capital expenditures over the remaining forecast period. International operations at BIAL's Terminal 2 commenced on September 12, 2023.

BIAL is an infrastructure investment that is currently in a period of capital expansion, and as a result a significant amount of its fair value is driven by expected growth in passenger traffic in the later years of the forecasting period once various capital projects are complete. BIAL's aeronautical revenues are primarily driven by UDFs charged to airlines and passengers, which are set by the Airports Economic Regulatory Authority of India ("AERA") in five-year control periods and are fixed in a manner to generate a 16.0% per annum return on invested equity for the airport operator. As the tariff setting mechanism adjusts for periods of underperformance, it is expected that underachievement in aeronautical revenues will be substantially recovered through, among other factors, higher UDFs in future control periods.

Discount rates were based on the company's assessment of risk premiums to the appropriate risk-free rate of the economic environment in which BIAL operates. Long term growth rates were based on the expected long term sustainable growth rate of the economic environment and sectors in which BIAL operates.

On May 9, 2023 Fairfax India announced it entered into an agreement to acquire additional equity interest in BIAL through FIH Mauritius and on June 21, 2023 the company completed the acquisition of a 3.0% equity interest in BIAL for cash consideration of \$75,000 (approximately 6.2 billion Indian rupees). Under the same agreement, the company has also agreed to acquire an additional 7.0% equity interest in BIAL for additional cash consideration of \$175,000, subject to certain performance conditions by BIAL and other closing conditions, which are expected to be assessed in the fourth quarter of 2023.

At September 30, 2023 the company held a 57.0% equity interest in BIAL (December 31, 2022 - 54.0%) and its internal valuation model indicated that the fair value of the company's investment in BIAL was \$1,408,403 (December 31, 2022 - \$1,233,747).

At September 30, 2023 the company held 43.6% out of its 57.0% (December 31, 2022 - 43.6% out of its 54.0%) equity interest in BIAL through Anchorage. As a result, the company's fully-diluted equity interest in BIAL was 52.0% (December 31, 2022 - 49.0%). Refer to note 8 (Total Equity, under the heading Non-controlling interests) for further discussion on Anchorage.

### ***Investment in Sanmar Chemicals Group***

Sanmar Chemicals Group ("Sanmar"), a private company located in Chennai, India, is one of the largest suspension polyvinyl chloride ("PVC") manufacturers in India, operating in India and Egypt. Sanmar also manufactures caustic soda, calcium chloride, chloromethanes, refrigerant gases, industrial salt and specialty chemical intermediates.

Chemplast Sanmar Limited ("Chemplast"), a publicly traded subsidiary of the Sanmar group, is engaged in specialty PVC manufacturing, suspension PVC manufacturing and the production of specialty chemicals for pharmaceutical, agro-chemical and fine chemical sectors, in India. Chemplast is listed on both the BSE and NSE of India.

At September 30, 2023 the company estimated the fair value of its investment in Sanmar common shares using: (i) a discounted cash flow analysis for Sanmar Egypt, based on multi-year free cash flow forecasts with an assumed after-tax discount rate of 11.0% and a long term growth rate of 3.0% (December 31, 2022 - 13.2% and 3.0%, respectively); and (ii) the unadjusted bid price of Chemplast's common shares. At September 30, 2023 free cash flow forecasts were based on EBITDA estimates derived from financial information for Sanmar Egypt prepared in the third quarter of 2023 (December 31, 2022 - fourth quarter of 2022) by Sanmar's management.

### *Free Cash Flow Forecast Inputs*

The primary driver of free cash flow estimates is the future commodity price of petrochemical products. In the event that the commodity price of petrochemical products does not develop favourably in future periods, this may result in a negative impact on the fair value of the company's investment in Sanmar.

### *Current Model Assumptions*

Free cash flow forecasts for Sanmar Egypt were revised by Sanmar's management in the third quarter of 2023 primarily to reflect lower margins due to continued pressure on PVC prices over the forecast period as a result of weak demand recovery in China, a shift to export markets as a result the devaluation of the Egyptian pound in the recent period, and downward revision of Egyptian export incentives. The revised forecasts continue to expect prices of caustic soda to normalize in the medium to long term from the all-time highs experienced in fiscal year 2023.

Discount rates were based on the company's assessment of risk premiums to the appropriate risk-free rate of the economic environment in which Sanmar operates. Long term growth rates were based on the expected long term sustainable growth rate of the economic environment and sectors in which Sanmar operates.

At September 30, 2023 the company held a 42.9% equity interest in Sanmar (December 31, 2022 - 42.9%) and its internal valuation model indicated that the fair value of the company's investment in Sanmar was \$301,293 (December 31, 2022 - \$337,846).

### ***Investment in Seven Islands Shipping Limited***

Seven Islands Shipping Limited ("Seven Islands"), a private company located in Mumbai, India, is the second largest private sector tanker shipping company in India and transports liquid and gas cargo along the Indian coast as well as in international waters. Its vessels are registered in India and operate as Indian owned and flagged vessels.

At September 30, 2023 the company estimated the fair value of its investment in Seven Islands using a discounted cash flow analysis based on multi-year free cash flow forecasts with an assumed after-tax discount rate of 15.7% and a long term growth rate of 3.0% (December 31, 2022 - 12.2% and 3.0%, respectively). At September 30, 2023 free cash flow forecasts were based on EBITDA estimates derived from financial information for Seven Islands prepared in the third quarter of 2023 (December 31, 2022 - third quarter of 2022) by Seven Islands' management.

#### *Free Cash Flow Forecast Inputs*

The primary driver of free cash flow estimates is the vessel profile composition, including planned vessel acquisitions and charter rates.

#### *Current Model Assumptions*

Free cash flows were revised by Seven Islands' management in the third quarter of 2023 primarily to reflect higher EBITDA margins over the forecast period supported by higher charter rates, and earlier sales of certain vessels at favourable rates to avoid selling restrictions on older vessels imposed by the Indian government. Upward revisions were partially offset by higher expansionary capital expenditures due to a continued shortage of vessels. Discount rates were based on the company's assessment of risk premiums to the appropriate risk-free rate of the economic environment in which Seven Islands operates. Long term growth rates were based on the expected long term sustainable growth rate of the economic environment and sectors in which Seven Islands operates.

As a result of strong operating results achieved by Seven Islands in the recent period, the company's net debt decreased in the third quarter and first nine months of 2023, which had a favourable impact on its fair value.

At September 30, 2023 the company held a 48.5% equity interest in Seven Islands (December 31, 2022 - 48.5%), and its internal valuation model indicated that the fair value of the company's investment in Seven Islands was \$143,413 (December 31, 2022 - \$96,910).

### ***Investment in National Commodities Management Services Limited***

National Commodities Management Services Limited ("NCML"), a private company located in Gurugram, India, offers end-to-end solutions in grain procurement, storage and preservation, testing and certification, collateral management, and commodity and weather intelligence. NCML's wholly-owned subsidiary, NCML Finance Private Ltd, is a non-banking financial company ("NBFC") with a focus on rural and agri-business finance.

At September 30, 2023 the company estimated the fair value of its investment in NCML common shares using: (i) a discounted cash flow analysis based on multi-year free cash flow forecasts for two business units with assumed after-tax discount rates ranging from 11.5% to 12.6% and long term growth rates ranging from 2.4% to 5.0% (December 31, 2022 - ranging 12.1% to 12.2%, 2.4% to 6.0%, respectively); and (ii) an adjusted net book value approach for its NBFC business unit. At September 30, 2023 free cash flow forecasts were based on EBITDA estimates derived from financial information for two business units prepared in the third quarter of 2023 (December 31, 2022 - third quarter of 2022) by NCML's management.

#### *Free Cash Flow Forecast Inputs*

The primary drivers of free cash flow estimates are warehouse capacity, future EBITDA growth of NCML's commodity management solutions business and the successful completion of silo construction projects.

#### *Current Model Assumptions*

Free cash flow forecasts were revised by NCML's management in the third quarter of 2023 primarily to reflect lower forecasted EBITDA based on current market conditions and the settlement of NCML's non-convertible debentures at a significant discount to par



value, deleveraging NCML's balance sheet and reducing pressure on NCML to dispose of warehousing assets. Revised forecasts continued to reflect the substantial completion of its remaining silo projects in fiscal year 2024. Discount rates were based on the company's assessment of risk premiums to the appropriate risk-free rate of the economic environment in which NCML operates. Long term growth rates were based on the expected long term sustainable growth rate of the economic environment and sectors in which NCML operates. The long term growth rate for NCML's warehousing business unit decreased in the second quarter of 2023 principally to reflect continued business difficulties and suppressed demand due to sustained commodity price inflation.

At September 30, 2023 the company held a 91.0% equity interest in NCML (December 31, 2022 - 89.5%), and its internal valuation model indicated that the fair value of the company's equity investment in NCML was \$50,359 (December 31, 2022 - \$56,871).

In 2019 the company invested \$13,970 (approximately 1.0 billion Indian rupees) in 12.5% unsecured compulsorily convertible debentures ("NCML CCD"), due September 30, 2029 and convertible into NCML common shares, at the company's option, at any time prior to the maturity date. The conversion price was 68.00 Indian rupees per common share. On March 31, 2023, the company converted the NCML CCD into NCML common shares with a fair value of \$6,399 (525.8 million Indian rupees). As a result, the company recorded a realized loss on the NCML CCD of \$5,803 (476.9 million Indian rupees). In May 2023, NCML issued additional common shares to the company to settle accrued interest related to the NCML CCD, which the company recorded at a fair value of \$3,425 (283.2 million Indian rupees). As a result of the above transactions, the company's equity interest in NCML increased from 89.5% to 91.0%.

At December 31, 2022 the fair value of the company's investment in the NCML CCD was \$12,517 and was presented within Other Indian Fixed Income in the tables disclosed earlier in note 5. At December 31, 2022 the company had accrued \$3,944 in interest receivable related to the NCML CCD.

#### ***Investment in Maxop Engineering Company Private Limited***

Maxop Engineering Company Private Limited ("Maxop"), a private company located in New Delhi, India, is a precision aluminum die casting and machining solution provider for customers in the automotive and industrial sectors.

On September 5, 2022 the company invested cash consideration of \$21,928 (approximately 1.8 billion Indian rupees) for an additional 16.0% equity interest in Maxop, completing the second and final transaction under the terms of the investment agreement entered into in September 2021. In aggregate, the company has acquired a 67.0% equity interest in Maxop for \$51,448 (approximately 4.0 billion Indian rupees), which was determined based on Maxop's achievement of certain financial-based performance targets.

At September 30, 2023 the company estimated the fair value of its investment in Maxop using a discounted cash flow analysis based on multi-year free cash flow forecasts with an assumed after-tax discount rate of 14.0% and a long term growth rate of 4.0% (December 31, 2022 - 14.9% and 4.0%, respectively). At September 30, 2023 free cash flow forecasts were based on EBITDA estimates derived from financial information for Maxop prepared in the second quarter of 2023 (December 31, 2022 - fourth quarter of 2022) by Maxop's management.

#### ***Free Cash Flow Forecast Inputs***

The primary drivers of free cash flow estimates are manufacturing capacity and utilization, with revenue growth driven by growing domestic and international demand, supported by Maxop's planned capacity expansion.

#### ***Current Model Assumptions***

Free cash flows were revised by Maxop's management in the second quarter of 2023 primarily to reflect new customer contracts resulting in additional capital expenditure requirements and increased revenue growth, partially offset by decreased EBITDA margins in the short term due to customer-specific onboarding and process customization costs. Discount rates were based on the company's assessment of risk premiums to the appropriate risk-free rate of the economic environment in which Maxop operates. Long term growth rates were based on the expected long term sustainable growth rate of the economic environment and sectors in which Maxop operates.

At September 30, 2023 the company held a 67.0% equity interest in Maxop (December 31, 2022 - 67.0%), and its internal valuation model indicated that the fair value of the company's investment in Maxop was \$55,530 (December 31, 2022 - \$51,886).

#### ***Investment in Saurashtra Freight Private Limited***

Saurashtra Freight Private Limited ("Saurashtra"), a private company located in Mumbai, India, operates one of the largest container freight stations ("CFS") at Mundra port (Gujarat). Services provided by Saurashtra's CFS include transportation of containers to and from the port, stuffing and destuffing of containers, cargo storage, transportation of cargo to the end customer, and the storage, maintenance and repair of empty containers. Saurashtra's subsidiary, Fairfreight Lines, focuses on services for container shipping,

offering integrated logistics solutions to its customers by providing containers, which are leased by Saurashtra, to importers and exporters to transport cargo.

At September 30, 2023 the company estimated the fair value of its investment in Saurashtra using a discounted cash flow analysis based on multi-year free cash flow forecasts with assumed after-tax discount rates ranging from 16.4% to 18.1% and long term growth rates ranging from 4.0% to 5.0% (December 31, 2022 - 17.8% to 19.5%, and 4.0% to 5.0%, respectively). At September 30, 2023 free cash flow forecasts were based on EBITDA estimates derived from financial information for Saurashtra's two business units prepared in the third quarter of 2023 (December 31, 2022 - third quarter of 2022) by Saurashtra's management.

#### *Free Cash Flow Forecast Inputs*

The primary drivers of free cash flow estimates are the import and export handling capacity and utilization.

#### *Current Model Assumptions*

Free cash flows were revised by Saurashtra's management in the third quarter of 2023 primarily to reflect higher EBITDA forecasts due to improved operating efficiencies and higher utilization at the CFS business, in addition to the recovery of Fairfreight Lines' ocean freight rates over the medium term. Discount rates were based on the company's assessment of risk premiums to the appropriate risk-free rate of the economic environment in which Saurashtra operates. Long term growth rates were based on the expected long term sustainable growth rate of the economic environment and sectors in which Saurashtra operates.

At September 30, 2023 the company held a 51.0% equity interest in Saurashtra (December 31, 2022 - 51.0%), and its internal valuation model indicated that the fair value of the company's investment in Saurashtra was \$54,081 (December 31, 2022 - \$50,707).

#### ***Investment in Jaynix Engineering Private Limited***

Jaynix Engineering Private Limited ("Jaynix"), a private company based in Gujarat, India, is a manufacturer of non-ferrous electrical connectors and electrical assemblies, and is a critical Tier 1 supplier to major electrical original equipment manufacturers in North America and Europe.

On February 11, 2022 the company invested cash consideration of \$32,504 (approximately 2.5 billion Indian rupees) for a 70.0% equity interest in Jaynix.

At September 30, 2023 the company estimated the fair value of its investment in Jaynix using a discounted cash flow analysis based on multi-year free cash flow forecasts with an assumed after-tax discount rate of 28.2% and a long term growth rate of 1.5% (December 31, 2022 - 21.6% and 1.5% respectively). At September 30, 2023 free cash flow forecasts were based on EBITDA estimates derived from financial information for Jaynix prepared in the second quarter of 2023 (December 31, 2022 - fourth quarter of 2022) by Jaynix's management.

#### *Free Cash Flow Forecast Inputs*

The primary driver of free cash flow estimates is growth in product volumes driven by excess demand, supported by planned capacity expansion, development of new products, acquisition of new customers, and growing long term relationships with existing customers.

#### *Current Model Assumptions*

Free cash flows were revised by Jaynix's management in the second quarter of 2023 primarily to reflect increased revenue growth supported by capacity expansions, high fixed asset turnover and higher gross and EBITDA margins over the forecast period. Discount rates were based on the company's assessment of risk premiums to the appropriate risk-free rate of the economic environment in which Jaynix operates. Long term growth rates were based on the expected long term sustainable growth rate of the economic environment and sectors in which Jaynix operates.

At September 30, 2023 the company held a 70.0% equity interest in Jaynix (December 31, 2022 - 70.0%), and its internal valuation model indicated that the fair value of the company's investment in Jaynix was \$45,974 (December 31, 2022 - \$32,796).

#### ***Investment in National Stock Exchange of India Limited***

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

At September 30, 2023 the company estimated the fair value of its investment in NSE of \$176,789 (December 31, 2022 - \$159,627) based on recent third party transactions completed in the third quarter of 2023 (December 31, 2022 - fourth quarter of 2022).

### ***Investment in India Housing Fund***

India Housing Fund ("IH Fund") is a closed-ended fund of 360 ONE Private Equity Fund (formerly IIFL Private Equity Fund) registered as a Category II Alternative Investment Fund ("AIF") under SEBI's AIF Regulations. IH Fund is a fund incorporated to focus on investing in India's real estate sector by investing in equity, debt and equity-linked instruments of real estate and construction companies involved in projects or ventures with expected growth potential.

During the third quarter and first nine months of 2023 the company received distributions of \$768 and \$1,668 (2022 - \$1,249 and \$2,803) from IH Fund.

At September 30, 2023 the company estimated the fair value of its investment in IH Fund of \$14,137 (December 31, 2022 - \$15,576) based on the net asset value provided by the third party fund manager. The fair values of the underlying assets are determined using quoted prices for short term investments, and industry accepted valuation models for debt and equity instruments.

## 6. Cash and Investments

### Fair Value Disclosures

The company's use of quoted market prices (Level 1), valuation models using observable market information as inputs (Level 2) and valuation models without observable market information as inputs (Level 3) in the valuation of securities by type of issuer was as follows:

	September 30, 2023					December 31, 2022				
	Quoted prices (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value of assets	Total fair value of assets in Indian rupees (in millions)	Quoted prices (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value of assets	Total fair value of assets in Indian rupees (in millions)
Cash and cash equivalents	91,840	—	—	91,840	7,627	147,448	—	—	147,448	12,198
Short term investments:										
U.S. treasury bills <sup>(1)</sup>	13,175	—	—	13,175	1,094	49,692	—	—	49,692	4,111
Government of India <sup>(1)</sup>	—	23,683	—	23,683	1,967	—	—	—	—	—
	13,175	23,683	—	36,858	3,061	49,692	—	—	49,692	4,111
Bonds:										
Government of India <sup>(1)</sup>	—	129,905	—	129,905	10,787	—	121,108	—	121,108	10,019
Other Indian Fixed Income	—	—	7,345	7,345	610	—	—	19,585	19,585	1,621
	—	129,905	7,345	137,250	11,397	—	121,108	19,585	140,693	11,640
Common stocks:										
IIFL Finance	570,160	—	—	570,160	47,347	493,341	—	—	493,341	40,814
IIFL Securities	88,116	—	—	88,116	7,317	65,837	—	—	65,837	5,447
360 ONE (formerly IIFL Wealth)	—	—	—	—	—	46,730	—	—	46,730	3,866
CSB Bank <sup>(2)</sup>	68,254	—	252,979	321,233	26,676	48,569	—	174,699	223,268	18,471
Fairchem Organics	97,330	—	—	97,330	8,082	111,083	—	—	111,083	9,190
5paisa	40,641	—	—	40,641	3,375	28,421	—	—	28,421	2,351
Other	2,163	—	—	2,163	180	15,577	—	—	15,577	1,288
BIAL	—	—	1,408,403	1,408,403	116,956	—	—	1,233,747	1,233,747	102,068
Sanmar <sup>(3)</sup>	—	—	301,293	301,293	25,020	—	—	337,846	337,846	27,950
Seven Islands	—	—	143,413	143,413	11,909	—	—	96,910	96,910	8,017
NCML	—	—	50,359	50,359	4,182	—	—	56,871	56,871	4,705
Maxop	—	—	55,530	55,530	4,611	—	—	51,886	51,886	4,293
Saurashtra	—	—	54,081	54,081	4,491	—	—	50,707	50,707	4,195
Jaynix	—	—	45,974	45,974	3,817	—	—	32,796	32,796	2,713
NSE	—	—	176,789	176,789	14,681	—	—	159,627	159,627	13,206
IH Fund	—	—	14,137	14,137	1,174	—	—	15,576	15,576	1,289
	866,664	—	2,502,958	3,369,622	279,818	809,558	—	2,210,665	3,020,223	249,863
Total cash and investments	971,679	153,588	2,510,303	3,635,570	301,903	1,006,698	121,108	2,230,250	3,358,056	277,812
	26.7 %	4.2 %	69.1 %	100.0 %	100.0 %	30.0 %	3.6 %	66.4 %	100.0 %	100.0 %

- (1) Priced based on information provided by independent pricing service providers at September 30, 2023 and December 31, 2022. Short term investments relate to government treasury bills maturing between three and twelve months from the date of purchase.
- (2) The company is restricted from selling certain of its common shares of CSB Bank for a specified period up to August 7, 2024 due to restrictions imposed by the RBI and SEBI, and has applied a discount for lack of marketability (a significant unobservable valuation input) to the quoted price for the remaining restricted common shares of CSB Bank held by the company at September 30, 2023 and December 31, 2022.
- (3) The fair value of Chemplast, a publicly traded subsidiary of Sanmar, comprised 72% of the company's investment in Sanmar at September 30, 2023 (December 31, 2022 - 61%).

Transfers between fair value hierarchy levels are considered effective from the beginning of the reporting period in which the transfer is identified. During the first nine months of 2023 there were no transfers of financial instruments between fair value hierarchy levels. During the first nine months of 2022 the company's investment in 898,816 restricted common shares of 5paisa was transferred from Level 3 to Level 1 in the fair value hierarchy as a result of the release of selling restrictions.

A summary of changes in the fair value of the company's Indian Investments classified as Level 3 in the fair value hierarchy, denominated in the company's functional currency of the Indian rupee for the first nine months of 2023 and 2022 is as follows:

Indian rupees (in millions)	First nine months													
	2023							2022						
	Balance as of January 1	Purchases / Conversion	Sales / Conversion	Amortization	Net realized losses on investments	Net change in unrealized gains (losses) on investments	Balance as of September 30	Balance as of January 1	Purchases	Sales	Transfers	Amortization	Net change in unrealized gains (losses) on investments	Balance as of September 30
Common stocks:														
BIAL	102,068	6,153	—	—	—	8,735	116,956	102,001	—	—	—	—	79	102,080
Sanmar	27,950	—	—	—	—	(2,930)	25,020	31,307	—	—	—	—	(5,214)	26,093
CSB Bank	14,453	—	—	—	—	6,555	21,008	12,962	—	—	—	—	361	13,323
Seven Islands	8,017	—	—	—	—	3,892	11,909	7,874	—	—	—	—	99	7,973
NCML	4,705	809	—	—	—	(1,332)	4,182	5,172	—	—	—	—	(503)	4,669
Maxop	4,293	—	—	—	—	318	4,611	2,218	1,750	—	—	—	—	3,968
Saurashtra	4,195	—	—	—	—	296	4,491	3,506	—	—	—	—	591	4,097
Jaynix	2,713	—	—	—	—	1,104	3,817	—	2,450	—	—	—	—	2,450
NSE	13,206	—	—	—	—	1,475	14,681	8,267	—	—	—	—	5,762	14,029
IH Fund	1,289	—	(138)	—	—	23	1,174	1,755	—	(216)	—	—	(21)	1,518
5paisa	—	—	—	—	—	—	—	328	—	—	(328)	—	—	—
Other Indian Fixed Income	1,621	—	(526)	25	(477)	(33)	610	1,642	—	—	—	23	(51)	1,614
<b>Total</b>	<b>184,510</b>	<b>6,962</b>	<b>(664)</b>	<b>25</b>	<b>(477)</b>	<b>18,103</b>	<b>208,459</b>	<b>177,032</b>	<b>4,200</b>	<b>(216)</b>	<b>(328)</b>	<b>23</b>	<b>1,103</b>	<b>181,814</b>

The changes in fair value of the company's Indian Investments classified as Level 3 in the fair value hierarchy in the company's presentation currency of U.S. dollars are disclosed in note 5. For all Indian Investments classified as Level 3 in the fair value hierarchy, net change in unrealized gains (losses) on investments related to investments held at the end of the reporting periods, with exception of net change in unrealized losses of 33 million Indian rupees related to the reversal of prior period unrealized gains on the NCML CCD included in Other Indian Fixed Income.

The table that follows illustrates the potential impact on net earnings (loss) of various combinations of changes in unobservable inputs in the company's internal valuation models for its Indian Investments classified as Level 3 in the fair value hierarchy at September 30, 2023. The analysis assumes quarterly variations within a reasonably possible range determined by the company based on an analysis of the return on various equity indices, management's knowledge of the Indian equity markets and the potential impact of changes in interest rates. This sensitivity analysis excludes the company's investments in NSE, IH Fund and Other Indian Fixed Income, as the company determined that there were no significant unobservable inputs suited for a sensitivity analysis.

Investments	Fair value of Level 3 investment	Valuation technique	Significant unobservable inputs	Significant unobservable inputs used in the internal valuation models	Hypothetical \$ change effect on fair value measurement <sup>(1)</sup>	Hypothetical \$ change effect on net earnings <sup>(1)(2)</sup>
<b>Common stocks:</b>						
BIAL	1,408,403	Discounted cash flow	After-tax discount rate	12.6% to 16.5%	(318,640) / 407,696	(276,420) / 353,676
			Long term growth rate	3.5%	23,776 / (22,503)	20,626 / (19,522)
Sanmar <sup>(3)</sup>	301,293	Discounted cash flow	After-tax discount rate	11.0%	(44,811) / 57,337	(38,874) / 49,740
			Long term growth rate	3.0%	9,277 / (8,718)	8,048 / (7,563)
CSB Bank <sup>(4)</sup>	252,979	Bid price, net of discount	Discount for lack of marketability	9.9%	(2,447) / 2,446	(2,123) / 2,122
Seven Islands	143,413	Discounted cash flow	After-tax discount rate	15.7%	(12,992) / 15,261	(11,271) / 13,239
			Long term growth rate	3.0%	2,226 / (2,140)	1,931 / (1,856)
NCML <sup>(5)</sup>	50,359	Discounted cash flow	After-tax discount rate	11.5% to 12.6%	(10,175) / 13,354	(8,826) / 11,585
			Long term growth rate	2.4% to 5.0%	1,914 / (1,778)	1,660 / (1,543)
Maxop	55,530	Discounted cash flow	After-tax discount rate	14.0%	(7,253) / 8,883	(6,292) / 7,706
			Long term growth rate	4.0%	1,432 / (1,363)	1,242 / (1,182)
Saurashtra	54,081	Discounted cash flow	After-tax discount rate	16.4% to 18.1%	(3,378) / 3,963	(2,930) / 3,438
			Long term growth rate	4.0% to 5.0%	590 / (567)	512 / (492)
Jaynix	45,974	Discounted cash flow	After-tax discount rate	28.2%	(1,974) / 2,140	(1,712) / 1,856
			Long term growth rate	1.5%	222 / (218)	193 / (189)

- (1) The impact on the internal valuation models from changes in significant unobservable inputs deemed to be subject to the most judgment and estimates disclosed in the table above shows the hypothetical increase (decrease) in net earnings. Changes in the after-tax discount rates (100 basis points), long term growth rates (25 basis points) and discount for lack of marketability (changes of 250 basis points to underlying historical share price volatility), each in isolation, would hypothetically change the fair value of the company's investments as noted in the table above. Generally, an increase (decrease) in long term growth rates, or a decrease (increase) in after-tax discount rates and discount for lack of marketability would result in a higher (lower) fair value of the company's Indian Investments classified as Level 3 in the fair value hierarchy. After-tax discount rates are subject to a mitigating factor: increases (decreases) in after-tax discount rates tend to be accompanied by increases (decreases) in free cash flows, and the resulting changes in the fair value of an investment may offset each other.
- (2) For the purpose of this sensitivity analysis, the hypothetical \$ change effect on net earnings includes an income tax impact that is calculated using the company's marginal tax rate. Actual income tax expense (recovery) may differ significantly when earnings (losses) are realized.
- (3) Significant unobservable inputs relate only to the Sanmar Egypt business unit as the Chemplast business unit is publicly traded on the BSE and NSE of India and is valued based on its unadjusted bid price. The hypothetical \$ change effect from a 10% increase or decrease in Chemplast's traded share price would be an increase or decrease in the fair value of Sanmar of \$21,769, and an increase or decrease in net earnings of \$18,885.
- (4) A discount for lack of marketability is applied to the quoted price of common shares that the company is restricted from selling for a specified period, and is determined using an industry accepted option pricing model that incorporates unobservable long-dated historical share price volatility. A higher (lower) historical share price volatility generally results in a higher (lower) option value and a lower (higher) fair value of the common shares.
- (5) The company determined that there were no significant unobservable inputs suited for a sensitivity analysis for NCML's NBFC business unit where an adjusted net book value approach was applied.

### Fixed Income Maturity Profile

Bonds are summarized by their earliest contractual maturity date in the table that follows. Actual maturities may differ from maturities shown below due to the existence of call and put features. The increase in bonds due after 1 year through 5 years primarily reflects the reinvestment of net proceeds from the sales of common stocks into Government of India bonds. The decrease in bonds due after 5 years through 10 years reflects the early conversion of the NCML CCD into NCML common shares. At September 30, 2023 and December 31, 2022 there were no bonds containing call or put features.

	September 30, 2023		December 31, 2022	
	Amortized cost	Fair value	Amortized cost	Fair value
Due in 1 year or less	—	—	6,681	6,622
Due after 1 year through 5 years	139,064	137,250	123,869	121,554
Due after 5 years through 10 years	—	—	12,121	12,517
	139,064	137,250	142,671	140,693

## Investment Income

An analysis of investment income for the three and nine months ended September 30 is summarized in the table that follows:

### Interest and dividends

	Third quarter		First nine months	
	2023	2022	2023	2022
Interest:				
Cash and cash equivalents	1,260	25	4,284	35
Short term investments	359	—	1,970	24
Bonds	2,509	2,898	7,068	7,897
	<u>4,128</u>	<u>2,923</u>	<u>13,322</u>	<u>7,956</u>
Dividends: Common stocks	<u>8,333</u>	<u>7,436</u>	<u>16,623</u>	<u>21,135</u>

### Net gains (losses) on investments and net foreign exchange gains (losses)

	Third quarter					
	2023			2022		
	Net realized gains (losses)	Net change in unrealized gains (losses)	Net gains (losses)	Net realized gains (losses)	Net change in unrealized gains (losses)	Net gains (losses)
<b>Net gains (losses) on investments:</b>						
Short term investments	—	9	9	—	—	—
Bonds	(218)	(207)	(425)	(655)	(196)	(851)
Common stocks	—	177,661 <sup>(1)</sup>	177,661	—	196,987 <sup>(1)</sup>	196,987
Derivatives	—	—	—	—	(43,116) <sup>(1)</sup>	(43,116)
	<u>(218)</u>	<u>177,463</u>	<u>177,245</u>	<u>(655)</u>	<u>153,675</u>	<u>153,020</u>
<b>Net foreign exchange gains (losses) on:</b>						
Cash and cash equivalents	1,324	—	1,324	341	—	341
Short term investments	4	249	253	—	—	—
Borrowings	—	(6,078)	(6,078)	—	(14,847)	(14,847)
Other	(80)	—	(80)	(102)	—	(102)
	<u>1,248</u>	<u>(5,829)</u>	<u>(4,581)</u>	<u>239</u>	<u>(14,847)</u>	<u>(14,608)</u>

(1) Refer to note 5 for a summary of changes in the fair value of the company's Public and Private Indian Investments during the third quarters of 2023 and 2022.

	First nine months					
	2023			2022		
	Net realized gains (losses)	Net change in unrealized gains (losses)	Net gains (losses)	Net realized gains (losses)	Net change in unrealized gains (losses)	Net gains (losses)
<b>Net gains (losses) on investments:</b>						
Short term investments	—	8	8	(4)	5	1
Bonds	(6,021) <sup>(1)</sup>	156	(5,865)	(1,411)	(2,680)	(4,091)
Common stocks	53,466 <sup>(1)</sup>	316,957 <sup>(1)</sup>	370,423	28,528 <sup>(1)</sup>	133,317 <sup>(1)</sup>	161,845
Derivatives	—	—	—	—	(24,691) <sup>(1)</sup>	(24,691)
	<u>47,445</u>	<u>317,121</u>	<u>364,566</u>	<u>27,113</u>	<u>105,951</u>	<u>133,064</u>
<b>Net foreign exchange gains (losses) on:</b>						
Cash and cash equivalents	500	—	500	1,618	—	1,618
Short term investments	51	(372)	(321)	—	—	—
Borrowings	—	(1,887)	(1,887)	—	(45,117)	(45,117)
Other	(327)	—	(327)	(690)	—	(690)
	<u>224</u>	<u>(2,259)</u>	<u>(2,035)</u>	<u>928</u>	<u>(45,117)</u>	<u>(44,189)</u>

(1) Refer to note 5 for a summary of changes in the fair value of the company's Public and Private Indian Investments during the first nine months of 2023 and 2022.

## 7. Borrowings

	September 30, 2023			December 31, 2022		
	Principal	Carrying value <sup>(1)</sup>	Fair value <sup>(2)</sup>	Principal	Carrying value <sup>(1)</sup>	Fair value <sup>(2)</sup>
<i>Unsecured Senior Notes:</i>						
5.0% Unsecured Senior Notes due February 26, 2028	500,000	497,697	433,050	500,000	497,306	453,650

(1) Principal net of unamortized issue costs.

(2) Fair value of the Unsecured Senior Notes at September 30, 2023 and December 31, 2022 was based principally on information provided by independent pricing service providers (Level 2 in the fair value hierarchy).

### *Unsecured Senior Notes*

On February 26, 2021 the company completed an offering of \$500,000 principal amount of 5.0% unsecured senior notes due February 26, 2028 ("Unsecured Senior Notes") at par, for net proceeds of \$496,350 after commissions and expenses. Fairfax, through its subsidiaries, holds \$58,400 of the \$500,000 principal amount under the same terms as the other participants. Refer to note 11 for further details of amounts due to related parties.

### *Revolving Credit Facility*

On December 17, 2021 the company entered into a \$175,000 unsecured revolving credit facility ("Revolving Credit Facility") with a syndicate led by a Canadian bank. The Revolving Credit Facility had a three-year term with an option to extend for an additional year. On October 3, 2023 the company amended the Revolving Credit Facility to extend its maturity date from December 17, 2024 to October 2, 2026, while maintaining the option to extend for an additional year. At September 30, 2023 and December 31, 2022 the Revolving Credit Facility was undrawn and remained available.

### *Interest Expense*

In the third quarter and first nine months of 2023 interest expense of \$6,380 and \$19,141 (2022 - \$6,380 and \$19,141) was comprised of stated interest and amortization of issuance costs related to the company's Unsecured Senior Notes. During the third quarter and first nine months of 2023 the company paid interest of \$12,500 and \$25,000 (2022 - \$12,500 and \$25,000) on its borrowings.

At September 30, 2023 the company recognized accrued interest expense of \$2,361 (December 31, 2022 - \$8,611) within the consolidated balance sheets.

## 8. Total Equity

### **Common shareholders' equity**

#### *Common Stock*

The number of shares outstanding was as follows:

	First nine months	
	2023	2022
Subordinate voting shares – January 1	108,270,900	111,235,352
Purchases for cancellation	(2,609,481)	(2,552,225)
Subordinate voting shares – September 30	105,661,419	108,683,127
Multiple voting shares – beginning and end of period	30,000,000	30,000,000
Common shares effectively outstanding – September 30	135,661,419	138,683,127

At September 30, 2023 there were an estimated 6,311,242 contingently issuable subordinate voting shares to Fairfax relating to the performance fee accrual for the third calculation period (September 30, 2022 - 3,550,114).

### *Purchase of Shares*

The company has the ability to purchase for cancellation subordinate voting shares at prevailing market prices under the terms of its normal course issuer bid and in accordance with the rules and policies of the TSX. During the first nine months of 2023, under the terms of its normal course issuer bid, the company purchased for cancellation 2,609,481 subordinate voting shares (2022 - 2,552,225) for a net cost of \$33,876 (2022 - \$31,158), of which \$6,421 was charged to retained earnings (2022 - \$4,305).



In connection with the normal course issuer bid, the company also entered into an automatic share purchase plan with its designated broker to allow for the purchase of subordinate voting shares during times when the company normally would not be active in the market. Such purchases are determined by the broker in its sole discretion based on the parameters established by the company prior to commencement of the applicable trading black-out period.

*Subsequent to September 30, 2023*

Subsequent to September 30, 2023, in accordance with an automatic share purchase plan under the terms of the normal course issuer bid, 170,035 subordinate voting shares were purchased for cancellation on behalf of the company for a net cost of \$2,185.

**Non-controlling interests**

In 2019 the company formed Anchorage as a wholly-owned subsidiary of FIH Mauritius, intended to provide investment related services to support the company in investing in companies, businesses and opportunities in the airport and infrastructure sectors in India. On September 16, 2021 the company transferred a 43.6% equity interest in BIAL from FIH Mauritius to Anchorage and subsequently sold 11.5% (on a fully-diluted basis) of its interest in Anchorage to OMERS for gross proceeds of \$129,221 (9.5 billion Indian rupees). Upon closing of the transaction, the company's ownership in BIAL was comprised of 10.4% held through FIH Mauritius and 43.6% held through Anchorage, representing effective ownership interest of 49.0% on a fully-diluted basis.

At September 30, 2023 the company continued to hold 43.6% out of its 57.0% (December 31, 2022 - 43.6% out of its 54.0%) equity interest in BIAL through Anchorage. As a result, the company's fully-diluted equity interest in BIAL was 52.0% (December 31, 2022 - 49.0%).

Net earnings attributable to non-controlling interests of \$31 and \$10,291 during the third quarter and first nine months of 2023 (2022 - \$87 and \$63) principally related to net unrealized gains on Anchorage's investment in BIAL.

The company shall use commercially reasonable efforts to list Anchorage by way of an IPO in India, subject to regulatory approvals and market conditions on or before September 2025. If the valuation of Anchorage upon closing of the IPO is below approximately \$1.1 billion (at period end exchange rates) (91.6 billion Indian rupees), then OMERS' ownership in Anchorage will increase to a maximum of 15.0% and the company's ownership in Anchorage will decrease to a minimum of 85.0% (effective ownership interest in BIAL will decrease from 57.0% at September 30, 2023 to a minimum of 50.5%). If Anchorage does not list by way of an IPO in India by September 2025, then OMERS' ownership in Anchorage will remain at 11.5%.

**9. Income Taxes**

The company's provision for income taxes for the three and nine months ended September 30 were comprised as follows:

	Third quarter		First nine months	
	2023	2022	2023	2022
Current income tax:				
Current year expense	932	680	8,666	5,255
Adjustment to prior years' income taxes	—	—	14	(67)
	932	680	8,680	5,188
Deferred income tax:				
Origination and reversal of temporary differences	12,857	10,526	36,576	3,295
Provision for income taxes	13,789	11,206	45,256	8,483

Reconciliation of the provision for income taxes calculated at the Canadian statutory income tax rate to the provision for income taxes at the effective tax rate for the three and nine months ended September 30 are presented in the following table:

	Third quarter		First nine months	
	2023	2022	2023	2022
Canadian statutory income tax rate	26.5 %	26.5 %	26.5 %	26.5 %
Provision for income taxes at the Canadian statutory income tax rate	38,895	32,835	77,472	28,464
Tax rate differential on income earned incurred outside of Canada	(33,497)	(16,397)	(52,296)	(16,524)
Provision (recovery) relating to prior years	—	—	14	(67)
Increase (decrease) in unrecorded tax benefit of losses and temporary differences	7,144	(7,748)	19,994	(8,697)
Foreign exchange effect	1,245	2,515	67	5,307
Other including permanent differences	2	1	5	—
Provision for income taxes	13,789	11,206	45,256	8,483

The tax rate differential on income earned outside of Canada of \$33,497 and \$52,296 in the third quarter and first nine months of 2023 (2022 - \$16,397 and \$16,524) principally reflected the impact of net investment income taxed in Mauritius and India at lower rates. The provision for income taxes increased in the first nine months of 2023 principally due to deferred tax arising from unrealized gains on the company's investment in BIAL, which is held by Anchorage and FIH Mauritius. Investment gains earned in Anchorage are subject to a higher tax rate compared to FIH Mauritius.

At September 30, 2023 deferred tax assets of \$104,895 in Canada and \$6,856 in India (December 31, 2022 - \$88,899 in Canada and \$4,293 in India) were not recorded as it was considered not probable that those losses could be utilized by the company.

## 10. Financial Risk Management

### Overview

There were no significant changes to the types of the company's risk exposures or the processes used by the company for managing those risk exposures at September 30, 2023 compared to those identified and disclosed in the company's annual consolidated financial statements for the year ended December 31, 2022. Consideration has been given to the current economic environment, including the heightened inflationary pressures and actions taken by central banks across the world to control inflation levels. Further developments related to ongoing global economic disruptions and global recessionary concerns, including the risk of rising inflation, could have a material adverse effect on the company's business, financial condition, results of operations and cash flows.

### Market Risk

Market risk, comprised of foreign currency risk, interest rate risk and other price risk, is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

#### Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument or another asset or liability will fluctuate due to changes in foreign exchange rates and produce an adverse effect on net earnings and equity when measured in Indian rupees, the company's functional currency. There were no significant changes to the company's framework used to monitor, evaluate and manage foreign currency risk at September 30, 2023 compared to December 31, 2022.

#### Interest Rate Risk

Interest rate risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. There were no significant changes to the company's framework used to monitor, evaluate and manage interest rate risk at September 30, 2023 compared to December 31, 2022.

The company's exposure to interest rate risk decreased slightly in the first nine months of 2023, primarily reflecting an overall decrease in remaining maturities across the fixed income portfolio. The table that follows displays the potential impact of changes in interest rates on the company's fixed income portfolio based on parallel 200 basis point shifts up and down, in 100 basis point

increments, which the company believes to be reasonably possible in the current economic environment. This analysis was performed on each individual security, with the hypothetical effect on net earnings.

	September 30, 2023			December 31, 2022		
	Fair value of fixed income portfolio	Hypothetical \$ change effect on net earnings <sup>(1)</sup>	Hypothetical % change in fair value	Fair value of fixed income portfolio	Hypothetical \$ change effect on net earnings <sup>(1)</sup>	Hypothetical % change in fair value
<b>Change in interest rates</b>						
200 basis point increase	132,547	(3,456)	(3.4)%	135,232	(4,014)	(3.9)%
100 basis point increase	134,872	(1,747)	(1.7)%	137,924	(2,035)	(2.0)%
No change	137,250	—	—	140,693	—	—
100 basis point decrease	139,689	1,793	1.8 %	143,545	2,096	2.0 %
200 basis point decrease	142,183	3,626	3.6 %	146,480	4,253	4.1 %

(1) For the purpose of this sensitivity analysis, the hypothetical \$ change effect on net earnings includes an income tax impact that is calculated using the company's marginal tax rate. Actual income tax expense (recovery) may differ significantly when earnings (losses) are realized.

Certain shortcomings are inherent in the method of analysis presented above. Computations of the prospective effects of hypothetical interest rate changes are based on numerous assumptions, including the maintenance of the level and composition of fixed income securities at the indicated date, and should not be relied on as indicative of future results. Actual values may differ from the projections presented should market conditions vary from assumptions used in the calculation of the fair value of individual securities; such variations include non-parallel shifts in the term structure of interest rates and a change in individual issuer credit spreads.

#### *Market Price Fluctuations*

Market price fluctuation is the risk that the fair value or future cash flows of an equity investment will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual investment or its issuer, or other factors affecting all similar investments in the market.

The company's exposure to market price risk increased to \$3,369,622 at September 30, 2023 from \$3,020,223 at December 31, 2022. Refer to note 6 for the potential impact on net earnings of various combinations of changes in significant unobservable inputs in the company's internal valuation models for the company's investments classified as Level 3 in the fair value hierarchy.

The company estimates the potential impact on net earnings from a 20% increase or decrease in the fair value of its Public Indian Investments at September 30, 2023 to be a hypothetical increase or decrease in net earnings of \$194,201 (December 31, 2022 - increase or decrease in net earnings of \$169,117). For the purpose of this sensitivity analysis, the hypothetical \$ change effect on net earnings includes an income tax impact that is calculated using the company's marginal tax rate. Actual income tax expense (recovery) may differ significantly when earnings (losses) are realized.

#### **Credit Risk**

Credit risk is the risk of loss resulting from the failure of a counterparty to honour its financial obligations to the company, and arises predominantly from cash and cash equivalents, short term investments and investments in debt instruments. There were no significant changes to the company's exposure to credit risk (except as set out in the discussion which follows) or the framework used to monitor, evaluate and manage credit risk at September 30, 2023 compared to December 31, 2022.

#### *Cash and Cash Equivalents and Short Term Investments*

At September 30, 2023 the company's cash and cash equivalents of \$91,840 (December 31, 2022 - \$147,448) were primarily held in major financial institutions.

At September 30, 2023 the company's short term investments in U.S. treasury bills of \$13,175 (December 31, 2022 - \$49,692) were rated Aaa and AA+ by Moody's and S&P respectively (December 31, 2022 - Aaa and AA+), and short term investments in Indian treasury bills of \$23,683 (December 31, 2022 - nil) were rated Baa3 and BBB- by Moody's and S&P respectively.

#### *Investments in Debt Instruments*

At September 30, 2023 the company's debt instruments were all considered to be subject to credit risk with a fair value of \$137,250 (December 31, 2022 - \$140,693), representing 3.8% (December 31, 2022 - 4.2%) of the total cash and investments portfolio.

The composition of the company's fixed income portfolio is presented in the table below:

	September 30, 2023		December 31, 2022	
	Fair value	Rating	Fair value	Rating
Government of India bonds <sup>(1)</sup>	129,905	Baa3/BBB-	121,108	Baa3/BBB-
Other Indian Fixed Income	7,345	Not rated	19,585	Not rated
Total bonds	<u>137,250</u>		<u>140,693</u>	

(1) Rated Baa3 by Moody's and BBB- by S&P at September 30, 2023 and December 31, 2022.

The company's exposure to credit risk from its investments in fixed income securities decreased slightly at September 30, 2023 compared to December 31, 2022, principally reflecting the conversion of the NCML CCD into NCML common shares as described in note 5, partially offset by the reinvestment of net proceeds from the sales of common stocks into Government of India bonds. Except as described above, there were no other significant changes to the composition of the company's fixed income portfolio classified according to each security's respective issuer credit rating at September 30, 2023 compared to December 31, 2022.

### **Liquidity Risk**

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. There were no significant changes to the company's exposure to liquidity risk (except as set out in the discussion below) or the framework used to monitor, evaluate and manage liquidity risk at September 30, 2023 compared to December 31, 2022.

The undeployed cash and investments at September 30, 2023 provide adequate liquidity to meet the company's known significant commitments over the next twelve months, which are principally comprised of an investment in BIAL (discussed below), investment and advisory fees, interest expense, purchases of subordinate voting shares for cancellation under its automatic share purchase plan, and general and administration expenses. In addition, under the Investment Advisory Agreement (defined in note 11), if a performance fee is payable for the period ending on December 31, 2023, the performance fee will be payable in cash, or at Fairfax's option, in subordinate voting shares.

On May 9, 2023 Fairfax India announced it entered into an agreement to acquire additional equity interest in BIAL through FIH Mauritius. The company completed the acquisition of 3.0% equity interest in BIAL on June 21, 2023 for cash consideration of \$75,000. Under the same agreement, the company has also agreed to acquire an additional 7.0% equity interest in BIAL for additional cash consideration of \$175,000, subject to certain performance conditions by BIAL and other closing conditions, which are expected to be assessed in the fourth quarter of 2023.

At September 30, 2023 the company's payment obligations, which are due beyond one year, primarily relate to the recurring nature of expenses described above and a principal repayment on the Unsecured Senior Notes due in February 2028, which bear interest at a fixed rate of 5.0% per annum, payable in semi-annual installments.

The company has the ability to sell a portion of its Indian Investments to supplement its liquidity requirements, by way of private placements or in public markets for its Public Indian Investments, or through private sales or IPOs for its Private Indian Investments. At September 30, 2023, in addition to cash and cash equivalents of \$91,840, the company held common shares of Public Indian Investments, which carry no selling restrictions, with a fair value of \$866,664, Government of India bonds with a fair value of \$129,905 and short term investments of \$36,858. The company expects to continue to receive investment income on its holdings of fixed income securities and dividends from its equity investments to supplement its cash and cash equivalents. To further augment its liquidity, the company can draw upon its Revolving Credit Facility. Accordingly, the company has adequate working capital to support its ongoing operations.

### **Concentration Risk**

The company's cash and investments are primarily concentrated in India and in Indian businesses or businesses with customers, suppliers or business primarily conducted in, or dependent on, India. The market value of the company's investments, the income generated by the company and the company's performance will be particularly sensitive to changes in the economic condition, interest rates, and regulatory environment in India. Adverse changes to the economic condition, interest rates or regulatory environment in India may have a material adverse effect on the company's business, cash flows, financial condition and net earnings. At September 30, 2023 and December 31, 2022 the company's total cash and investments composition by the issuer's country of domicile was primarily India, and at September 30, 2023 represented 97.2% (December 31, 2022 - 94.2%) of the total cash and investments portfolio.

The company's holdings of Public and Private Indian Investments (see note 5) at September 30, 2023 and December 31, 2022 are summarized by the issuer's primary industry sector in the table below:

	<b>September 30, 2023</b>	<b>December 31, 2022</b>
Infrastructure	1,408,403	1,233,747
Financial services	1,220,584	1,042,153
Commercial and industrial	550,486	602,999
Ports and shipping	197,494	147,617
Utilities	—	13,292
	<u>3,376,967</u>	<u>3,039,808</u>

At September 30, 2023 the company determined that it was in compliance with the Investment Concentration Restriction.

### ***Capital Management***

The company's objectives when managing capital are to protect its lenders, to safeguard its ability to continue as a going concern, and to maintain an optimal capital structure to reduce the cost of capital in order to optimize returns for common shareholders. The company will seek attractive risk-adjusted returns, but will at all times seek downside protection and attempt to minimize the loss of capital. Total capital (comprised of borrowings, common shareholders' equity and non-controlling interests) increased to \$3,455,610 at September 30, 2023 from \$3,254,079 at December 31, 2022, principally reflecting an increase in common shareholders' equity and non-controlling interests as described below.

Common shareholders' equity increased to \$2,833,398 at September 30, 2023 from \$2,642,036 at December 31, 2022 primarily reflecting net earnings attributable to shareholders of \$236,802, partially offset by purchases of subordinate voting shares for cancellation of \$33,876 and unrealized foreign currency translation losses attributable to shareholders of \$11,616 during the first nine months of 2023.

Non-controlling interests increased to \$124,515 at September 30, 2023 from \$114,737 at December 31, 2022 primarily reflecting net earnings attributable to non-controlling interests of \$10,291 principally arising from net unrealized gains on the company's investment in BIAL held through Anchorage, partially offset by unrealized foreign currency translation losses attributable to non-controlling interests of \$513 during the first nine months of 2023.

## **11. Related Party Transactions**

### ***Payable to Related Parties***

The company's payable to related parties (excluding amounts related to Unsecured Senior Notes discussed below) was comprised as follows:

	<b>September 30, 2023</b>	<b>December 31, 2022</b>
Performance fee	82,576	41,531
Investment and advisory fee	10,092	9,211
Other	—	109
	<u>92,668</u>	<u>50,851</u>

### ***Investment Advisory Agreement***

The company and its subsidiaries have entered into an agreement with Fairfax and the Portfolio Advisor to provide administration and investment advisory services to the company and its subsidiaries (the "Investment Advisory Agreement"). As compensation for the provision of these services, the company and its subsidiaries pay an investment and advisory fee, and if applicable, a performance fee. Such fees are determined with reference to the company's common shareholders' equity.

### *Performance Fee*

The period from January 1, 2021 to December 31, 2023 (the "third calculation period") is the next consecutive three-year period after December 31, 2020 for which a performance fee, if applicable, will be accrued. Under the Investment Advisory Agreement, if a performance fee is payable for the period ending on December 31, 2023, the performance fee will be payable in cash, or at Fairfax's option, in subordinate voting shares. The performance fee, if applicable, will be paid in the first half of 2024. If Fairfax elects to have the performance fee paid in subordinate voting shares, such election must be made no later than December 15, 2023. The number of subordinate voting shares to be issued will be calculated based on the volume-weighted average trading price of the company's subordinate voting shares for the 10 trading days prior to and including the last day of the calculation period.

At September 30, 2023 the company determined that there was a performance fee accrual of \$82,576 related to the third calculation period (December 31, 2022 - \$41,531). A performance fee of \$20,469 and \$41,536 was recorded in the consolidated statements of earnings in the third quarter and first nine months of 2023 (2022 - a performance fee recorded of \$4,798 and recovery of \$45,283).

At September 30, 2023 there were an estimated 6,311,242 contingently issuable subordinate voting shares to Fairfax relating to the performance fee accrual for the third calculation period (September 30, 2022 - 3,550,114).

### *Investment and Advisory Fees*

The investment and advisory fees recorded in the consolidated statements of earnings for the third quarter and first nine months of 2023 were \$10,376 and \$28,662 (2022 - \$9,757 and \$29,544).

### *Unsecured Senior Notes*

Fairfax, through its subsidiaries, holds \$58,400 of the Unsecured Senior Notes under the same terms as the other participants. Amounts due to related parties related to the Unsecured Senior Notes were comprised as follows:

	September 30, 2023	December 31, 2022
Principal portion, presented within borrowings on the consolidated balance sheet	58,400	58,400
Interest portion, presented within accrued interest expense on the consolidated balance sheet	276	1,006
	<u>58,676</u>	<u>59,406</u>

Interest expense recorded in the consolidated statements of earnings for the third quarter and first nine months of 2023 included \$730 and \$2,190 related to amounts due to related parties (2022 - \$730 and \$2,190). Refer to note 7 for further details on the Unsecured Senior Notes.

### *Fairfax's Voting Rights and Equity Interest*

At September 30, 2023 Fairfax, through its subsidiaries, owned 30,000,000 multiple voting shares (December 31, 2022 - 30,000,000) and owned and/or exercised control or direction over 28,504,470 subordinate voting shares (December 31, 2022 - 28,504,470) of Fairfax India. At September 30, 2023 Fairfax's aggregate ownership, control and/or direction of the subordinate voting shares and multiple voting shares represented a 95.2% voting interest and a 43.1% equity interest (December 31, 2022 - 95.0% and 42.3%) in Fairfax India.

## **12. General and Administration Expenses**

General and administration expenses for the three and nine months ended September 30 were comprised as follows:

	<u>Third quarter</u>		<u>First nine months</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Audit, legal, tax, and professional fees <sup>(1)</sup>	391	3,327	7,373	4,615
Salaries and employee benefit expenses	261	195	774	909
Administrative expenses	398	365	1,310	1,264
Other	76	43	1,331	365
	<u>1,126</u>	<u>3,930</u>	<u>10,788</u>	<u>7,153</u>

(1) *Audit, legal, tax, and professional fees decreased during the third quarter of 2023 and increased during the first nine months of 2023 primarily due to timing of consulting fees incurred.*

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## **Management's Discussion and Analysis of Financial Condition and Results of Operations (as of November 2, 2023)**

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

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

- (1) Readers of the Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should review the notes to the interim consolidated financial statements for the three and nine months ended September 30, 2023 and the company's 2022 Annual Report.
- (2) Unless otherwise noted, consolidated financial information of the company within this MD&A is derived from the consolidated financial statements of the company prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including International Accounting Standard 34 *Interim Financial Reporting*, and is presented in U.S. dollars with the Indian rupee as the functional currency of the company and its consolidated subsidiaries.
- (3) Management analyzes and assesses the financial position of the consolidated company in various ways. Certain of the measures included in this interim report, which have been used consistently and disclosed regularly in the company's Annual Reports and interim financial reporting, do not have a prescribed meaning under IFRS as issued by the IASB and may not be comparable to similar measures presented by other companies. Please refer to the Glossary of Non-GAAP and Other Financial Measures located at the end of this MD&A for details of the company's measures.

### **Business Developments**

#### **Overview**

Fairfax Financial Holdings Limited ("Fairfax") is Fairfax India's ultimate parent and acts as its administrator. Fairfax is a holding company which, through its subsidiaries, is engaged in property and casualty insurance and reinsurance and the associated investment management. Hamblin Watsa Investment Counsel Ltd. (the "Portfolio Advisor"), a wholly-owned subsidiary of Fairfax and registered portfolio manager in the province of Ontario, is the portfolio advisor of the company and its consolidated subsidiaries, responsible to source and advise with respect to all investments. Fairfax India's subordinate voting shares trade on the Toronto Stock Exchange ("TSX") under the symbol FIH.U. The multiple voting shares of the company are not publicly traded.

The book value per share at September 30, 2023 was \$20.89 compared to \$19.11 at December 31, 2022, representing an increase in the first nine months of 2023 of 9.3%, principally reflecting net earnings attributable to shareholders of Fairfax India of \$236,802 (primarily related to net change in unrealized gains on investments and realized gains on sales of investments, partially offset by a provision for income taxes, performance fees, investment and advisory fees, and interest expense). In addition, the company purchased for cancellation 2,609,481 subordinate voting shares during the first nine months of 2023 for a net cost of \$33,876 (\$12.98 per subordinate voting share) through its normal course issuer bid, which further contributed to the increase in book value per share.

#### **Summary of Indian Investments**

Throughout this MD&A, the term "Indian Investments" refers to deployed capital invested in Public and Private Indian Investments as disclosed in note 5 (Indian Investments) to the interim consolidated financial statements for the three and nine months ended September 30, 2023. Full descriptions of the Indian Investments committed to, acquired and sold in the first nine months of 2023 are provided in the Indian Investments section of this MD&A.



## Track Record

The table below provides a summary of the company's existing and monetized Indian Investments, including their compounded annualized return in U.S. dollars since the company's inception:

September 30, 2023							
Existing Indian Investments:	Initial investment date	Ownership %	Cash consideration <sup>(1)</sup>	Fair value	Net change	Cumulative interest and dividends <sup>(2)</sup>	Compounded annualized return <sup>(3)</sup>
<b>Public Indian Investments:</b>							
Common stocks:							
IIFL Finance <sup>(4)</sup>	December 2015	20.9 %	105,337	570,160	464,823	22,024	26.7 % *
IIFL Securities <sup>(4)</sup>	December 2015	27.7 %	51,055	88,116	37,061	13,935	10.4 % *
Spaisa <sup>(4)</sup>	December 2015	24.9 %	16,603	40,641	24,038	—	18.4 % *
Fairchem Organics <sup>(5)</sup>	February 2016	52.8 %	29,741	97,330	67,589	2,108	23.2 %
CSB Bank	October 2018	49.7 %	169,492	321,233	151,741	—	15.0 %
Other	May 2022	< 1.0 %	3,386	2,163	(1,223)	15	(27.3)%
			375,614	1,119,643	744,029	38,082	20.9 %
<b>Private Indian Investments:</b>							
Common stocks:							
NCML	August 2015	91.0 %	188,288	50,359	(137,929)	823	(16.2)%
Sanmar	April 2016	42.9 %	199,039	301,293	102,254	—	11.5 %
NSE	July 2016	1.0 %	26,783	176,789	150,006	15,048	33.5 %
Saurashtra	February 2017	51.0 %	30,018	54,081	24,063	4,565	10.7 %
BIAL	March 2017	57.0 %	727,982	1,408,403	680,421	2,241	12.0 %
IH Fund <sup>(6)</sup>	January 2019	—	13,986	14,137	151	4,423	6.4 %
Seven Islands	March 2019	48.5 %	83,846	143,413	59,567	—	12.8 %
Maxop	November 2021	67.0 %	51,448	55,530	4,082	—	5.2 %
Jaynix	February 2022	70.0 %	32,504	45,974	13,470	—	23.7 %
Other Indian Fixed Income	November 2021	—	7,395	7,345	(50)	475	3.1 %
			1,361,289	2,257,324	896,035	27,575	9.8 %
<b>Total existing Indian Investments</b>			1,736,903	3,376,967	1,640,064	65,657	13.0 %
<b>Monetized Indian Investments:</b>							
	Initial investment date	Last sale date	Cash consideration <sup>(1)</sup>	Cash proceeds <sup>(1)</sup>	Cash proceeds less cash consideration	Cumulative interest and dividends <sup>(2)</sup>	Compounded annualized return <sup>(3)</sup>
<b>Partially monetized <sup>(7)</sup>:</b>							
IIFL Finance <sup>(4)</sup>	December 2015	June 2023	6,613	30,512	23,899	1,383	25.2 % *
Fairchem Organics <sup>(5)</sup>	February 2016	February 2022	7,787	45,585	37,798	86	49.7 %
			14,400	76,097	61,697	1,469	36.5 %
<b>Fully monetized:</b>							
360 ONE (formerly IIFL Wealth) <sup>(4)</sup>	December 2015	May 2023	107,044	243,465	136,421	40,492	16.7 % *
Other	March 2018	January 2023	178,762	282,564	103,802	9,298	28.0 %
Privi Speciality <sup>(5)</sup>	August 2016	April 2021	54,975	164,895	109,920	1,985	27.1 %
Sanmar Bonds <sup>(8)</sup>	April 2016	December 2019	299,000	433,873	134,873	—	11.0 %
			639,781	1,124,797	485,016	51,775	16.6 %
<b>Total monetized Indian Investments</b>			654,181	1,200,894	546,713	53,244	17.5 %

\* Aggregate: IIFL Finance, IIFL Securities, Spaisa and 360 ONE (formerly IIFL Wealth)

20.8 %

- (1) Cash consideration and cash proceeds reflect U.S. dollar amounts translated from Indian rupees at foreign currency exchange rates at time of purchase or sale.
- (2) Cumulative interest and dividends is comprised of dividend income and interest income recorded and received over the period of the company's investment.
- (3) Compounded annualized return reflects the U.S. dollar annualized internal rate of return calculated for each of the company's existing and monetized Indian Investments, taking into account (1) the timing of cash flows (including cash consideration of purchases, cash proceeds on sales, cumulative interest and dividends received, and return of capital distributions) over the period of the company's investment, and (2) the fair value at the end of the reporting period for existing Indian Investments.
- (4) In December 2015 and February 2017 the company acquired common shares of IIFL Holdings Limited ("IIFL Holdings") for aggregate cash consideration of \$276,734. In October 2017 IIFL Holdings spun off its wholly-owned subsidiary, Spaisa, and in May 2019, also spun off its wholly-owned subsidiaries IIFL Securities and 360 ONE (formerly IIFL Wealth), and renamed the remaining business to IIFL Finance. As a result, the initial cash consideration of \$276,734 paid for IIFL Holdings and cumulative interest and dividends have been allocated to each of the spun-off entities based on their respective fair values at the dates of spin off. Cash consideration for Spaisa also includes cash paid for additional shares acquired subsequent to its spin off.
- (5) Cash consideration for Fairchem Organics and Privi Speciality Chemicals Limited ("Privi Speciality") reflects the company's initial cash consideration for Fairchem Speciality Limited and Privi Organics Limited, respectively, prior to their merger in 2017 and demerger in 2020. Cash consideration for Fairchem Organics also includes cash paid for additional shares acquired subsequent to the demerger.
- (6) Cash consideration for IH Fund reflects the company's initial cash consideration less return of capital distributions received in cash.
- (7) On partially monetized investments, cash consideration and cumulative interest and dividends reflect amounts proportionate to shares sold.
- (8) Cash proceeds for Sanmar bonds reflect the bonds' total principal and interest.

## **Operating Environment**

### ***Global Economic Environment***

According to the World Economic Outlook (October 2023) published by the International Monetary Fund ("IMF"), global growth is expected to fall from 3.5% in 2022 to 3.0% in 2023 and 2.9% in 2024, with the decline principally driven by advanced economies, despite resilient global economic performance in the first half of the year. Commodity and energy prices which soared in 2022 due to supply chain disruptions and Russia's invasion of Ukraine ("conflict in Ukraine") have declined, but could become more volatile under renewed geopolitical tensions and disruptions linked to climate change. Although inflation has eased in most countries, it remains high, with growing divergences across economies and monetary policy measures. Persistent inflation may contribute to continued policy tightening by central banks and increased borrowing costs, further constraining global economic activity.

### ***Indian Economy***

According to the latest estimates from the Indian government, the country's GDP grew 7.8% in the first quarter of fiscal year 2023-24, which outpaced major economies and was primarily supported by private consumption and government capital expenditure. In its October 2023 report, the IMF estimated India's GDP will expand by 6.3% for fiscal year 2023-24, reflecting an upward revision from its July 2023 estimate of 6.1%, attributable to recent momentum from stronger-than-expected consumption.

The Indian government's encouragement of capital expenditure, sustained strength in the services sector, improved rural demand, and healthy balance sheets of banks and corporations are expected to strengthen domestic demand. However, headwinds from geopolitical tensions, volatile financial markets and energy prices, and climate shocks pose risks to growth prospects.

The Reserve Bank of India ("RBI") maintained the benchmark rate at 6.50% at its most recent monetary policy meeting in October 2023, consistent with the past three meetings as inflation in India softened in line with projections. The RBI also announced it would continue to remain focused on the withdrawal of its accommodative policy to ensure that inflation progressively aligns within the target, while supporting growth.

### ***Indian Market Indices and Foreign Exchange Rate***

Despite negative returns across global equities during the third quarter of 2023, Indian equity markets achieved growth, with Nifty 50 and BSE Sensex climbing to another all-time high in September 2023. The BSE Sensex increased 7.8% in U.S. dollars in the first nine months of 2023, supported by strong corporate earnings, robust domestic demand, and investment activity. The 10-year Indian government bond yield rose towards the end of September 2023, marking the first quarterly rise of 2023, owing to pressure from spikes in oil prices and U.S. treasury yields. The Indian rupee weakened slightly against the U.S. dollar, reflecting depreciation of 1.2% and 0.4% in the third quarter and first nine months of 2023.

Consistent with Indian equity markets, the fair values of the company's Indian Investments primarily achieved growth over the first nine months of 2023. In line with the depreciation of the Indian rupee, the company recorded unrealized foreign currency translation losses as the company's net assets and net earnings are primarily denominated in Indian rupees.

The company's Indian Investments may face varying degrees of impact in response to changes in the global economic environment. Further discussion specific to each Indian Investment is included in the Indian Investments section under the respective heading of each Indian Investment of this MD&A.

## **Business Objectives**

### **Investment Objective**

Fairfax India is an investment holding company whose objective is to achieve long term capital appreciation, while preserving capital, by investing in public and private equity securities and debt instruments in India and Indian businesses or other businesses with customers, suppliers or business primarily conducted in, or dependent on, India ("Indian Investments"). The company makes all or substantially all of its investments either directly or through one of its wholly-owned consolidated subsidiaries based in Mauritius, FIH Mauritius Investments Ltd ("FIH Mauritius") and FIH Private Investments Ltd ("FIH Private"). In 2019 the company formed Anchorage, a consolidated subsidiary of FIH Mauritius based in India.

### **Investment Restrictions**

The company will not make an Indian Investment if, after giving effect to such investment, the total invested amount of such investment would exceed 20.0% of the company's total assets at the time of the investment; provided, however, that the company is permitted to complete up to two Indian Investments where, after giving effect to each such investment, the total invested amount of each such investment would be less than or equal to 25.0% of the company's total assets (the "Investment Concentration Restriction"). The company's investment limit for an Indian Investment in accordance with the Investment Concentration Restriction increased at September 30, 2023 from December 31, 2022 based on the change in its asset base.

The company intends to make multiple different investments as part of its prudent investment strategy. Indian Investments may be financed through equity or debt offerings as part of the company's objective to reduce its cost of capital and provide returns to common shareholders. At September 30, 2023 the company determined that it was in compliance with the Investment Concentration Restriction.

## **Indian Investments**

### **Cautionary Statement Regarding Financial Information of Significant Indian Investments**

Fairfax India has agreed to voluntarily provide within the MD&A, summarized financial information prepared in accordance with recognition, measurement and presentation principles consistent with IFRS for all of its Indian Investments for which it had previously filed a business acquisition report in accordance with section 8.2 of National Instrument 51-102 *Continuous Disclosure Obligations*. National Commodities Management Services Limited, IIFL Finance Limited, Sanmar Chemicals Group, Bangalore International Airport Limited and CSB Bank (collectively, "Significant Indian Investments"), for which the company had previously filed business acquisition reports, prepared their financial statements in accordance with Indian Accounting Standards ("Ind AS"), with the exception of the financial statements of CSB Bank prepared in accordance with Indian Generally Accepted Accounting Principles ("Indian GAAP") as a result of the RBI's decision to defer implementation of Ind AS for scheduled commercial banks until further notice. Ind AS are based on and substantially converged with IFRS as issued by the IASB. Fairfax India is limited with respect to the amount of independent verification it is able to perform on the Significant Indian Investments' financial statements. The summarized financial information contained in this MD&A was prepared exclusively for Fairfax India. Such financial information is the responsibility of the respective management teams and has been prepared by them using recognition, measurement and presentation principles consistent with IFRS as issued by the IASB, and provided to the company in Indian rupees.

The company's Significant Indian Investments' fiscal years each end on March 31. Summarized financial information of the company's Significant Indian Investments has generally been provided for the periods subsequent to the company's investment and to the extent that the most recent interim financial information is available to the company's management. Significant Indian Investments' summarized financial information should be read in conjunction with Fairfax India's historical consolidated financial statements including the notes thereto and the related MD&A as well as Fairfax India's other public filings.

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

## Public Indian Investments

The fair values of Fairfax India's Public Indian Investments, with shares listed on both the BSE (formerly known as Bombay Stock Exchange Limited) and the National Stock Exchange of India ("NSE of India"), are determined using the bid prices of those investments (without adjustments or discounts) at the balance sheet date, with the exception of certain common shares of CSB Bank subject to selling restrictions.

The changes in fair value of the company's Public Indian Investments for the third quarters and first nine months of 2023 and 2022 are presented in the tables disclosed in note 5 (Indian Investments) to the interim consolidated financial statements.

### Investment in IIFL Finance Limited

#### *Business Overview*

IIFL Finance Limited ("IIFL Finance") is a publicly traded retail-focused diversified financing company located in Mumbai, India that offers home loans, gold loans, loans against property, digital loans and microfinance loans, in addition to its non-core segments of loans for construction and real estate finance, and capital market finance.

#### *Key Business Drivers, Events and Risks*

IIFL Finance's key business drivers include its access to well-diversified sources of funds, a diversified asset portfolio with a strategic focus on households, and its extensive network of physical branches and various digital channels, which enable it to deliver credit to underserved segments and under penetrated geographical areas in India. At September 30, 2023 IIFL Finance had 4,596 branches across India, making it one of the largest retail focused non-banking finance companies.

At September 30, 2023 IIFL Finance had assets under management ("AUM") of approximately \$8.8 billion (approximately 731 billion Indian rupees) (December 31, 2022 - approximately \$7.0 billion (approximately 579 billion Indian rupees)) comprised of home loans (33%), gold loans (32%), microfinance (15%), loans against property (10%), digital loans (5%), construction and real estate finance (4%), and capital market finance (1%). The well-diversified asset portfolio is predominantly retail in nature with small loan ticket sizes, mitigating the risk of asset concentration and exposure to cyclical movements.

#### *Valuation and Interim Consolidated Financial Statement Impact*

During the first nine months of 2023 the company sold 5,000,000 common shares of IIFL Finance for gross proceeds of \$30,512. As a result of past spin offs of 5paise, IIFL Securities and 360 ONE (formerly IIFL Wealth) at their respective fair values, the company's cost basis of IIFL Finance is nil. Accordingly, all proceeds from sales of IIFL Finance common shares were reflected as a realized gain of \$30,512.

At September 30, 2023 the fair value of the company's investment in IIFL Finance was \$570,160 (December 31, 2022 - \$493,341) comprised of 79,641,445 common shares (December 31, 2022 - 84,641,445) representing a 20.9% equity interest (December 31, 2022 - 22.3%). IIFL Finance's share price increased by 23.3% from 482.20 Indian rupees per share at December 31, 2022 to 594.50 Indian rupees per share at September 30, 2023.

In the third quarter and first nine months of 2023 the consolidated statements of earnings included dividend income earned from the company's investment in IIFL Finance of nil and \$4,116 (2022 - nil and \$3,936).

#### *IIFL Finance's Summarized Financial Information*

IIFL Finance's fiscal year ends on March 31. Summarized below are IIFL Finance's balance sheets at June 30, 2023 and March 31, 2023.

#### **Balance Sheets**

*(unaudited - US\$ thousands)*

	June 30, 2023 <sup>(1)</sup>	March 31, 2023 <sup>(1)</sup>
Financial assets	6,279,260	6,262,119
Non-financial assets	169,670	187,103
Financial liabilities	5,092,826	5,145,540
Non-financial liabilities	56,091	62,281
Total equity	1,300,013	1,241,401

*(1) The net assets of IIFL Finance were translated at June 30, 2023 at \$1 U.S. dollar = 82.04 Indian rupees and at March 31, 2023 at \$1 U.S. dollar = 82.18 Indian rupees. The exchange rates used were the spot rates prevailing on those respective dates.*

Financial assets increased principally reflecting increased loan advances. Non-financial assets decreased primarily due to a decrease in deferred tax assets. Financial liabilities decreased principally reflecting net redemptions of debt securities. Non-financial liabilities decreased primarily due to decreased advances from customers.

Summarized below are IIFL Finance's statements of earnings for the three months ended June 30, 2023 and 2022.

### Statements of Earnings

(unaudited - US\$ thousands)

	Three months ended June 30, 2023 <sup>(1)</sup>	Three months ended June 30, 2022 <sup>(1)</sup>
Revenue	288,462	255,869
Earnings before income taxes	75,241	56,209
Net earnings	57,537	42,712

(1) Amounts for the three months ended June 30, 2023 and 2022 were translated into US\$ using the average exchange rates of \$1 U.S. dollar = 82.18 Indian rupees and \$1 U.S. dollar = 77.20 Indian rupees prevailing during those periods.

IIFL Finance's revenue increased primarily reflecting an increase in interest income consistent with the higher balance of AUM, and higher portfolio yields across all segments. Earnings before income taxes and net earnings increased primarily due to the increased interest income as noted above, partially offset by increased finance costs consistent with higher interest rates, increased employee benefit expenses attributed to the continued expansion of IIFL Finance's digital and physical footprint, and higher taxes.

### Investment in IIFL Securities Limited

#### Business Overview

IIFL Securities Limited ("IIFL Securities") is a publicly traded independent full-service retail and institutional brokerage, along with being a leading investment advisory firm providing diversified financial services and products such as financial planning, equity, commodities and currency broking (both cash and derivatives), depository participant services, investment banking, portfolio management as well as distribution of mutual funds, bonds and other products. IIFL Securities is located in Mumbai, India.

#### Key Business Drivers, Events and Risks

IIFL Securities is a key player in both retail and institutional segments of the capital market, with over 2,500 points of presence across over 500 cities in India, along with a strong digital presence backed by proprietary technology. IIFL Securities' strategy for growth is built on improving and fortifying its research content, and investing in technology for trading platforms as well as a strong talent pool, with an objective of providing customers with credible research and a superior transaction experience. IIFL Securities has also entered into partnerships with various banks and investment platforms to deliver innovative investment products and increase access, providing a one-stop shop for financial products to its customers.

IIFL Securities' institutional broking franchise business services over 860 domestic and foreign clients, and provides comprehensive research coverage in over 265 stocks in more than 20 sectors, which accounts for over 74% of India's market capitalization. The investment banking business continued to be ranked first in terms of number of IPOs launched in fiscal year 2024 to date, and continues to have a strong presence in equity capital markets.

On December 6, 2022 IIFL Securities and 5paisa jointly announced respective board approvals for the transfer of IIFL Securities' online retail trading business to 5paisa. As consideration for the transaction, for every 50 equity shares of IIFL Securities, shareholders will receive 1 equity share of 5paisa on the record date. The transaction remains subject to statutory, regulatory and customary approvals. The proposed transaction is expected to improve efficiencies and sharpen focus areas for the respective companies.

On June 19, 2023 SEBI issued an order restraining IIFL Securities from onboarding new brokerage clients for two years, on allegations relating to the segregation and application of client funds over an inspection period from April 2011 to January 2017. IIFL Securities asserts that it was in compliance with the relevant SEBI regulations at the time and was granted a stay order from the Securities Appellate Tribunal on June 27, 2023, suspending the ban until further notice while the appeal process remains ongoing.

At September 30, 2023 IIFL Securities had AUM of approximately \$20.4 billion (1,698 billion Indian rupees) (December 31, 2022 - approximately \$15.0 billion (approximately 1,241 billion Indian rupees)).

### ***Valuation and Interim Consolidated Financial Statement Impact***

At September 30, 2023 the fair value of the company's investment in IIFL Securities was \$88,116 (December 31, 2022 - \$65,837) comprised of 84,641,445 common shares representing a 27.7% equity interest (December 31, 2022 - 27.8%). IIFL Securities' share price increased by 34.3% from 64.35 Indian rupees per share at December 31, 2022 to 86.45 Indian rupees per share at September 30, 2023.

In the third quarter and first nine months of 2023 the consolidated statements of earnings included dividend income earned from the company's investment in IIFL Securities of nil and \$3,087 (2022 - nil and \$3,374).

### **Investment in 360 ONE WAM Limited (formerly IIFL Wealth Management Limited)**

#### ***Business Overview***

360 ONE WAM Limited ("360 ONE") (formerly IIFL Wealth Management Limited) is a publicly traded wealth management firm with principal lines of business in wealth and asset management, located in Mumbai, India. On January 5, 2023 IIFL Wealth Management Limited was renamed to 360 ONE WAM Limited.

### ***Valuation and Interim Consolidated Financial Statement Impact***

At December 31, 2022 the fair value of the company's investment in 360 ONE was \$46,730, comprised of 2,182,749 common shares representing a 2.5% equity interest. During the first nine months of 2023, the company sold its remaining equity interest in 360 ONE for gross proceeds \$45,974, resulting in realized gains of \$16,551.

In the third quarter and first nine months of 2023 the consolidated statements of earnings included dividend income earned from the company's investment in 360 ONE of nil and \$383 (2022 - \$2,295 and \$5,468).

### **Investment in CSB Bank Limited**

#### ***Business Overview***

CSB Bank Limited ("CSB Bank") is a publicly traded company located in Thrissur, India, established in 1920 and is a full-service bank offering retail banking, non-resident Indian banking services, small-to-medium enterprise and wholesale banking services through 734 branches and 546 automated teller machines across India.

#### ***Key Business Drivers, Events and Risks***

CSB Bank's key business drivers relate to its ability to provide financial services in India, particularly in the area of retail, SMEs, gold and corporate lending, and mobilize low cost deposits in the form of current accounts, savings accounts and non-resident Indian deposits. CSB Bank has recently taken various strategic initiatives, including attracting talent to its sales and marketing team, as well as creating specialized banking verticals in gold, two-wheeler vehicles, small-to-medium enterprise and wholesale banking. Non-Performing Assets ("NPA") are being addressed by CSB Bank through the creation of asset recovery branches to accelerate delinquent loan recovery, with the goal of effectively minimizing losses by improving credit monitoring and risk management practices. In addition, CSB Bank continues to strive for increased employee productivity and will invest in technology across its banking platforms, to provide more efficient and cost effective services for its customers.

Banks in India are highly regulated by the RBI including specific regulations on shareholder voting rights, shareholdings and board representation. The voting rights of any one shareholder of banks in India are limited to 26.0% of available voting rights subject to change as notified by the RBI from time to time. In addition, the RBI stipulates ownership limits for shareholders of banks in India in the long run. Fairfax India is required to follow a dilution schedule for its ownership in CSB Bank whereby: (i) the company was required to purchase a minimum of 40.0% of the voting equity shares in CSB Bank within 5 years, which was completed; and subject to RBI approval: (ii) the company's shareholding in CSB Bank must be brought down to 30.0% of the voting equity shares within 10 years; and (iii) the company's shareholding in CSB Bank must be brought down to 15.0% of the voting equity shares within 15 years. In addition, the RBI mandated that CSB Bank list its shares on the BSE and NSE of India through an IPO. On December 4, 2019 CSB Bank closed its IPO at a price of 195.00 Indian rupees per share.

Net loan book and the deposits segments have been the drivers of growth for CSB Bank during the first six months of fiscal year 2024. Despite the increased costs from investments made in its people, distribution and technology, operating profit continues to grow. Contributing to this growth are the geographical expansion plans, where CSB plans to open another 100 branches during fiscal year 2024. CSB Bank is now focused on better leveraging its full-service banking license by building franchises that offer wholesale, SME, retail and gold loans, and further investing in leadership, people, distribution, products, and technology to provide its customers with a full-service banking facility.

## Valuation and Interim Consolidated Financial Statement Impact

At September 30, 2023 the fair value of the company's investment in CSB Bank was \$321,233 (December 31, 2022 - \$223,268) comprised of 86,262,976 common shares representing a 49.7% equity interest (December 31, 2022 - 49.7%). The company is restricted from selling a certain percentage of its common shares of CSB Bank for a specified period due to restrictions imposed by the RBI and the Securities and Exchange Board of India ("SEBI"). At September 30, 2023 and December 31, 2022 the company held 69,394,331 common shares of CSB Bank that continue to be restricted until August 7, 2024.

CSB Bank's share price increased by 41.1% from 238.20 Indian rupees per share at December 31, 2022 to 336.00 Indian rupees per share at September 30, 2023.

## CSB Bank's Summarized Financial Information

CSB Bank's fiscal year ends on March 31. Summarized below are CSB Bank's balance sheets at June 30, 2023 and March 31, 2023.

### Balance Sheets

(unaudited - US\$ thousands)

	June 30, 2023 <sup>(1)</sup>	March 31, 2023 <sup>(1)</sup>
Financial assets	3,491,147	3,456,558
Non-financial assets	116,707	121,148
Financial liabilities	3,107,395	3,087,318
Non-financial liabilities	86,310	94,456
Shareholders' equity	414,149	395,932

(1) The net assets of CSB Bank were translated at June 30, 2023 at \$1 U.S. dollar = 82.04 Indian rupees and at March 31, 2023 at \$1 U.S. dollar = 82.18 Indian rupees. The exchange rates used were the spot rates prevailing on those respective dates.

Financial assets increased primarily due to increased loans and advances to customers. Non-financial assets decreased primarily due to decreased acceptances and endorsements. Financial liabilities increased primarily due to increased deposits from banks and higher borrowings, partially offset by decreased deposits from customers. Non-financial liabilities decreased primarily due to a decrease in other payables.

Summarized below are CSB Bank's statements of earnings for the three months ended June 30, 2023 and 2022.

### Statements of Earnings

(unaudited - US\$ thousands)

	Three months ended June 30, 2023 <sup>(1)</sup>	Three months ended June 30, 2022 <sup>(1)(2)</sup>
Revenue	63,001	52,030
Earnings before income taxes	26,263	25,852
Net earnings	19,661	19,355

(1) Amounts for the three months ended June 30, 2023 and 2022 were translated into US\$ using the average exchange rates of \$1 U.S. dollar = 82.18 Indian rupees and \$1 U.S. dollar = 77.20 Indian rupees prevailing during those periods.

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

Revenue increased primarily as a result of higher net interest income attributable to increased advances, largely driven by the gold portfolio. Earnings before income taxes and net earnings increased primarily due to increased revenue discussed above, partially offset by increased employee and other expenses consistent with higher headcount and number of branches.

## Investment in Fairchem Organics Limited

### Business Overview

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

### ***Key Business Drivers, Events and Risks***

Fairchem Organics' key business drivers relate to the success of its oleochemicals business and vertical integration into value added products, such as fatty acids and natural vitamin E. As environmental concerns have increased, the demand for sustainable and biodegradable oleochemicals used in lubricants, paper printing, paints and coatings, and animals feed industries have experienced strong growth in recent years.

India is one of the largest consumers of soft oils, which provides Fairchem Organics with a competitive advantage by having easy access to the raw materials that are used in its manufacturing processes. The close proximity to raw materials available in Asia (India, Malaysia and Indonesia) has resulted in a shift of oleochemical production away from the U.S. and Europe. Lower cost of raw materials and efficient manufacturing processes have provided Fairchem Organics with certain competitive advantages in comparison to its international peers. Fairchem Organics has a strong market presence for certain products, with little or no direct competition, and is considered to produce a superior quality product in comparison to its competitors.

After volatile prices seen in the vegetable oil market in 2022 (a key raw material input for Fairchem Organics), resulting from the conflict in Ukraine as well as export levies on palm oil imposed by Indonesia (one of the largest producers and exporters of palm oil), prices have since moderated and remained subdued during fiscal year 2024. Fairchem Organics maintains its competitive position amongst its global peers through continued research and development aimed at improving product yield, while optimizing its manufacturing processes.

### ***Valuation and Interim Consolidated Financial Statement Impact***

At September 30, 2023 the fair value of the company's investment in Fairchem Organics was \$97,330 (December 31, 2022 - \$111,083) comprised of 6,878,656 common shares representing a 52.8% equity interest (December 31, 2022 - 52.8%). Fairchem Organics' share price decreased by 12.1% from 1,336.00 Indian rupees per share at December 31, 2022 to 1,175.00 Indian rupees per share at September 30, 2023.

In the third quarter and first nine months of 2023 the consolidated statements of earnings included dividend income earned from the company's investment in Fairchem Organics of \$626 both periods (2022 - \$1,155 both periods).

### ***Investment in 5paise Capital Limited***

#### ***Business Overview***

5paise Capital Limited ("5paise") is a publicly traded online financial services provider with a "do-it-yourself" investment brokerage model that allows customers to execute investment transactions for low brokerage fees. 5paise is primarily engaged in providing a technology platform through online and mobile applications for trading securities on the BSE and the NSE of India. 5paise is located in Mumbai, India.

### ***Key Business Drivers, Events and Risks***

5paise's key business driver relates to its ability to provide digital investment and lending solutions, a relatively newer segment with the potential to achieve critical mass in the near future with the spread of the Internet, mobile penetration, telecommunication and data services throughout India. 5paise's services are targeted towards retail investors and high volume traders who actively invest and trade in securities markets, and seek "do-it-yourself" services at a low cost. 5paise remains focused on innovation based on understanding customer behaviour, and constantly strives to achieve technological superiority through the developments of its robust trading platform, advanced mobile app, its Artificial-Intelligence powered Robo-Advisory platform, and the paperless account opening process.

5paise, through its wholly-owned subsidiary, 5paise P2P Limited, also offers a digital peer-to-peer lending platform registered with the RBI, which connects verified creditworthy lenders and individual borrowers in India.

On December 6, 2022 IIFL Securities and 5paise jointly announced respective board approvals for the transfer of IIFL Securities' online retail trading business to 5paise. Refer to IIFL Securities' *Key Business Drivers, Events and Risks* for further details.

At September 30, 2023 the 5paise mobile application has reached over 16.5 million downloads and its total customer base exceeded 3.7 million. During the third quarter of 2023, over 85% of customer acquisitions were attributed to customers onboarded to the digital platform without intervention or assistance. 5paise has been able to maintain its market share and has focused on improving the quality of customer acquisitions to strengthen revenue and optimize costs.



## ***Valuation and Interim Consolidated Financial Statement Impact***

At September 30, 2023 the fair value of the company's investment in 5paisa was \$40,641 (December 31, 2022 - \$28,421) comprised of 7,670,130 common shares representing a 24.9% equity interest (December 31, 2022 - 25.0%). 5paisa's share price increased by 43.5% from 306.55 Indian rupees per share at December 31, 2022 to 440.00 Indian rupees per share at September 30, 2023.

### **Investment in Other Public Indian Investments**

During the first nine months of 2023 the company sold investments in Other Public Indian Investments for proceeds of \$13,447, resulting in realized gains of \$6,403. At September 30, 2023 the fair value of the company's investment in Other Public Indian Investments was \$2,163 (December 31, 2022 - \$15,577) and represents less than 1.0% equity interest in a public Indian company in the financial services sector (December 31, 2022 - public Indian companies in the utilities and financial services sectors).

In the third quarter and first nine months of 2023 the consolidated statements of earnings included dividend income earned from the company's investment in Other Public Indian Investments of \$10 both periods (2022 - \$262 and \$2,544).

### **Private Indian Investments**

#### **Cautionary Statement Regarding the Valuation of Private Indian Investments**

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

While the company's valuation techniques for Private Indian Investments remained principally unchanged during the first nine months of 2023, consideration has been given to the current economic and market environment in the determination of unobservable inputs used in discounted cash flows, including the amount and timing of future cash flows prepared by investees' management, discount rates, growth rates and other inputs. Additional volatility in the fair values of Private Indian Investments may arise in future periods if actual results differ materially from the company's estimates.

The changes in fair value of the company's Private Indian Investments for the third quarters and first nine months of 2023 and 2022, including details on valuation methodologies and current model assumptions are discussed in note 5 (Indian Investments) to the interim consolidated financial statements.

### **Investment in Bangalore International Airport Limited**

#### ***Business Overview***

Bangalore International Airport Limited ("BIAL") is a private company located in Bengaluru, India. BIAL, under a concession agreement with the Government of India until the year 2068, has the exclusive rights to carry out the development, design, financing, construction, commissioning, maintenance, operation and management of the Kempegowda International Airport Bengaluru ("KIAB") through a public-private partnership (the "concession agreement"). KIAB is the first greenfield airport in India built to the highest level of international standards through a public-private partnership. BIAL's principal lines of business are aeronautical and non-aeronautical revenue from the airport, real estate monetization and other non-airport related revenue, which includes a five-star hotel operated under the Taj brand.

#### ***Key Business Drivers, Events and Risks***

KIAB is the busiest airport in South India, and the third largest in the country. The airport handled domestic passenger traffic of 24.4 million and international passenger traffic of 3.3 million in the first nine months of 2023, representing year over year growth of 46% and 57% respectively. Domestic passenger traffic levels have surpassed pre-pandemic levels while international passenger traffic levels recovered to 90% of the corresponding period from 2019. BIAL also handled the highest market share of perishable cargo in India for the third consecutive year in fiscal year 2023.

Plans to expand the capacity of the airport remain underway and include the construction of an additional terminal building ("Terminal 2") in two phases by fiscal year 2029, a third terminal building ("Terminal 3") by fiscal year 2034, and real estate development of 176 acres of land. Phase 1 of Terminal 2 was inaugurated by Prime Minister Narendra Modi on November 11, 2022. Domestic operations commenced on January 15, 2023 and international operations commenced on September 12, 2023.

## ***Valuation and Interim Consolidated Financial Statement Impact***

On September 16, 2021 the company transferred a 43.6% equity interest in BIAL from FIH Mauritius to Anchorage and subsequently sold 11.5% (on a fully-diluted basis) of its interest in Anchorage to OMERS for gross proceeds of \$129,221 (9.5 billion Indian rupees). The transaction implied an equity valuation for 100% of BIAL of approximately \$2.6 billion at exchange rates on that date (approximately 189.7 billion Indian rupees). Upon closing of the transaction, the company's ownership in BIAL was comprised of 10.4% held through FIH Mauritius and 43.6% held through Anchorage, representing effective ownership interest of 49.0% on a fully-diluted basis.

On May 9, 2023 Fairfax India announced it entered into an agreement to acquire additional equity interest in BIAL through FIH Mauritius and on June 21, 2023 the company completed the acquisition of a 3.0% equity interest in BIAL for cash consideration of \$75,000 (approximately 6.2 billion Indian rupees). Under the same agreement, the company has also agreed to acquire an additional 7.0% equity interest in BIAL for additional cash consideration of \$175,000, subject to certain performance conditions by BIAL and other closing conditions, which are expected to be assessed in the fourth quarter of 2023.

At September 30, 2023 the company held a 57.0% equity interest in BIAL (December 31, 2022 - 54.0%), and its internal valuation model indicated that the fair value of the company's investment in BIAL was \$1,408,403 (December 31, 2022 - \$1,233,747). At September 30, 2023 the company continued to hold 43.6% out of its 57.0% (December 31, 2022 - 43.6% out of its 54.0%) equity interest in BIAL through Anchorage. As a result, the company's fully-diluted equity interest in BIAL was 52.0% (December 31, 2022 - 49.0%).

## ***BIAL's Summarized Financial Information***

BIAL's fiscal year ends on March 31. Summarized below are BIAL's balance sheets at June 30, 2023 and March 31, 2023.

### **Balance Sheets**

*(unaudited - US\$ thousands)*

	<b>June 30, 2023<sup>(1)</sup></b>	<b>March 31, 2023<sup>(1)</sup></b>
Current assets	257,203	270,447
Non-current assets	1,564,614	1,538,722
Current liabilities	143,071	147,684
Non-current liabilities	1,357,059	1,338,204
Shareholders' equity	321,687	323,281

*(1) The net assets of BIAL were translated at June 30, 2023 at \$1 U.S. dollar = 82.04 Indian rupees and at March 31, 2023 at \$1 U.S. dollar = 82.18 Indian rupees. The exchange rates used were the spot rates prevailing on those respective dates.*

Current assets decreased primarily reflecting the use of cash and cash equivalents towards capital expansion projects and investments in longer term fixed deposits, as reflected by the increase in non-current assets. Current liabilities decreased primarily due to the payment of concession fee installments, repayment of short term borrowings and reduced capital expenditure payables. Non-current liabilities increased primarily as a result of additional borrowings drawn to fund BIAL's expansion projects.

Summarized below are BIAL's statements of earnings (loss) for the three months ended June 30, 2023 and 2022.

### **Statements of Earnings (Loss)**

*(unaudited - US\$ thousands)*

	<b>Three months ended June 30, 2023<sup>(1)</sup></b>	<b>Three months ended June 30, 2022<sup>(1)</sup></b>
Revenue	75,891	56,312
Earnings before income taxes	767	10,894
Net earnings (loss)	(1,643)	8,420

*(1) Amounts for the three months ended June 30, 2023 and 2022 were translated into US\$ using the average exchange rates of \$1 U.S. dollar = 82.18 Indian rupees and \$1 U.S. dollar = 77.20 Indian rupees prevailing during those periods.*

The increase in revenue primarily reflected the increase in passenger traffic and spend per passenger. The decrease in earnings before income taxes, and net loss for the three months ended June 30, 2023 compared to net earnings in the prior period, were primarily due to increased operating, marketing, and administrative expenses in connection with the recovery in business volumes and launch of Terminal 2, and increase in interest and depreciation expense consistent with increased borrowings and completion of certain expansion projects. This was partially offset by increased revenue as discussed above.

## ***Investment in Sanmar Chemicals Group***

### ***Business Overview***

Sanmar Chemicals Group ("Sanmar"), a private company located in Chennai, India, is one of the largest suspension polyvinyl chloride ("PVC") manufacturers in India with an operational presence in India and Egypt. Sanmar has an aggregate installed capacity of over 797,000 metric tons per annum, comprised of approximately 397,000 metric tons per annum in India and 400,000 metric tons per annum in Egypt. Sanmar is in the process of expanding its specialty paste PVC and custom manufactured chemicals capacity in India over fiscal year 2024.

Sanmar's principal lines of business consist of: (i) Chemplast Sanmar Limited ("Chemplast"), the largest specialty paste PVC manufacturer in India, comprising of Chemplast Cuddalore Vinyls Limited ("CCVL"), the second largest suspension PVC manufacturer in India, and a leading custom manufacturer of starting materials and intermediates for pharmaceutical, agro-chemical and fine chemicals sectors (specialty chemicals); and (ii) TCI Sanmar Chemicals S.A.E. ("Sanmar Egypt"), the largest Indian investor in Egypt's chemical business and the largest caustic soda, calcium chloride and PVC manufacturer in Egypt.

### ***Key Business Drivers, Events and Risks***

Sanmar continues to draw strength from the strong brand equity of the Sanmar Group, experienced management, dominant market position in the chemicals industry and demand outlook for the PVC and caustic soda industry in India and across global markets. Sanmar's key business drivers relate to the execution of its plan to drive the growth of its specialty chemicals business, increase PVC manufacturing capacity in India (specifically the specialty paste PVC) to align with the demand for PVC, and to improve the overall capacity utilization at all of its PVC production facilities. The PVC market has been impacted by weak demand recovery in China, but prices are expected to recover from current lows in 2024. Additionally, Sanmar Egypt is focusing on exporting PVC to global markets in the short term as a result of the currency depreciation of the Egyptian pound.

### ***Valuation and Interim Consolidated Financial Statement Impact***

At September 30, 2023 the company held a 42.9% equity interest in Sanmar (December 31, 2022 - 42.9%) and its internal valuation model indicated that the fair value of the company's investment in Sanmar was \$301,293 (December 31, 2022 - \$337,846).

The fair value of Chemplast, a publicly traded subsidiary of Sanmar, comprised 72% of the company's investment in Sanmar at September 30, 2023 (December 31, 2022 - 61%). The share price of Chemplast increased by 5.6% from 458.50 Indian rupees per share at December 31, 2022 to 484.20 Indian rupees per share at September 30, 2023.

### ***Sanmar's Summarized Financial Information***

Sanmar's fiscal year ends on March 31. Summarized below are Sanmar's balance sheets at June 30, 2023 and March 31, 2023.

#### **Balance Sheets**

*(unaudited - US\$ thousands)*

	<b>June 30, 2023<sup>(1)</sup></b>	<b>March 31, 2023<sup>(1)(2)</sup></b>
Current assets	391,083	381,091
Non-current assets	1,710,939	1,693,998
Current liabilities	625,467	576,449
Non-current liabilities	958,869	961,701
Total equity	517,686	536,939

(1) The net assets of Sanmar were translated at June 30, 2023 at \$1 U.S. dollar = 82.04 Indian rupees and at March 31, 2023 at \$1 U.S. dollar = 82.18 Indian rupees. The exchange rates used were the spot rates prevailing on those respective dates.

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

Current assets increased primarily due to increased advances given to suppliers at Chemplast, partially offset by decreased inventories from lower stock at CCVL. Non-current assets increased primarily due to increased property, plant and equipment as a result of capital expansion projects. Current liabilities increased primarily due to increased short term borrowings to fund expansion projects at Chemplast. Non-current liabilities decreased primarily due to decreased deferred tax liabilities.

Summarized below are Sanmar's statements of earnings for the three months ended June 30, 2023 and 2022.

### Statements of Earnings (Loss)

(unaudited - US\$ thousands)

	Three months ended June 30, 2023 <sup>(1)</sup>	Three months ended June 30, 2022 <sup>(1)</sup>
Revenue	243,794	380,606
Earnings (loss) before income taxes	(25,309)	2,254
Net earnings (loss)	(19,797)	1,231

(1) Amounts for the three months ended June 30, 2023 and 2022 were translated into US\$ using the average exchange rates of \$1 U.S. dollar = 82.18 Indian rupees and \$1 U.S. dollar = 77.20 Indian rupees prevailing during those periods.

Despite strong domestic demand, revenue decreased primarily due to the fall of PVC prices as well as decreased export incentive revenue. This was partially offset by increased sales volumes for suspension and paste PVC. Loss before income taxes and net loss for the three months ended June 30, 2023 compared to earnings before income taxes and net earnings in the prior period primarily reflecting decreased revenue discussed above and higher interest costs at Sanmar Egypt due to increased borrowing rates. This was partially offset by a write-down of inventory to net realizable value in the prior period, and decreased cost of sales from reduction in prices of key raw materials.

### Investment in Seven Islands Shipping Limited

#### Business Overview

Seven Islands Shipping Limited ("Seven Islands"), a private company located in Mumbai, India, is the second largest private sector tanker shipping company in India and transports liquid and gas cargo along the Indian coast as well as in international waters. At September 30, 2023 Seven Islands owned 23 vessels, including 2 gas carriers, with a total deadweight capacity of approximately 1.2 million metric tons. Its vessels are registered in India and operate as Indian owned and flagged vessels.

#### Key Business Drivers, Events and Risks

Seven Islands' key business drivers relate to its ability to acquire vessels from reputable vessel owners within the international market and quickly deploy those vessels through charter contracts with India's largest oil and gas companies. Seven Islands' business model is susceptible to overall shipping cycles and could be impacted by industry downturns in terms of lower rates and increased competition. However, Seven Islands operates primarily in the crude oil, oil products and liquefied petroleum gas transport segments wherein India has one of the fastest growing energy consumption rates, mitigating business deployment risk for oil and gas tankers in India in comparison with other countries. In addition, India has witnessed a decline in the fleet of other shipping companies, due to lower operational efficiencies, forming a gap that Seven Islands has been able to fill.

Due to the ban on the import of oil by many western nations and the European Union, as well as price caps imposed on crude oil shipped using western tankers and insurers, Russia has been exporting oil to China and India at significantly higher volumes. While Seven Islands primarily operates along the Indian coast, the Arabian Gulf and Southeast Asia, it indirectly benefits from the increased demand for medium-sized vessels and longer-haul routes, particularly in Asia, which has resulted in an uptick in tanker charter rates.

Recent macroeconomic trends indicate the global demand for oil is expected to grow throughout 2023, with China, the Middle East and other Asian countries accounting for the bulk of the growth. As such, these current conditions suggest crude tankers will continue to benefit from sustained crude oil demand in the near term. However, with the post-pandemic rebound losing momentum, tightening monetary policies, and increasing pressures to make energy efficiency improvements, this growth is expected to decelerate in 2024. Seven Islands remains somewhat insulated from volatility, at least in the short term as the majority of its revenue contracts are on time charter for six months to over two years.

Seven Islands' revenues are denominated in U.S. dollars, whereas a majority of expenses incurred are denominated in Indian rupees. Seven Islands is also exposed to fluctuations in the Indian rupee to the extent that new vessels are acquired as the asset purchases are negotiated and settled in U.S. dollars.

#### Valuation and Interim Consolidated Financial Statement Impact

At September 30, 2023 the company held a 48.5% equity interest in Seven Islands (December 31, 2022 - 48.5%), and its internal valuation model indicated that the fair value of the company's investment in Seven Islands was \$143,413 (December 31, 2022 - \$96,910).

*Subsequent to September 30, 2023*

On October 23, 2023, Fairfax India received dividend income from Seven Islands of approximately \$6.0 million (approximately 500.0 million Indian rupees).

## **Investment in National Commodities Management Services Limited**

### ***Business Overview***

National Commodities Management Services Limited ("NCML"), a private company located in Gurugram, India, is a leading integrated agriculture value chain solutions company, and offers end-to-end solutions in grain procurement, storage and preservation, testing and certification, collateral management, and commodity and weather intelligence. NCML's principal lines of business include its commodity management solutions business (including adjacent services), silo projects commissioned by the Food Corporation of India ("FCI"), and a non-banking finance company ("NBFC"), which focuses on rural and agri-business financing.

### ***Key Business Drivers, Events and Risks***

NCML's key business drivers relate to its ability to achieve long term modernization of its grain storage facilities, the expansion of its commodity management solutions line of business with adjacent services, and the successful construction of the silos under the concession agreement with FCI.

NCML's commodity management solutions business currently services approximately 2.1 million metric tons of food grain volume each year and continuously seeks opportunities to increase its utilization within the sizeable market by participating in government assignments and securing deposits from multinational corporations in both the food and non-food grain sector.

Business volumes across the commodity management solutions and NBFC businesses continued to be constrained by funding limitations and other external factors. Recent geopolitical events and unfavourable market conditions have contributed to elevated food price inflation and reduced supply, resulting in a temporary increase in commodity withdrawals and reduced storage demand in the near term. Furthermore, NCML has been focused on strengthening its liquidity as a result of the tightened credit environment. On September 18, 2023, NCML agreed to settle \$36.1 million (approximately 3.0 billion Indian rupees) of its outstanding non-convertible debentures for \$11.5 million (approximately 1.0 billion Indian rupees). NCML recorded a gain on the settlement of its non-convertible debentures, fully offset by the impairment of certain assets.

At September 30, 2023, four of NCML's silo projects were operational, and three remaining silo projects are in advanced stages of construction with expected completion in fiscal year 2024. Between 2020 and 2023 NCML and FCI agreed to terminate nine out of the sixteen original silo projects due to inability to procure suitable land and other construction-related challenges.

To manage working capital and liquidity requirements, NCML has focused on risk mitigation controls and protocols and primarily serving existing clients. Additional capital may also be released through the sale of excess land parcels and the scaling down of businesses with less favourable risk-reward characteristics.

### ***Valuation and Interim Consolidated Financial Statement Impact***

At September 30, 2023 the company held a 91.0% equity interest in NCML (December 31, 2022 - 89.5%), and its internal valuation model indicated that the fair value of the company's equity investment in NCML was \$50,359 (December 31, 2022 - \$56,871).

In 2019 the company invested \$13,970 (approximately 1.0 billion Indian rupees) in 12.5% unsecured compulsorily convertible debentures ("NCML CCD"), due September 30, 2029 and convertible into NCML common shares, at the company's option, at any time prior to the maturity date. The conversion price was 68.00 Indian rupees per common share. On March 31, 2023, the company converted the NCML CCD into NCML common shares with a fair value of \$6,399 (525.8 million Indian rupees). As a result, the company recorded a realized loss on the NCML CCD of \$5,803 (476.9 million Indian rupees). In May 2023, NCML issued additional common shares to the company to settle accrued interest related to the NCML CCD, which the company recorded at a fair value of \$3,425 (283.2 million Indian rupees). As a result of the above transactions, the company's equity interest in NCML increased from 89.5% to 91.0%.

At December 31, 2022 the fair value of the company's investment in the NCML CCD was \$12,517 and the company had accrued \$3,944 in interest receivable related to the NCML CCD.

## ***NCML's Summarized Financial Information***

NCML's fiscal year ends on March 31. Summarized below are NCML's balance sheets at September 30, 2023 and March 31, 2023.

### **Balance Sheets**

*(unaudited - US\$ thousands)*

	<b>September 30, 2023<sup>(1)</sup></b>	<b>March 31, 2023<sup>(1)</sup></b>
Current assets	23,158	26,074
Non-current assets	113,450	131,458
Current liabilities	35,425	24,424
Non-current liabilities	42,848	77,260
Shareholders' equity	58,335	55,848

*(1) The net assets of NCML were translated at September 30, 2023 at \$1 U.S. dollar = 83.04 Indian rupees and at March 31, 2023 at \$1 U.S. dollar = 82.18 Indian rupees. The exchange rates used were the spot rates prevailing on those respective dates.*

Current assets decreased primarily reflecting use of cash towards continued construction of silo projects and loss provisions recorded on receivables, partially offset by increased advances on the NBFC loan book. Non-current assets decreased primarily reflecting loss provisions recorded on certain properties, partially offset by continued construction of silo projects. Current liabilities increased primarily due to net proceeds from short term credit facilities and increased capital expenditure payables, partially offset by decreased accrued interest. Non-current liabilities decreased principally reflecting settlement of NCML's non-convertible debentures, partially offset by net proceeds received on silo project loans upon meeting new construction milestones. Shareholders' equity increased principally reflecting the issuance of common shares during the period to settle accrued interest on the NCML CCD, partially offset by net losses during the period.

Summarized below are NCML's statements of earnings (loss) for the six months ended September 30, 2023 and 2022.

### **Statements of Earnings (Loss)**

*(unaudited - US\$ thousands)*

	<b>Six months ended September 30, 2023<sup>(1)</sup></b>	<b>Six months ended September 30, 2022<sup>(1)</sup></b>
Revenue	17,736	16,600
Loss before income taxes	(958)	(5,032)
Net loss	(1,140)	(5,529)

*(1) Amounts for the six months ended September 30, 2023 and 2022 were translated into US\$ using the average exchange rates of \$1 U.S. dollar = 82.43 Indian rupees and \$1 U.S. dollar = 78.49 Indian rupees prevailing during those periods.*

Revenue increased primarily reflecting incremental revenue from operational silos and improved business volumes compared to the prior period, where warehousing demand had been more significantly impacted by the conflict in Ukraine. Loss before income taxes and net loss decreased due to improved margins consistent with cost optimization efforts by NCML, in addition to loss provisions recorded in the prior period related to the termination of three silo projects. The gain recorded on settlement of the non-convertible debentures in the current period was offset by loss provisions recorded on certain assets.

## **Investment in Maxop Engineering Company Private Limited**

### ***Business Overview***

Maxop Engineering Company Private Limited ("Maxop"), a private company located in New Delhi, India, is a precision aluminum die casting and machining solution provider for customers in the automotive and industrial sectors. Maxop operates from eight manufacturing facilities located in India with total installed casting capacity of approximately 20,000 metric tons, and caters to customers in Asia, North America and Europe.

### ***Key Business Drivers, Events and Risks***

Maxop's key business drivers relate to the growing demand and increasing scope of industrial application for aluminum die casting, a process which manufactures lightweight parts and provides high flexibility for complex shapes. The automotive industry is a major consumer of aluminum die-cast products as it provides an effective alternative to reduce vehicle weight in order to meet increasingly strict fuel economy standards. The die casting market is expected to benefit from significant growth in global demand for vehicle production, in large part due to the rising popularity of electric vehicles.

Accordingly, the automotive parts die casting segment makes up a significant portion of Maxop's revenue profile across domestic and export sales. Maxop is also a supplier of fully machined precision components, and diversifies its revenue mix by catering to general

engineering product segments in the non-automotive sector with applications such as air conditioning and food processing machine parts.

As a result of external market conditions, including elevated inflation and recessionary concerns, particularly across U.S. and Europe, and other supply chain disruptions exacerbated by geopolitical conflicts, Maxop has witnessed a shift in its business volume composition towards the domestic Indian market, where demand and growth have been relatively robust in comparison to the export market. However, the softening of sea freight prices, strategic enhancements to improve operational excellence, and focused efforts on securing contract nominations with global customers are expected to contribute to a recovery in export volumes.

Maxop continues to actively monitor its material sourcing and consumption amid global supply chain issues as discussed above, and mitigates its exposure to volatility in input prices through its in-house aluminum processing plant, which transforms scrap metal to aluminum ingots for its aluminum die casting and machinery supply segment.

### ***Valuation and Interim Consolidated Financial Statement Impact***

On September 5, 2022 the company invested cash consideration of \$21,928 (approximately 1.8 billion Indian rupees) for an additional 16.0% equity interest in Maxop, completing the second and final transaction under the terms of the investment agreement entered into in September 2021. In aggregate, the company has acquired a 67.0% equity interest in Maxop for \$51,448 (approximately 4.0 billion Indian rupees), which was determined based on Maxop's achievement of certain financial-based performance targets.

At September 30, 2023 the company held a 67.0% equity interest in Maxop (December 31, 2022 - 67.0%), and its internal valuation model indicated that the fair value of the company's investment in Maxop was \$55,530 (December 31, 2022 - \$51,886).

### **Investment in Saurashtra Freight Private Limited**

#### ***Business Overview***

Saurashtra Freight Private Limited ("Saurashtra"), a private company located in Mumbai, India, operates one of the largest container freight stations ("CFS") at Mundra port (Gujarat). Services provided by Saurashtra's CFS include transportation of containers to and from the port, stuffing and destuffing of containers, cargo storage, transportation of cargo to the end customer, and the storage, maintenance and repair of empty containers. Saurashtra's subsidiary, Fairfreight Lines, focuses on services for container shipping, offering integrated logistics solutions to its customers by providing containers, which are leased by Saurashtra, to importers and exporters to transport cargo.

#### ***Key Business Drivers, Events and Risks***

Saurashtra measures the operating performance of its CFS business based on the utilization of its standard twenty-foot (shipping container) equivalent units ("TEUs") relative to total installed capacity, and total import and export container traffic in the market. In the third quarter of 2023, Saurashtra handled 39,415 TEUs compared to quarterly installed capacity of 57,900 TEUs, implying a capacity utilization of approximately 68% (third quarter of 2022 - 30,630 TEUs compared to quarterly installed capacity of 49,300, implying utilization of approximately 62%). Saurashtra is the second largest CFS at the Mundra port in terms of total throughput achieved with a 14% total market share for the quarter ended September 30, 2023, representing the second highest market share in each of imports and exports.

The CFS industry is highly fragmented with 14 CFS at Mundra port. Many of these CFS are inefficient and operating below capacity, providing Saurashtra with the opportunity to benefit from industry consolidation.

In order to meet demand arising from continued growth in overall container traffic, Saurashtra completed the expansion of its CFS logistics park in April 2023, which increased its annual installed capacity by approximately 34,400 TEUs. Although the container shipping business continued to witness declining ocean freight rates, primarily from softening global demand and ease of supply chain disruptions, Fairfreight Lines maintains an optimal container inventory size to sustain its profitability. Saurashtra continues to actively pursue additional volume and increase capacity through offering comprehensive packages to shipping lines and evaluating expansion projects in its existing businesses and the wider logistics industry.

The Indian government imposed temporary grain export restrictions, including a ban on certain rice exports in order to combat high food price inflation. As a result, Saurashtra's export volumes have been impacted in the near term, however the remainder of their exports remain well-diversified with respect to commodity concentration.

Saurashtra has been granted the status of Authorized Economic Operator ("AEO") under the World Customs Organization. As an AEO, Saurashtra is approved by customs as compliant with supply chain security standards and is eligible for certain benefits such as being a preferred CFS for customs and that bank guarantees are no longer required for customs.

### ***Valuation and Interim Consolidated Financial Statement Impact***

At September 30, 2023 the company held a 51.0% equity interest in Saurashtra (December 31, 2022 - 51.0%) and its internal valuation model indicated that the fair value of the company's investment in Saurashtra was \$54,081 (December 31, 2022 - \$50,707).

In the third quarter and first nine months of 2023 the consolidated statements of earnings included dividend income earned from the company's investment in Saurashtra of \$2,477 both periods (2022 - \$771 both periods).

### **Investment in Jaynix Engineering Private Limited**

#### ***Business Overview***

Jaynix Engineering Private Limited ("Jaynix"), a private company based in Gujarat, India, is a manufacturer of non-ferrous electrical connectors and electrical assemblies, and is a critical Tier 1 supplier to major electrical original equipment manufacturers in North America and Europe.

#### ***Key Business Drivers, Events and Risks***

Jaynix's key business drivers relate to its ability to grow its customer base and product offerings in North America and Europe while maintaining the high quality of its products. Jaynix leverages its low-cost manufacturing operations in three manufacturing plants in India to cater to markets in North America and Europe, and has in-house capabilities to design products and scale its manufacturing production capacities. Jaynix is in the process of constructing a new facility and is working towards acquiring new machinery and upgrading existing machinery in order to expand production capacity. New products are in development to expand Jaynix's product line and they continue to explore the possibility of expanding its manufacturing presence in North America.

Jaynix is able to maintain its competitive advantage as the requirement for specific certifications presents a barrier to entry for other competitors wishing to enter the North American and European markets, wherein Jaynix's management has operational expertise in obtaining and maintaining these certifications. Overall growth in demand has slowed down, in part due to the slowdown in the U.S. housing market. Jaynix has been able to maintain stable product margins despite volatile commodity prices, as raw material costs (including aluminum, which is the primary raw material used by Jaynix) are passed through to the customer.

### ***Valuation and Interim Consolidated Financial Statement Impact***

On February 11, 2022 the company invested cash consideration of \$32,504 (approximately 2.5 billion Indian rupees) for a 70.0% equity interest in Jaynix.

At September 30, 2023 the company held a 70.0% equity interest in Jaynix (December 31, 2022 - 70.0%), and its internal valuation model indicated that the fair value of the company's investment in Jaynix was \$45,974 (December 31, 2022 - \$32,796).

### **Investment in National Stock Exchange of India Limited**

#### ***Business Overview***

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

#### ***Key Business Drivers, Events and Risks***

India has two main stock exchanges where the majority of its trading takes place, the BSE and NSE of India. Although most significant firms in India are listed on both the BSE and NSE of India, NSE enjoys dominant market share positions including a 93% market share in the equity trading segment, over 99% market share in the equity derivatives trading segment and a 71% and 99% market share in the foreign exchange futures and options markets, respectively. In 2022, NSE of India was the world's largest exchange in derivatives trading volumes for the fourth straight year.

In 2016 NSE filed a draft prospectus with SEBI in connection with a proposed domestic IPO, subsequent to which NSE would also pursue an overseas listing. However, as a result of the ongoing matter discussed below, NSE's proposed IPO has been delayed.

As previously disclosed, NSE filed an appeal with the Securities Appellate Tribunal ("SAT") following SEBI's 2019 order for NSE to pay penalties and interest in connection with certain broker members having access to co-location facilities, which potentially resulted in unfair trading advantages. In 2019 SEBI directed NSE to pay approximately \$160 million (11 billion Indian rupees) in penalties and interest. In January 2023, the SAT ruling concluded that NSE did not violate Stock Exchange and Clearing Corporation regulations, therefore setting aside SEBI's order, and instead directed NSE to deposit approximately \$12 million (1 billion Indian rupees) to SEBI's



Investor Protection Fund for its lack of due diligence in the matter. The SAT ruling may be challenged by SEBI. In March 2023, the Supreme Court directed SEBI to refund NSE approximately \$36 million (3 billion Indian rupees) related to the penalty imposed in 2019. However, the refund is contingent on NSE's agreement to return the amount with interest in the event that SEBI has a successful appeal. In a separate ruling in August 2023, the SAT concluded there was no intentional negligence nor preferential treatment granted to certain brokers on the part of NSE, thus directing SEBI to refund NSE an additional amount of approximately \$7.5 million (0.6 billion Indian rupees) along with interest, related to the penalty imposed in 2019. The status of SEBI's appeal on the first SAT ruling remains ongoing.

#### ***Valuation and Interim Consolidated Financial Statement Impact***

At September 30, 2023 the company estimated the fair value of its investment in NSE was \$176,789 (December 31, 2022 - \$159,627).

In the third quarter and first nine months of 2023 the consolidated statements of earnings included dividend income earned from the company's investment in NSE of \$4,866 both periods (2022 - \$2,719 both periods).

#### **Investment in India Housing Fund**

##### ***Business Overview***

India Housing Fund ("IH Fund") is a closed-ended fund of 360 ONE Private Equity Fund (formerly IIFL Private Equity Fund) registered as a Category II Alternative Investment Fund ("AIF") under SEBI AIF Regulations. IH Fund is a fund incorporated to focus on investing in India's real estate sector by investing in equity, debt and equity-linked instruments of real estate and construction companies involved in projects or ventures with expected growth potential.

At September 30, 2023 IH Fund had invested approximately \$151 million at period end exchange rates (approximately 12.5 billion Indian rupees) in 8 real estate sector investments.

##### ***Key Business Drivers, Events and Risks***

The Indian real estate sector is a key growth driver of the country's economy and is the second-highest employment generator in India. The Indian real estate sector is expected to contribute approximately 13% to the country's GDP by 2025 and reach \$1 trillion by 2030.

The Government of India developed a host of initiatives to boost the housing sector and continues to undertake various reforms to highlight its focus on affordable housing, such as: (i) interest rate subsidy on housing loans; (ii) 100% deduction in taxable income for qualified developers; (iii) ease of entry and exit for foreign direct investments; (iv) digitization of land records; and (v) establishment of the Real Estate (Regulation and Development Act), 2016 which seeks to protect home-buyers as well as help boost investments in the real estate industry.

#### ***Valuation and Interim Consolidated Financial Statement Impact***

At September 30, 2023 the company estimated the fair value of its investment in IH Fund was \$14,137 (December 31, 2022 - \$15,576).

During the third quarter and first nine months of 2023 the company received distributions of \$768 and \$1,668 (2022 - \$1,249 and \$2,803) from IH Fund, and in the third quarter and first nine months of 2023 the consolidated statements of earnings included dividend income earned from the company's investment in IH Fund of \$354 and \$1,058 (2022 - \$234 and \$1,168).

## Results of Operations

Fairfax India's consolidated statements of earnings for the three and nine months ended September 30 are shown in the following table:

	Third quarter		First nine months	
	2023	2022	2023	2022
<b>Income</b>				
Interest	4,128	2,923	13,322	7,956
Dividends	8,333	7,436	16,623	21,135
Net realized gains (losses) on investments	(218)	(655)	47,445	27,113
Net change in unrealized gains on investments	177,463	153,675	317,121	105,951
Net foreign exchange losses	(4,581)	(14,608)	(2,035)	(44,189)
	<u>185,125</u>	<u>148,771</u>	<u>392,476</u>	<u>117,966</u>
<b>Expenses</b>				
Investment and advisory fees	10,376	9,757	28,662	29,544
Performance fee (recovery)	20,469	4,798	41,536	(45,283)
General and administration expenses	1,126	3,930	10,788	7,153
Interest expense	6,380	6,380	19,141	19,141
	<u>38,351</u>	<u>24,865</u>	<u>100,127</u>	<u>10,555</u>
<b>Earnings before income taxes</b>	146,774	123,906	292,349	107,411
Provision for income taxes	13,789	11,206	45,256	8,483
<b>Net earnings</b>	<u>132,985</u>	<u>112,700</u>	<u>247,093</u>	<u>98,928</u>
<b>Attributable to:</b>				
Shareholders of Fairfax India	132,954	112,613	236,802	98,865
Non-controlling interests	31	87	10,291	63
	<u>132,985</u>	<u>112,700</u>	<u>247,093</u>	<u>98,928</u>
<b>Net earnings per share</b>	\$ 0.97	\$ 0.81	\$ 1.73	\$ 0.71
<b>Net earnings per diluted share</b>	\$ 0.93	\$ 0.79	\$ 1.65	\$ 0.69

The company reported net earnings attributable to shareholders of \$132,954 (\$0.93 net earnings per diluted share) and \$236,802 (\$1.65 net earnings per diluted share) in the third quarter and first nine months of 2023 compared to net earnings attributable to shareholders of \$112,613 (\$0.79 net earnings per diluted share) and \$98,865 (\$0.69 net earnings per diluted share) in the third quarter and first nine months of 2022.

The quarter-over-quarter and year-over-year increase in net earnings attributable to shareholders primarily reflected higher unrealized and realized gains on investments and a decrease in net foreign exchange losses compared to the prior periods, partially offset by increased performance fees and provision for income taxes.

The key components of results of operations for the third quarter and first nine months of 2023 (with comparisons to the third quarter and first nine months of 2022, except as otherwise noted) included the following:

**Net change in unrealized gains on investments** of \$177,463 and \$317,121 (2022 - \$153,675 and \$105,951) were principally driven by changes in market prices of Public Indian Investments and fair values of Private Indian Investments determined using industry accepted valuation techniques and models, in addition to reversals of prior period unrealized gains upon sales. For more information about Indian Investments, see the Indian Investments section of this MD&A. For further analysis of the changes in fair value of Indian Investments for the third quarters and first nine months of 2023 and 2022, refer to note 5 (Indian Investments) to the interim consolidated financial statements for the three and nine months ended September 30, 2023.

**Net realized losses on investments** of \$218 in the third quarter of 2023 (2022 - \$655) related to sales of Government of India bonds. Net realized gains on investments of \$47,445 in the first nine months of 2023 primarily related to realized gains from sales of IIFL Finance, 360 ONE (formerly IIFL Wealth) and Other Public Indian Investments, partially offset by a realized loss related to the conversion of the NCML CCD. Net realized gains on investments of \$27,113 in the first nine months of 2022 principally arose from sales of Other Public Indian Investments.

**Interest** income of \$4,128 and \$13,322 increased from \$2,923 and \$7,956 principally as a result of increased interest from investments in U.S. treasury bills, partially offset by decreased interest from Other Indian Fixed Income due to the conversion of the NCML CCD in March 2023.

**Dividends** of \$8,333 in the third quarter of 2023 increased from \$7,436 in the third quarter of 2022 primarily due to increased dividends from the company's investments in NSE and Saurashtra, partially offset by decreased dividends from the company's investments in 360 ONE and Other Public Indian Investments, as a result of their sales since the prior period. Dividend income of \$16,623 in the first nine months of 2023 decreased from \$21,135 in the first nine months of 2022 primarily due to sales of the company's investments in 360 ONE and Other Public Indian Investments as noted above.

**Net foreign exchange losses** of \$4,581 and \$2,035 decreased from \$14,608 and \$44,189 principally reflecting a less significant depreciation of the Indian rupee against the U.S. dollar during the third quarter and first nine months of 2023 compared to the corresponding prior periods.

**Total expenses** of \$38,351 and \$100,127 increased from \$24,865 and \$10,555, primarily as a result of increased performance fees recorded, which was principally driven by an increase in book value per share. General and administration expenses decreased quarter-over-quarter and increased year-over-year primarily due to the timing of consulting fees incurred.

### **Consolidated Balance Sheet Summary**

The assets and liabilities reflected on the company's consolidated balance sheet at September 30, 2023 were primarily impacted by the net change in net unrealized gains on investments resulting in an increased performance fee accrual and provision for income taxes, in addition to purchases and sales of investments, purchases of subordinate voting shares for cancellation and unrealized foreign currency translation losses.

#### **Total Assets**

Total assets at September 30, 2023 of \$3,638,312 (December 31, 2022 - \$3,365,569) were principally comprised as follows:

**Total cash and investments** increased to \$3,635,570 at September 30, 2023 from \$3,358,056 at December 31, 2022. The company's total cash and investments composition was as follows:

**Cash and cash equivalents** decreased to \$91,840 at September 30, 2023 from \$147,448 at December 31, 2022 principally due to purchases of subordinate voting shares for cancellation, and payments of investment and advisory fees, interest on the Unsecured Senior Notes and general and administration expenses, partially offset by dividend and interest income and net sales of investments.

**Short term investments** decreased to \$36,858 at September 30, 2023 from \$49,692 at December 31, 2022 principally due to net sales of short term investments in government treasury bills.

**Bonds and Common stocks** - The company is actively seeking investment opportunities in India and will continue to redirect capital from its cash and cash equivalents, short term investments, and Government of India bonds into Indian Investments as and when those opportunities are identified. For more information about recent Indian Investments, see the Indian Investments section of this MD&A. For more information on the company's total cash and investments holdings of \$3,635,570 at September 30, 2023 (December 31, 2022 - \$3,358,056) see note 6 (Cash and Investments) to the interim consolidated financial statements for the three and nine months ended September 30, 2023.

**Interest receivable** decreased to \$1,879 at September 30, 2023 from \$5,599 at December 31, 2022 primarily reflecting the settlement of interest on the NCML CCD through issuance of NCML common shares in the first nine months of 2023, partially offset by increased interest receivable from Government of India bonds.

**Other assets** decreased to \$646 at September 30, 2023 from \$902 at December 31, 2022, primarily due to the amortization of upfront costs related to the Revolving Credit Facility.

#### **Total Liabilities and Equity**

Total liabilities at September 30, 2023 of \$680,399 (December 31, 2022 - \$608,796) were principally comprised as follows:

**Accrued interest expense** of \$2,361 at September 30, 2023 (December 31, 2022 - \$8,611) was comprised of accrued interest expense for the Unsecured Senior Notes, which are due in semi-annual installments.

**Payable to related parties** increased to \$92,668 at September 30, 2023 from \$50,851 at December 31, 2022 primarily as a result of an increased performance fee in the first nine months of 2023 in connection with the performance fee accrual of \$82,576 (relating to the third calculation period ending on December 31, 2023) to Fairfax.

**Deferred income taxes** increased to \$86,645 at September 30, 2023 from \$50,554 at December 31, 2022 primarily as a result of deferred taxes recognized resulting from unrealized gains on the company's investments in BIAL, CSB Bank, Seven Islands and IIFL Securities, partially offset by a reversal of prior period deferred taxes recognized on the company's investments in 360 ONE (formerly IIFL Wealth) and Fairchem Organics.

**Borrowings** increased to \$497,697 at September 30, 2023 from \$497,306 at December 31, 2022 as a result of the amortization of issuance costs related to the Unsecured Senior Notes.

**Total equity** at September 30, 2023 of \$2,957,913 (December 31, 2022 - \$2,756,773) was comprised of common shareholders' equity of \$2,833,398 (December 31, 2022 - \$2,642,036) and non-controlling interests of \$124,515 (December 31, 2022 - \$114,737). Refer to note 8 (Total Equity) and note 10 (Financial Risk Management, under the heading Capital Management) to the interim consolidated financial statements for the three and nine months ended September 30, 2023 for further details.

## Financial Risk Management

The primary goals of the company's financial risk management program are to ensure that the outcomes of activities involving elements of risk are consistent with the company's objectives and risk tolerance, while maintaining an appropriate balance between risk and reward and protecting the company's consolidated balance sheets from events that have the potential to materially impair its financial strength. There were no significant changes in the types of the company's risk exposures or the process used by the company for managing those risk exposures at September 30, 2023 compared to those identified at December 31, 2022 and disclosed in the company's 2022 Annual Report, other than as outlined in note 10 (Financial Risk Management) to the interim consolidated financial statements for the three and nine months ended September 30, 2023.

### Capital Resources and Management

For a detailed analysis, refer to note 10 (Financial Risk Management, under the heading Capital Management) to the interim consolidated financial statements for the three and nine months ended September 30, 2023.

### Book Value per Share

Common shareholders' equity at September 30, 2023 was \$2,833,398 (December 31, 2022 - \$2,642,036). The book value per share at September 30, 2023 was \$20.89 compared to \$19.11 at December 31, 2022, representing an increase in the first nine months of 2023 of 9.3%, principally reflecting net earnings attributable to shareholders of Fairfax India of \$236,802 (primarily related to net change in unrealized gains on investments and realized gains on sales of investments, partially offset by a provision for income taxes, performance fees, investment and advisory fees, and interest expense). In addition, the company purchased for cancellation 2,609,481 subordinate voting shares during the first nine months of 2023 for a net cost of \$33,876 (\$12.98 per subordinate voting share) through its normal course issuer bid, which further contributed to the increase in book value per share.

	<b>September 30, 2023</b>	<b>December 31, 2022</b>
Common shareholders' equity	2,833,398	2,642,036
Number of common shares effectively outstanding	135,661,419	138,270,900
Book value per share	\$20.89	\$19.11

## Liquidity

For a detailed discussion on short term and long term liquidity requirements and sources of liquidity, refer to note 10 (Financial Risk Management, under the heading Liquidity Risk) to the interim consolidated financial statements for the three and nine months ended September 30, 2023.

Highlights in the first nine months of 2023 (with comparisons to the first nine months of 2022) of major components of the statements of cash flows are presented in the following table:

	First nine months	
	2023	2022
<b>Operating activities</b>		
Cash used in operating activities excluding the impact of net sales (purchases) of investments	(44,032)	(37,146)
Net sales of short term investments	14,761	6,047
Purchases of investments	(131,595)	(184,293)
Sales of investments	138,857	238,274
Cash provided by (used in) operating activities	<u>(22,009)</u>	<u>22,882</u>
<b>Financing activities</b>		
Purchases of subordinate voting shares for cancellation	(33,876)	(31,158)
Cash used in financing activities	<u>(33,876)</u>	<u>(31,158)</u>
<b>Decrease in cash and cash equivalents during the period</b>	<u>(55,885)</u>	<u>(8,276)</u>

"Cash used in operating activities excluding the impact of net sales (purchases) of investments" provides a measure of cash generated by (used in) the company's head office operations, primarily comprised of cash inflows (outflows) from interest and dividend income, interest expense, investment and advisory fees, current income taxes and general and administration expenses, and excludes the impact of purchases and sales of investments. Cash used in operating activities excluding the impact of net sales (purchases) of investments of \$44,032 in the first nine months of 2023 increased from \$37,146 in the first nine months of 2022 primarily reflecting increased general and administration expenses, increased income tax payments and decreased dividend income, partially offset by increased cash received from interest income.

Net sales of short term investments of \$14,761 in the first nine months of 2023 principally related to net sales of U.S. and Indian treasury bills, compared to the sale of \$6,047 in Indian treasury bills in the first nine months of 2022.

Purchases of investments of \$131,595 in the first nine months of 2023 primarily related to purchases of BIAL common shares and Government of India bonds. Purchases of investments of \$184,293 in the first nine months of 2022 primarily related to purchases of Government of India bonds and new investments in common shares of Jaynix, Maxop and Other Public Indian Investments.

Sales of investments of \$138,857 in the first nine months of 2023 primarily related to partial sales of IIFL Finance common shares and remaining common shares of 360 ONE (formerly IIFL Wealth) and certain Other Public Investments, in addition to sales of Government of India bonds. Sales of \$238,274 in the first nine months of 2022 primarily related to sales of Government of India bonds and Other Public Indian Investments.

Purchases of subordinate voting shares for cancellation of \$33,876 in the first nine months of 2023 (2022 - \$31,158) related to the company's purchases for cancellation of 2,609,481 subordinate voting shares under the terms of the normal course issuer bid (2022 - 2,552,225).

## Contractual Obligations

The company's contractual obligations principally relate to its borrowings, and fees due to Fairfax under the terms of the Investment Advisory Agreement. Refer to note 7 (Borrowings) and note 11 (Related Party Transactions) to the interim consolidated financial statements for the three and nine months ended September 30, 2023 for further details.

On May 9, 2023 Fairfax India announced it entered into an agreement to acquire additional equity interest in BIAL through FIH Mauritius. The company completed the acquisition of 3.0% equity interest in BIAL on June 21, 2023 for cash consideration of \$75,000. Under the same agreement, the company has also agreed to acquire an additional 7.0% equity interest in BIAL for additional cash consideration of \$175,000, subject to certain performance conditions by BIAL and other closing conditions, which are expected to be assessed in the fourth quarter of 2023.

## Other

### Quarterly Data (unaudited)

<i>US\$ thousands, except per share amounts</i>	<b>September 30, 2023</b>	<b>June 30, 2023</b>	<b>March 31, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>	<b>June 30, 2022</b>	<b>March 31, 2022</b>	<b>December 31, 2021</b>
Income (loss)	185,125	244,566	(37,215)	119,560	148,771	(103,884)	73,079	(145,885)
Expenses	38,351	55,798	5,978	30,996	24,865	(29,538)	15,228	(15,481)
Provision for (recovery of) income taxes	13,789	23,042	8,425	(3,996)	11,206	(4,791)	2,068	(12,679)
Net earnings (loss)	132,985	165,726	(51,618)	92,560	112,700	(69,555)	55,783	(117,725)
Net earnings (loss) attributable to shareholders	132,954	159,335	(55,487)	92,574	112,613	(69,710)	55,962	(117,716)
Net earnings (loss) per share	\$ 0.97	\$ 1.16	\$ (0.40)	\$ 0.67	\$ 0.81	\$ (0.50)	\$ 0.40	\$ (0.83)
Net earnings (loss) per diluted share	\$ 0.93	\$ 1.12	\$ (0.40)	\$ 0.65	\$ 0.79	\$ (0.50)	\$ 0.38	\$ (0.83)

  

<i>Indian rupees and in millions, except per share amounts <sup>(1)</sup></i>	<b>September 30, 2023</b>	<b>June 30, 2023</b>	<b>March 31, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>	<b>June 30, 2022</b>	<b>March 31, 2022</b>	<b>December 31, 2021</b>
Income (loss)	15,281	20,108	(3,061)	9,528	11,479	(7,848)	5,500	(10,499)
Expenses	3,169	4,587	492	2,447	1,908	(2,237)	1,146	(1,085)
Provision for (recovery of) income taxes	1,141	1,894	693	(304)	864	(363)	156	(920)
Net earnings (loss)	10,972	13,627	(4,245)	7,385	8,707	(5,248)	4,198	(8,494)
Net earnings (loss) attributable to shareholders	10,968	13,101	(4,564)	7,386	8,700	(5,260)	4,212	(8,494)
Net earnings (loss) per share	80.37	95.50	(33.02)	53.34	62.67	(37.76)	30.16	(60.07)
Net earnings (loss) per diluted share	76.82	92.40	(33.02)	52.07	61.11	(37.76)	28.75	(60.07)

(1) Presented in the company's functional currency.

Income continues to be primarily comprised of net change in unrealized and realized gains (losses) on investments, interest and dividend income and net foreign exchange gains (losses). Income was significantly impacted in the third quarter of 2023 by net change in unrealized gains on the company's Indian Investments (principally unrealized gains on the company's investments in IIFL Finance, CSB Bank, Seven Islands, IIFL Securities, 5paisa and NSE, partially offset by unrealized losses on the company's investment in Sanmar). Individual quarterly results have been (and may in the future be) affected by the change in fair value of the company's Indian Investments which would result in a change to the performance fee, if applicable, and investment and advisory fees.

## Forward-Looking Statements

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

Forward-looking statements are based on our opinions and estimates as of the date of this interim report, and they are subject to known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking statements, including but not limited to the following factors: COVID-19 pandemic; the conflicts in Ukraine and Israel, and the development of other geopolitical events and economic disruptions worldwide; oil price risk; geographic concentration of investments; foreign currency fluctuation; volatility of the Indian securities markets; investments may be made in foreign private businesses where information is unreliable or unavailable; valuation methodologies involve subjective judgments; financial market fluctuations; pace of completing investments; minority investments; reliance on key personnel and risks associated with the Investment Advisory Agreement; lawsuits; use of leverage; significant ownership by Fairfax may adversely affect the market price of the subordinate voting shares; weather risk; taxation risks; emerging markets; MLI; economic risk; and trading price of subordinate voting shares relative to book value per share risk. Additional risks and uncertainties are described in the company's annual information form dated March 10, 2023 which is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the company's website at [www.fairfaxindia.ca](http://www.fairfaxindia.ca). These factors and assumptions are not intended to represent a complete list of the factors and assumptions that could affect the company. These factors and assumptions, however, should be considered carefully.

Although the company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The company does not undertake to update any forward-looking statements contained herein, except as required by applicable securities laws.

## **Glossary of Non-GAAP and Other Financial Measures**

Management analyzes and assesses the financial position of the consolidated company in various ways. Certain of the measures included in this interim report, which have been used consistently and disclosed regularly in the company's Annual Reports and interim financial reporting, do not have a prescribed meaning under IFRS as issued by the IASB and may not be comparable to similar measures presented by other companies.

### ***Supplementary Financial Measures***

**Book value per share** – The company considers book value per share a key performance measure in evaluating its objective of long term capital appreciation, while preserving capital. This measure is also closely monitored as it is used to calculate the performance fee, if any, to Fairfax. This measure is calculated by the company as common shareholders' equity divided by the number of common shares outstanding. Those amounts are presented in the consolidated balance sheet and note 8 (Total Equity under the heading Common Stock) respectively within the interim consolidated financial statements for the three and nine months ended September 30, 2023.

**Cumulative interest and dividends** – The company uses this measure to monitor cash flows generated from interest and dividend income for each Indian Investment. This measure is calculated by the company as the sum of dividend and interest income recorded and received over the period of the company's investment.

**Compounded annualized return** – The company uses this measure to assess the performance of its investments. This measure represents the U.S. dollar annualized internal rate of return and is calculated for each of the company's existing and monetized Indian Investments, taking into account (1) the timing of cash flows (including cash consideration of purchases, cash proceeds on sales, cumulative interest and dividends received, and return of capital distributions) over the period of the company's investment, and (2) the fair value at the end of the reporting period for existing Indian Investments.

### ***Non-GAAP Financial Measures***

**Cash used in operating activities excluding the impact of net sales (purchases) of investments** – The company uses this measure to monitor the cash generated by (used in) the company's head office operations, primarily comprised of cash inflows (outflows) from interest and dividend income, interest expense, investment and advisory fees, current income taxes and general and administration expenses, and excludes the impact of purchases and sales of investments. This measure is a component of cash provided by (used in) operating activities as presented in the consolidated statement of cash flows within the interim consolidated financial statements for the three and nine months ended September 30, 2023.

**Cash and marketable securities** – The company uses this measure to monitor short term liquidity risk. This measure is calculated by the company as the sum of cash, cash equivalents, short term investments, Government of India bonds and Other Public Indian Investments. Those amounts are presented in note 6 (Cash and Investments) within the interim consolidated financial statements for the three and nine months ended September 30, 2023.



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