
FAIRFAX INDIA
HOLDINGS CORPORATION



INTERIM REPORT

For the three months ended
March 31, 2024

Consolidated Balance Sheets*as at March 31, 2024 and December 31, 2023**(unaudited - US\$ thousands)*

	Notes	March 31, 2024	December 31, 2023
Assets			
Cash and cash equivalents	6	29,410	174,615
Bonds	5, 6	209,525	63,263
Common stocks	5, 6	3,147,874	3,581,043
Total cash and investments		<u>3,386,809</u>	<u>3,818,921</u>
Interest receivable		4,557	1,367
Income taxes refundable		209	220
Other assets		1,060	1,027
Total assets		<u>3,392,635</u>	<u>3,821,535</u>
Liabilities			
Accounts payable and accrued liabilities		937	912
Accrued interest expense	7, 11	2,361	8,611
Income taxes payable		106	—
Payable to related parties	11	9,416	120,858
Deferred income taxes		100,242	108,553
Borrowings	7, 11	497,958	497,827
Total liabilities		<u>611,020</u>	<u>736,761</u>
Equity			
Common shareholders' equity	8	2,655,550	2,958,718
Non-controlling interests		126,065	126,056
Total equity		<u>2,781,615</u>	<u>3,084,774</u>
		<u>3,392,635</u>	<u>3,821,535</u>

See accompanying notes.

Consolidated Statements of Earnings (Loss)
for the three months ended March 31, 2024 and 2023
(unaudited - US\$ thousands except per share amounts)

	Notes	2024	2023
Income			
Interest	6	5,038	4,680
Dividends	6	7,049	8,194
Net realized gains on investments	6	116,924	4,081
Net change in unrealized losses on investments	6	(410,927)	(56,302)
Net foreign exchange gains (losses)	6	(376)	2,132
		<u>(282,292)</u>	<u>(37,215)</u>
Expenses			
Investment and advisory fees	11	9,484	8,816
Performance fee (recovery)	11	—	(14,547)
General and administration expenses	12	2,536	5,329
Interest expense	7	6,380	6,380
		<u>18,400</u>	<u>5,978</u>
Loss before income taxes		(300,692)	(43,193)
Provision for (recovery of) income taxes	9	(7,483)	8,425
Net loss		<u>(293,209)</u>	<u>(51,618)</u>
Attributable to:			
Shareholders of Fairfax India		(293,504)	(55,487)
Non-controlling interests		295	3,869
		<u>(293,209)</u>	<u>(51,618)</u>
Net loss per share		\$ (2.17)	\$ (0.40)
Net loss per diluted share		\$ (2.17)	\$ (0.40)
Shares outstanding (weighted average)		135,365,933	138,199,413

See accompanying notes.

Consolidated Statements of Comprehensive Income (Loss)*for the three months ended March 31, 2024 and 2023**(unaudited - US\$ thousands)*

	2024	2023
Net loss	<u>(293,209)</u>	<u>(51,618)</u>
Other comprehensive income (loss), net of income taxes		
Item that may be subsequently reclassified to net earnings (loss)		
Unrealized foreign currency translation gains (losses), net of income taxes of nil (2023 - nil)	<u>(5,708)</u>	<u>18,322</u>
Other comprehensive income (loss), net of income taxes	<u>(5,708)</u>	<u>18,322</u>
Comprehensive loss	<u>(298,917)</u>	<u>(33,296)</u>
Attributable to:		
Shareholders of Fairfax India	(298,926)	(37,933)
Non-controlling interests	<u>9</u>	<u>4,637</u>
	<u>(298,917)</u>	<u>(33,296)</u>

See accompanying notes.

Consolidated Statements of Changes in Equity
for the three months ended March 31, 2024 and 2023
(unaudited - US\$ thousands)

	Subordinate voting shares	Multiple voting shares	Share- based payments, net	Retained earnings	Accumulated other comprehensive income (loss)	Common shareholders' equity	Non- controlling interests	Total equity
Balance as of January 1, 2024	1,113,147	300,000	(364)	2,175,468	(629,533)	2,958,718	126,056	3,084,774
Net earnings (loss) for the period	—	—	—	(293,504)	—	(293,504)	295	(293,209)
Other comprehensive loss:								
Unrealized foreign currency translation losses	—	—	—	—	(5,422)	(5,422)	(286)	(5,708)
Purchases for cancellation (note 8)	(2,589)	—	—	(1,032)	—	(3,621)	—	(3,621)
Purchases and amortization	—	—	(621)	—	—	(621)	—	(621)
Balance as of March 31, 2024	<u>1,110,558</u>	<u>300,000</u>	<u>(985)</u>	<u>1,880,932</u>	<u>(634,955)</u>	<u>2,655,550</u>	<u>126,065</u>	<u>2,781,615</u>
Balance as of January 1, 2023	1,143,368	300,000	(379)	1,810,723	(611,676)	2,642,036	114,737	2,756,773
Net earnings (loss) for the period	—	—	—	(55,487)	—	(55,487)	3,869	(51,618)
Other comprehensive income:								
Unrealized foreign currency translation gains	—	—	—	—	17,554	17,554	768	18,322
Purchases for cancellation (note 8)	(4,787)	—	—	(1,060)	—	(5,847)	—	(5,847)
Amortization	—	—	17	—	—	17	—	17
Balance as of March 31, 2023	<u>1,138,581</u>	<u>300,000</u>	<u>(362)</u>	<u>1,754,176</u>	<u>(594,122)</u>	<u>2,598,273</u>	<u>119,374</u>	<u>2,717,647</u>

See accompanying notes.

Consolidated Statements of Cash Flows
for the three months ended March 31, 2024 and 2023
(unaudited - US\$ thousands)

	Notes	2024	2023
Operating activities			
Net loss		(293,209)	(51,618)
Items not affecting cash and cash equivalents:			
Net bond discount amortization		(383)	(596)
Performance fee (recovery)	11	—	(14,547)
Deferred income taxes	9	(8,100)	6,084
Amortization of share-based payment awards		30	17
Net realized gains on investments	6	(116,924)	(4,081)
Net change in unrealized losses on investments	6	410,927	56,302
Net foreign exchange (gains) losses	6	376	(2,132)
Net sales (purchases) of short term investments		510	(14,968)
Purchases of investments		(197,589)	—
Sales of investments		184,024	22,385
Changes in operating assets and liabilities:			
Interest receivable		(3,207)	684
Income taxes refundable		11	826
Accrued interest expense		(6,250)	(6,250)
Income taxes payable		106	180
Payable to related parties – settlement of performance fees	11	(110,158)	—
Payable to related parties – other		(2,139)	(552)
Other		133	(253)
Cash used in operating activities		<u>(141,842)</u>	<u>(8,519)</u>
Financing activities			
Subordinate voting shares:			
Purchases for cancellation	8	(3,621)	(2,260)
Cash used in financing activities		<u>(3,621)</u>	<u>(2,260)</u>
Decrease in cash and cash equivalents		(145,463)	(10,779)
Cash and cash equivalents – beginning of period		174,615	147,448
Foreign currency translation		258	244
Cash and cash equivalents – end of period		<u>29,410</u>	<u>136,913</u>

See accompanying notes.

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Notes to Interim Consolidated Financial Statements

for the three months ended March 31, 2024 and 2023

(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 months ended March 31, 2024 have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") 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 Accounting Standards 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, 2023, which have been prepared in accordance with IFRS Accounting Standards.

These interim consolidated financial statements were approved for issue by the company's Board of Directors on May 2, 2024.

3. Summary of Material 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, 2023, prepared in accordance with IFRS Accounting Standards. 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 2024

On January 1, 2024 the company adopted the following amendments, which did not have an impact on the company's consolidated financial statements: *Classification of Liabilities as Current or Non-current (Amendments to IAS 1)* and *Non-current Liabilities with Covenants (Amendments to IAS 1)*.

New accounting pronouncements issued but not yet effective

The International Accounting Standards Board ("IASB") issued the following amendment in 2023, which the company does not expect to adopt in advance of its effective date of January 1, 2025: *Lack of Exchangeability (Amendments to IAS 21)*.

IFRS 18 Presentation and Disclosure in Financial Statements

On April 9, 2024 the IASB issued IFRS 18 *Presentation and Disclosure in Financial Statements*, which will replace IAS 1 *Presentation of Financial Statements*, while carrying forward many of the requirements in IAS 1. IFRS 18 introduces new requirements to present specified categories and defined subtotals in the statement of earnings and to provide disclosures on management-defined performance measures in the notes to the financial statements, and also makes certain amendments to IAS 7

Statement of Cash Flows and *IAS 33 Earnings per Share*. The standard is to be applied retrospectively, with specific transition provisions, for annual reporting periods beginning on or after January 1, 2027 with earlier application permitted. The company does not expect to adopt the new standard in advance of its effective date, and is currently evaluating the expected impact of the standard 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, 2023.

5. Indian Investments

Throughout the company's interim consolidated financial statements for the three months ended March 31, 2024, 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 first quarter of 2024 is as follows:

	First quarter						Balance as of March 31
	2024						
	Balance as of January 1	Sales	Amortization	Net realized gains on investments	Net change in unrealized gains (losses) on investments ⁽¹⁾	Net unrealized foreign currency translation gains (losses)	
Public Indian Investments:							
Common stocks:							
CSB Bank	409,335	—	—	—	(63,390)	(655)	345,290
IIFL Finance	412,151	—	—	—	(177,792)	(172)	234,187
IIFL Securities	147,437	—	—	—	(22,372)	(238)	124,827
Fairchem Organics	102,998	—	—	—	(4,556)	(214)	98,228
5paisa	52,129	—	—	—	(5,500)	(95)	46,534
Other	2,751	—	—	—	295	(7)	3,039
Total Public Indian Investments	1,126,801	—	—	—	(273,315)	(1,381)	852,105
Private Indian Investments:							
Common stocks:							
BIAL	1,599,988	—	—	—	3,622	(3,637)	1,599,973
Sanmar	302,881	—	—	—	(30,477)	(555)	271,849
Seven Islands	142,839	—	—	—	7,215	(354)	149,700
Maxop	56,674	—	—	—	221	(129)	56,766
NSE	188,615	(132,265)	—	117,106	(116,877)	122	56,701
Saurashtra	50,551	—	—	—	2,232	(124)	52,659
Jaynix	49,277	—	—	—	2,600	(123)	51,754
NCML	50,327	—	—	—	(5,210)	(92)	45,025
IH Fund	13,090	(884)	—	—	(841)	(23)	11,342
Other Indian Fixed Income	31,469	—	105	—	—	(71)	31,503
Total Private Indian Investments	2,485,711	(133,149)	105	117,106	(137,515)	(4,986)	2,327,272
Total Indian Investments	3,612,512	(133,149)	105	117,106	(410,830)	(6,367)	3,179,377

(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 the exception of net change in unrealized losses of \$117,241 related to the reversal of prior period unrealized gains upon the sale of NSE common shares. Net change in unrealized losses related to common shares of CSB Bank classified as Level 3 was \$49,973.

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

	First quarter							Balance as of March 31
	Balance as of January 1	Purchases / Conversion	Sales / Conversion	Amortization	Net realized gains (losses) on investments	Net change in unrealized gains (losses) on investments ⁽¹⁾	Net unrealized foreign currency translation gains	
Public Indian Investments:								
Common stocks:								
IIFL Finance	493,341	—	—	—	—	(823)	3,286	495,804
CSB Bank	223,268	—	—	—	—	6,087	1,492	230,847
Fairchem Organics	111,083	—	—	—	—	(35,628)	712	76,167
IIFL Securities	65,837	—	—	—	—	(14,356)	427	51,908
360 ONE (formerly IIFL Wealth)	46,730	—	(8,509)	—	3,481	(4,179)	362	37,885
5paisa	28,421	—	—	—	—	(2,197)	188	26,412
Other	15,577	—	(13,447)	—	6,403	(6,854)	121	1,800
Total Public Indian Investments	984,257	—	(21,956)	—	9,884	(57,950)	6,588	920,823
Private Indian Investments:								
Common stocks:								
BIAL	1,233,747	—	—	—	—	54,134	8,261	1,296,142
Sanmar	337,846	—	—	—	—	(50,726)	2,212	289,332
NSE	159,627	—	—	—	—	6,966	1,069	167,662
Seven Islands	96,910	—	—	—	—	73	646	97,629
Maxop	51,886	—	—	—	—	151	345	52,382
NCML ⁽²⁾	56,871	6,399	—	—	—	(11,813)	369	51,826
Saurashtra	50,707	—	—	—	—	6	338	51,051
Jaynix	32,796	—	—	—	—	3,034	221	36,051
IH Fund	15,576	—	(429)	—	—	50	101	15,298
Other Indian Fixed Income ⁽²⁾	19,585	—	(6,399)	94	(5,803)	(399)	131	7,209
Total Private Indian Investments	2,055,551	6,399	(6,828)	94	(5,803)	1,476	13,693	2,064,582
Total Indian Investments	3,039,808	6,399	(28,784)	94	4,081	(56,474)	20,281	2,985,405

(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 the 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 \$4,775.

(2) 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. As a result of the transaction, Fairfax India's equity interest in NCML increased from 89.5% to 90.4% at March 31, 2023.

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 March 31, 2024 and December 31, 2023:

Public Indian Investments:	Industry	March 31, 2024		December 31, 2023	
		Shares held	Ownership	Shares held	Ownership
Common stocks:					
CSB Bank Limited ("CSB Bank") ⁽¹⁾	Financial services	86,262,976	49.7 %	86,262,976	49.7 %
IIFL Finance Limited ("IIFL Finance")	Financial services	57,641,445	15.1 %	57,641,445	15.1 %
IIFL Securities Limited ("IIFL Securities")	Financial services	84,641,445	27.5 %	84,641,445	27.5 %
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	24.6 %	7,670,130	24.6 %
Other ⁽²⁾	Financial services	—	< 1.0 %	—	< 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 March 31, 2024 and December 31, 2023 the company held 69,394,331 common shares of CSB Bank that continue to be restricted until August 7, 2024. The company is also subject to a dilution schedule from the RBI, requiring the company to bring down its shareholding in CSB Bank to 40.0% within 5 years, 30.0% within 10 years, and 26.0% within 15 years of the investment completion date of August 7, 2019.

(2) At March 31, 2024 and December 31, 2023 Other Public Indian Investments comprised of an investment of less than 1.0% equity interest in the financial services sector.

The changes in fair value of the company's Public Indian Investments for the first quarters of 2024 and 2023 are presented in the tables disclosed earlier in note 5.

On March 4, 2024 the RBI ordered IIFL Finance to immediately cease the sanctioning and disbursing of gold loans, in connection with the results of an inspection which identified material supervisory concerns related to IIFL Finance's gold loan portfolio ("RBI Order"). The duration of the supervisory restrictions will be subject to the completion of a special audit by the RBI and the rectification of findings to the RBI's satisfaction. IIFL Finance's share price decreased following the RBI Order on March 4, 2024 and the company recorded net unrealized losses of \$177,792 on its investment in IIFL Finance during the first quarter of 2024.

Subsequent to March 31, 2024

On April 17, 2024 IIFL Finance announced a rights offering to existing shareholders, whereby shareholders of record on April 23, 2024 were given the right to participate in a common share issuance on the pro rata basis of 1 newly issued equity share for every 9 equity shares held, at a price of 300.00 Indian rupees per share ("IIFL Finance Rights Offer"). In connection with the IIFL Finance Rights Offer, the company's wholly-owned subsidiary, FIH Mauritius will participate and acquire 6,404,605 equity shares of IIFL Finance for cash consideration of approximately \$23 million based on current exchange rates (1.9 billion Indian rupees). The IIFL Finance Rights Offer is expected to be completed in the second quarter of 2024.

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.

For all Private Indian Investment valuations prepared using a discounted free cash flow analysis, discount rates were based on the company's assessment of risk premiums to the appropriate risk-free rate of the economic environment in which the Indian Investment operates. Long term growth rates were based on the expected long term sustainable growth rate of the economic environment and sectors in which the Indian Investment operates.

The changes in fair value of the company's Private Indian Investments for the first quarters of 2024 and 2023 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.

On May 9, 2023 Fairfax India entered into an agreement with Siemens Project Ventures GmbH, a part of Siemens Financial Services and one of the original investors in the public-private partnership, to acquire an additional 10.0% equity interest in BIAL through FIH Mauritius in two transactions: (i) 3.0% equity interest acquired on June 21, 2023 for cash of \$75,000 (6.2 billion Indian rupees); and (ii) 7.0% equity interest acquired on December 12, 2023 for cash of \$175,000 (14.6 billion Indian rupees).

The transaction implied a fair value for 100% of BIAL at approximately \$2.5 billion (approximately 208.0 billion Indian rupees), which continues to be supported by the discounted cash flow analysis described below.

At March 31, 2024 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 16.8% and a long term growth rate of 3.5% (December 31, 2023 - 12.4% to 16.9%, and 3.5%, respectively). At March 31, 2024 free cash flow forecasts were based on EBITDA estimates derived from financial information prepared in the second quarter of 2023 for two of BIAL's business units and fourth quarter of 2022 for one business unit (December 31, 2023 - second quarter of 2023 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 if significant delays in construction and development activities occur, the fair value of the company's investment in BIAL may be negatively impacted.

Current Model Assumptions

There have been no changes in the first quarter of 2024 to the free cash flow forecasts provided by BIAL's management in 2023.

At March 31, 2024 the company held a 64.0% equity interest in BIAL (December 31, 2023 - 64.0%) and its internal valuation model indicated that the fair value of the company's investment in BIAL was \$1,599,973 (December 31, 2023 - \$1,599,988).

At March 31, 2024 the company held 43.6% out of its 64.0% (December 31, 2023 - 43.6% out of its 64.0%) equity interest in BIAL through Anchorage. As a result, the company's fully-diluted equity interest in BIAL was 59.0% (December 31, 2023 - 59.0%). 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 and represented 74.1% of the fair value of Sanmar at March 31, 2024 (December 31, 2023 - 74.0%).

At March 31, 2024 the company estimated the fair value of its investment in Sanmar 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 11.4% and a long term growth rate of 3.0% (December 31, 2023 - 11.0% and 3.0%, respectively); and (ii) the unadjusted bid price of Chemplast's common shares. At March 31, 2024 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, 2023 - third quarter of 2023) by Sanmar's management.

Free Cash Flow Forecast Inputs

The primary driver of free cash flow estimates is the future prices of petrochemical products. If the prices of petrochemical products do not develop favourably in future periods, the fair value of the company's investment in Sanmar may be negatively impacted.

Current Model Assumptions

There have been no changes in the first quarter of 2024 to the free cash flow forecasts provided by Sanmar's management in 2023.

At March 31, 2024 the company held a 42.9% equity interest in Sanmar (December 31, 2023 - 42.9%) and its internal valuation model indicated that the fair value of the company's investment in Sanmar was \$271,849 (December 31, 2023 - \$302,881).

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 March 31, 2024 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 16.5% and a long term growth rate of 3.0% (December 31, 2023 - 15.7% and 3.0%, respectively). At March 31, 2024 free cash flow forecasts were based on EBITDA estimates derived from financial information for Seven Islands prepared in the first quarter of 2024 (December 31, 2023 - third quarter of 2023) by Seven Islands' management.

Free Cash Flow Forecast Inputs

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

Current Model Assumptions

Free cash flows were revised by Seven Islands' management in the first quarter of 2024 primarily to reflect: (i) decreased average age of vessels over the forecast period through sale of older vessels and purchase of younger vessels; (ii) increased deadweight capacity over the forecast period through acquisitions; and (iii) higher EBITDA margins over the forecast period supported by higher charter rates.

At March 31, 2024 the company held a 48.5% equity interest in Seven Islands (December 31, 2023 - 48.5%) and its internal valuation model indicated that the fair value of the company's investment in Seven Islands was \$149,700 (December 31, 2023 - \$142,839).

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.

During the fourth quarter of 2023 and first quarter of 2024 the company entered into agreements to sell its equity interest in NSE. The sales were at fair value with 360 ONE (formerly IIFL Wealth), IIFL Securities and IIFL Finance. Gross proceeds related to the sale to IIFL Securities, which is an associate of the company, were \$15,039 (1.3 billion Indian rupees).

On January 29, 2024 the company completed the sale of 70.1% of its equity interest in NSE for gross proceeds of \$132,265 (11.0 billion Indian rupees), resulting in realized gains since inception of \$117,106.

At March 31, 2024 the company held a 0.3% equity interest in NSE (December 31, 2023 - 1.0%) with an estimated fair value of \$56,701 (December 31, 2023 - \$188,615) based on the average transaction price of remaining sales (December 31, 2023 - based on the average transaction price of sales at the time).

Subsequent to March 31, 2024

In April 2024, the company completed the sales of its remaining equity interest in NSE for gross proceeds of \$56,683 (4.7 billion Indian rupees).

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.

At March 31, 2024 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 14.2% and a long term growth rate of 4.0% (December 31, 2023 - 14.2% and 4.0%, respectively). At March 31, 2024 free cash flow forecasts were based on EBITDA estimates

derived from financial information for Maxop prepared in the fourth quarter of 2023 (December 31, 2023 - fourth quarter of 2023) 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

There have been no changes in the first quarter of 2024 to the free cash flow forecasts provided by Maxop's management in 2023.

At March 31, 2024 the company held a 67.0% equity interest in Maxop (December 31, 2023 - 67.0%), and its internal valuation model indicated that the fair value of the company's investment in Maxop was \$56,766 (December 31, 2023 - \$56,674).

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 to importers and exporters to transport cargo.

At March 31, 2024 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 17.0% to 18.7% and long term growth rates ranging from 4.0% to 5.0% (December 31, 2023 - 16.2% to 18.0%, and 4.0% to 5.0%, respectively). At March 31, 2024 free cash flow forecasts were based on EBITDA estimates derived from financial information for Saurashtra's two business units prepared in the first quarter of 2024 (December 31, 2023 - fourth quarter of 2023) 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 first quarter of 2024 primarily to reflect: (i) EBITDA relating to its agreement to become the operator of a new CFS at Kandla Port; (ii) higher EBITDA forecasts arising from improved operating efficiencies resulting in increased storage and transportation revenue at its existing CFS; and (iii) a downward revision to EBITDA forecasts at Fairfreight Lines due to higher-than-expected decline in ocean freight rates, combined with a subdued outlook for the container shipping industry.

At March 31, 2024 the company held a 51.0% equity interest in Saurashtra (December 31, 2023 - 51.0%), and its internal valuation model indicated that the fair value of the company's investment in Saurashtra was \$52,659 (December 31, 2023 - \$50,551).

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.

At March 31, 2024 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 28.1% and a long term growth rate of 1.5% (December 31, 2023 - 28.3% and 1.5% respectively). At March 31, 2024 free cash flow forecasts were based on EBITDA estimates derived from financial information for Jaynix prepared in the fourth quarter of 2023 (December 31, 2023 - fourth quarter of 2023) by Jaynix's management.

Free Cash Flow Forecast Inputs

The primary driver of free cash flow estimates is increased 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

There have been no changes in the first quarter of 2024 to the free cash flow forecasts provided by Jaynix's management in 2023.

At March 31, 2024 the company held a 70.0% equity interest in Jaynix (December 31, 2023 - 70.0%), and its internal valuation model indicated that the fair value of the company's investment in Jaynix was \$51,754 (December 31, 2023 - \$49,277).

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.

NCML Common Shares

On March 31, 2023 the company converted its investment in 12.5% unsecured compulsorily convertible debentures originally issued by NCML in 2019 ("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. 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 March 31, 2024 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 13.3% to 13.5% and long term growth rates ranging from 2.4% to 5.0% (December 31, 2023 - 11.9% to 12.0%, 2.4% to 5.0%, respectively); and (ii) an adjusted net book value approach for its NBFC business unit. At March 31, 2024 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, 2023 - third quarter of 2023) by NCML's management.

Free Cash Flow Forecast Inputs

The primary drivers of free cash flow estimates are warehouse utilization and the successful completion of silo construction projects.

Current Model Assumptions

There have been no changes in the first quarter of 2024 to the free cash flow forecasts provided by NCML's management in 2023, other than to reflect a delay in the monetization of certain warehouse assets.

At March 31, 2024 the company held a 91.0% equity interest in NCML (December 31, 2023 - 91.0%), and its internal valuation model indicated that the fair value of the company's equity investment in NCML was \$45,025 (December 31, 2023 - \$50,327).

NCML Non-convertible Debentures

On November 9, 2023 the company invested \$24,013 (2.0 billion Indian rupees) in 9.47% unsecured non-convertible debentures ("NCML NCD"), due November 8, 2028.

At March 31, 2024 the fair value of the company's investment in the NCML NCD of \$23,980 (including a deferred loss of \$3,479) (December 31, 2023 - \$24,034, including a deferred loss of \$3,631) was based on a discounted cash flow analysis using an estimate of NCML's credit spread, and is presented within Other Indian Fixed Income in the tables disclosed earlier in note 5.

Investment in India Housing Fund

India Housing Fund ("IH Fund") is a closed-ended fund of 360 ONE 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.

During the first quarter of 2024 the company received distributions of \$884 (2023 - \$429) from IH Fund.

At March 31, 2024 the company estimated the fair value of its investment in IH Fund of \$11,342 (December 31, 2023 - \$13,090) 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:

	March 31, 2024					December 31, 2023				
	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	29,410	—	—	29,410	2,453	174,615	—	—	174,615	14,530
Bonds:										
Government of India ⁽¹⁾	—	178,022	—	178,022	14,848	—	31,794	—	31,794	2,646
Other Indian Fixed Income ⁽²⁾	—	—	31,503	31,503	2,627	—	—	31,469	31,469	2,619
	—	178,022	31,503	209,525	17,475	—	31,794	31,469	63,263	5,265
Common stocks:										
CSB Bank ⁽³⁾	71,184	—	274,106	345,290	28,798	84,735	—	324,600	409,335	34,062
IIFL Finance	234,187	—	—	234,187	19,532	412,151	—	—	412,151	34,297
IIFL Securities	124,827	—	—	124,827	10,411	147,437	—	—	147,437	12,269
Fairchem Organics	98,228	—	—	98,228	8,192	102,998	—	—	102,998	8,571
5paisa	46,534	—	—	46,534	3,881	52,129	—	—	52,129	4,338
Other	3,039	—	—	3,039	253	2,751	—	—	2,751	229
BIAL	—	—	1,599,973	1,599,973	133,442	—	—	1,599,988	1,599,988	133,141
Sanmar ⁽⁴⁾	—	—	271,849	271,849	22,673	—	—	302,881	302,881	25,204
Seven Islands	—	—	149,700	149,700	12,485	—	—	142,839	142,839	11,886
Maxop	—	—	56,766	56,766	4,734	—	—	56,674	56,674	4,716
NSE	—	—	56,701	56,701	4,729	—	—	188,615	188,615	15,695
Saurashtra	—	—	52,659	52,659	4,392	—	—	50,551	50,551	4,206
Jaynix	—	—	51,754	51,754	4,317	—	—	49,277	49,277	4,101
NCML	—	—	45,025	45,025	3,755	—	—	50,327	50,327	4,188
IH Fund	—	—	11,342	11,342	946	—	—	13,090	13,090	1,089
	577,999	—	2,569,875	3,147,874	262,540	802,201	—	2,778,842	3,581,043	297,992
Total cash and investments	607,409	178,022	2,601,378	3,386,809	282,468	976,816	31,794	2,810,311	3,818,921	317,787
	17.9 %	5.3 %	76.8 %	100.0 %	100.0 %	25.6 %	0.8 %	73.6 %	100.0 %	100.0 %

(1) Priced based on information provided by independent pricing service providers at March 31, 2024 and December 31, 2023.

(2) At March 31, 2024, Other Indian Fixed Income included a deferred loss of \$3,479 related to the NCML NCD (December 31, 2023 - \$3,631).

(3) 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 March 31, 2024 and December 31, 2023.

(4) The fair value of Chemplast, a publicly traded subsidiary of Sanmar, represented 74.1% of the company's investment in Sanmar at March 31, 2024 (December 31, 2023 - 74.0%).

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 quarters of 2024 and 2023 there were no transfers of financial instruments between fair value hierarchy levels.

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 quarters of 2024 and 2023 is as follows:

Indian rupees (in millions)	First quarter												
	2024						2023						Balance as of March 31
	Balance as of January 1	Sales	Amortization	Net realized gains on investments	Net change in unrealized gains (losses) on investments	Balance as of March 31	Balance as of January 1	Purchases / Conversion	Sales / Conversion	Amortization	Net realized losses on investments	Net change in unrealized gains (losses) on investments	
Common stocks:													
BIAL	133,141	—	—	—	301	133,442	102,068	—	—	—	—	4,452	106,520
CSB Bank	27,011	—	—	—	(4,150)	22,861	14,453	—	—	—	—	393	14,846
Sanmar	25,204	—	—	—	(2,531)	22,673	27,950	—	—	—	—	(4,172)	23,778
Seven Islands	11,886	—	—	—	599	12,485	8,017	—	—	—	—	6	8,023
Maxop	4,716	—	—	—	18	4,734	4,293	—	—	—	—	12	4,305
NSE	15,695	(10,997)	—	9,736	(9,705)	4,729	13,206	—	—	—	—	573	13,779
Saurashtra	4,206	—	—	—	186	4,392	4,195	—	—	—	—	—	4,195
Jaynix	4,101	—	—	—	216	4,317	2,713	—	—	—	—	250	2,963
NCML	4,188	—	—	—	(433)	3,755	4,705	526	—	—	—	(972)	4,259
IH Fund	1,089	(74)	—	—	(69)	946	1,289	—	(35)	—	—	3	1,257
Other Indian Fixed Income	2,619	—	8	—	—	2,627	1,621	—	(526)	7	(477)	(33)	592
Total	233,856	(11,071)	8	9,736	(15,568)	216,961	184,510	526	(561)	7	(477)	512	184,517

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, except for the net change in unrealized losses on investments of 9,736 million Indian rupees in the first quarter of 2024 and 33 million Indian rupees in the first quarter of 2023 related to the reversals of prior period unrealized gains on sales of NSE common shares and conversion of the NCML CCD, respectively.

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 March 31, 2024. 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. The change reflects the additional uncertainty in determining the discounted cash flows for assessing the fair values of Private Indian Investments. This sensitivity analysis excludes the company's investments in NSE and IH Fund, as the company determined that there were no significant unobservable inputs suited for a sensitivity analysis. Additionally, significant unobservable inputs pertaining to Other Indian Fixed Income relate to individual issuer credit spreads, where an increase (decrease) in credit spreads would generally result in a lower (higher) fair value of the underlying investment, as reflected in note 10 (Financial Risk Management, under the heading Interest Rate Risk).

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 ⁽¹⁾	Hypothetical \$ change effect on net earnings ⁽¹⁾⁽²⁾
Common stocks:						
BIAL	1,599,973	Discounted cash flow	After-tax discount rate	12.6% to 16.8%	(353,571) / 450,362	(306,723) / 390,689
			Long term growth rate	3.5%	27,829 / (26,345)	24,142 / (22,855)
CSB Bank ⁽³⁾	274,106	Bid price, net of discount	Discount for lack of marketability	6.4%	(1,716) / 1,715	(1,489) / 1,488
Sanmar ⁽⁴⁾	271,849	Discounted cash flow	After-tax discount rate	11.4%	(41,544) / 52,548	(36,040) / 45,585
			Long term growth rate	3.0%	8,762 / (8,259)	7,601 / (7,165)
Seven Islands	149,700	Discounted cash flow	After-tax discount rate	16.5%	(12,128) / 13,994	(10,521) / 12,140
			Long term growth rate	3.0%	1,748 / (1,685)	1,516 / (1,461)
Maxop	56,766	Discounted cash flow	After-tax discount rate	14.2%	(7,192) / 8,783	(6,239) / 7,619
			Long term growth rate	4.0%	1,474 / (1,402)	1,279 / (1,216)
Saurashtra	52,659	Discounted cash flow	After-tax discount rate	17.0% to 18.7%	(3,464) / 4,034	(3,005) / 3,500
			Long term growth rate	4.0% to 5.0%	619 / (597)	537 / (518)
Jaynix	51,754	Discounted cash flow	After-tax discount rate	28.1%	(2,302) / 2,500	(1,997) / 2,169
			Long term growth rate	1.5%	240 / (235)	208 / (204)
NCML ⁽⁵⁾	45,025	Discounted cash flow	After-tax discount rate	13.3% to 13.5%	(7,199) / 8,941	(6,245) / 7,756
			Long term growth rate	2.4% to 5.0%	1,209 / (1,142)	1,049 / (990)

- (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) 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.
- (4) 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 \$20,143, and an increase or decrease in net earnings of \$17,474.
- (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. The increase in bonds due after 1 year through 5 years primarily reflects the reinvestment of proceeds from the sales of NSE common shares into Government of India bonds. At March 31, 2024 and December 31, 2023 there were no bonds containing call or put features.

	March 31, 2024		December 31, 2023	
	Amortized cost	Fair value	Amortized cost	Fair value
Due in 1 year or less	7,523	7,523	—	—
Due after 1 year through 5 years	202,471	202,002	63,636	63,263
	209,994	209,525	63,636	63,263

Investment Income

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

Interest and dividends

	First quarter	
	2024	2023
Interest:		
Cash and cash equivalents	520	1,630
Short term investments	353	579
Bonds	4,165	2,471
	<u>5,038</u>	<u>4,680</u>
Dividends: Common stocks	<u>7,049</u>	<u>8,194</u>

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

	First quarter					
	2024			2023		
	Net realized gains (losses)	Net change in unrealized losses	Net gains (losses)	Net realized gains (losses)	Net change in unrealized gains (losses)	Net gains (losses)
Net gains (losses) on investments:						
Short term investments	15	—	15	—	—	—
Bonds	(197)	(97)	(294)	(5,803) ⁽¹⁾	(227)	(6,030)
Common stocks	117,106 ⁽¹⁾	(410,830) ⁽¹⁾	(293,724)	9,884 ⁽¹⁾	(56,075) ⁽¹⁾	(46,191)
	<u>116,924</u>	<u>(410,927)</u>	<u>(294,003)</u>	<u>4,081</u>	<u>(56,302)</u>	<u>(52,221)</u>
Net foreign exchange gains (losses) on:						
Cash and cash equivalents	17	—	17	(638)	—	(638)
Short term investments	—	—	—	611	(1,026)	(415)
Borrowings	—	(1,137)	(1,137)	—	3,306	3,306
Other	744	—	744	(121)	—	(121)
	<u>761</u>	<u>(1,137)</u>	<u>(376)</u>	<u>(148)</u>	<u>2,280</u>	<u>2,132</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 quarters of 2024 and 2023.

7. Borrowings

	March 31, 2024			December 31, 2023		
	Principal	Carrying value ⁽¹⁾	Fair value ⁽²⁾	Principal	Carrying value ⁽¹⁾	Fair value ⁽²⁾
<i>Unsecured Senior Notes:</i>						
5.0% Unsecured Senior Notes due February 26, 2028	500,000	497,958	455,050	500,000	497,827	452,250

(1) Principal net of unamortized issue costs.

(2) Fair value of the Unsecured Senior Notes at March 31, 2024 and December 31, 2023 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 March 31, 2024 and December 31, 2023 the Revolving Credit Facility was undrawn and remained available.

Interest Expense

In the first quarter of 2024 interest expense of \$6,380 (2023 - \$6,380) was comprised of stated interest and amortization of issuance costs. During the first quarter of 2024 the company paid interest of \$12,500 (2023 - \$12,500) on its borrowings.

At March 31, 2024 the company recognized accrued interest expense of \$2,361 (December 31, 2023 - \$8,611) within the consolidated balance sheets.

8. Total Equity

Common shareholders' equity

Common Stock

The number of shares outstanding was as follows:

	First quarter	
	2024	2023
Subordinate voting shares – January 1	105,398,509	108,270,900
Purchases for cancellation	(246,062)	(454,948)
Subordinate voting shares – March 31	105,152,447	107,815,952
Multiple voting shares – beginning and end of period	30,000,000	30,000,000
Common shares effectively outstanding – March 31	135,152,447	137,815,952

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 quarter of 2024, under the terms of its normal course issuer bid, the company purchased for cancellation 246,062 subordinate voting shares (2023 - 454,948) for a net cost of \$3,621 (2023 - \$5,847), of which \$1,032 was charged to retained earnings (2023 - \$1,060).

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.

Non-controlling interests

At March 31, 2024 the company continued to hold 43.6% out of its 64.0% (December 31, 2023 - 43.6% out of its 64.0%) equity interest in BIAL through Anchorage. As a result, the company's fully-diluted equity interest in BIAL was 59.0% (December 31, 2023 - 59.0%).

Net earnings attributable to non-controlling interests of \$295 during the first quarter of 2024 (2023 - \$3,869) 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% (fully-diluted equity interest in BIAL will decrease from 59.0% at March 31, 2024 to a minimum of 57.5%). 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 (recovery of) income taxes for the three months ended March 31 were comprised as follows:

	First quarter	
	2024	2023
Current income tax:		
Current year expense	607	2,341
Adjustment to prior years' income taxes	10	—
	<u>617</u>	<u>2,341</u>
Deferred income tax:		
Origination and reversal of temporary differences	(8,100)	6,084
Provision for (recovery of) income taxes	<u>(7,483)</u>	<u>8,425</u>

The company recorded a recovery of deferred income taxes of \$8,100 in the first quarter of 2024 primarily attributable to the reversal of prior period deferred taxes recognized as a result of net unrealized losses on the company's investments in equity shares acquired or spun out subsequent to April 1, 2017, primarily CSB Bank and IIFL Securities, partially offset by deferred income taxes recognized on the company's investment in Seven Islands. Deferred income taxes of \$6,084 recognized in the first quarter of 2023 were primarily attributable to unrealized gains on the company's investments in BIAL and CSB Bank, partially offset by a reversal of prior period deferred taxes recognized on the company's investments in Fairchem Organics, IIFL Securities and Other Public Indian Investments. The company's investment in BIAL is held by Anchorage and FIH Mauritius. Investment gains earned at Anchorage are subject to a higher tax rate compared to FIH Mauritius.

Reconciliation of the recovery of income taxes calculated at the Canadian statutory income tax rate to the provision for (recovery of) income taxes at the effective tax rate for the three months ended March 31 are presented in the following table:

	First quarter	
	2024	2023
Canadian statutory income tax rate	26.5 %	26.5 %
Recovery of income taxes at the Canadian statutory income tax rate	(79,683)	(11,446)
Tax rate differential on losses incurred outside of Canada	69,284	19,155
Provision relating to prior years	10	—
Increase in unrecorded tax benefit of losses and temporary differences	1,465	981
Foreign exchange effect	1,439	(266)
Other including permanent differences	2	1
Provision for (recovery of) income taxes	<u>(7,483)</u>	<u>8,425</u>

The tax rate differential on losses incurred outside of Canada of \$69,284 in the first quarter of 2024 (2023 - \$19,155) principally reflected the impact of net investment losses taxed in Mauritius and India at lower rates.

At March 31, 2024 deferred tax assets of \$114,776 in Canada and \$8,208 in India (December 31, 2023 - \$115,130 in Canada and \$6,671 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 in the types of the company's risk exposures or the processes used by the company for managing those risk exposures at March 31, 2024 compared to those identified and disclosed in the company's annual consolidated financial statements for the year ended December 31, 2023.

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 March 31, 2024 compared to December 31, 2023.

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 March 31, 2024 compared to December 31, 2023.

The company's exposure to interest rate risk increased in the first quarter of 2024, principally reflecting the reinvestment of proceeds from the sales of NSE common shares into Government of India bonds. 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.

	March 31, 2024			December 31, 2023		
	Fair value of fixed income portfolio	Hypothetical \$ change effect on net earnings ⁽¹⁾	Hypothetical % change in fair value	Fair value of fixed income portfolio	Hypothetical \$ change effect on net earnings ⁽¹⁾	Hypothetical % change in fair value
Change in interest rates						
200 basis point increase	198,330	(8,418)	(5.3)%	60,649	(2,119)	(4.1)%
100 basis point increase	203,823	(4,288)	(2.7)%	61,932	(1,080)	(2.1)%
No change	209,525	—	—	63,263	—	—
100 basis point decrease	215,444	4,452	2.8 %	64,643	1,121	2.2 %
200 basis point decrease	221,593	9,078	5.8 %	66,077	2,286	4.4 %

(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 decreased to \$3,147,874 at March 31, 2024 from \$3,581,043 at December 31, 2023. 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 March 31, 2024 to be a hypothetical increase or decrease in net earnings of \$147,760 (December 31, 2023 - increase or decrease in net earnings of \$195,427). 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 March 31, 2024 compared to December 31, 2023.

Cash and Cash Equivalents

At March 31, 2024 the company's cash and cash equivalents of \$29,410 (December 31, 2023 - \$174,615) were primarily held in major financial institutions.

Investments in Debt Instruments

At March 31, 2024 the company's debt instruments were all considered to be subject to credit risk with a fair value of \$209,525 (December 31, 2023 - \$63,263), representing 6.2% (December 31, 2023 - 1.7%) of the total cash and investments portfolio.

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

	March 31, 2024		December 31, 2023	
	Fair value	Rating	Fair value	Rating
Government of India bonds ⁽¹⁾	178,022	Baa3/BBB-	31,794	Baa3/BBB-
Other Indian Fixed Income	31,503	Not rated	31,469	Not rated
Total bonds	<u>209,525</u>		<u>63,263</u>	

(1) Rated Baa3 by Moody's and BBB- by S&P at March 31, 2024 and December 31, 2023.

The company's exposure to credit risk from its investments in fixed income securities increased at March 31, 2024 compared to December 31, 2023, principally reflecting the reinvestment of proceeds from the sales of NSE common shares 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 March 31, 2024 compared to December 31, 2023.

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 March 31, 2024 compared to December 31, 2023.

The undeployed cash and investments at March 31, 2024 provide adequate liquidity to meet the company's known significant commitments over the next twelve months, which are principally comprised of investment and advisory fees, interest expense, purchases of subordinate voting shares for cancellation under its automatic share purchase plan, and general and administration expenses.

At March 31, 2024 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. In addition, under the Investment Advisory Agreement (defined in note 11), if a performance fee is payable for the period ending on December 31, 2026, the performance fee will be payable in cash, or at Fairfax's option, in subordinate voting shares.

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 March 31, 2024, in addition to cash and cash equivalents of \$29,410, the company held common shares of Public Indian Investments, which carry no selling restrictions, with a fair value of \$577,999, and Government of India bonds with a fair value of \$178,022. 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.

Subsequent to March 31, 2024

In April 2024, the company completed the sales of its remaining equity interest in NSE for gross proceeds of \$56,683 (4.7 billion Indian rupees).

On April 17, 2024 IIFL Finance announced a rights offering to existing shareholders, whereby shareholders of record on April 23, 2024 were given the right to participate in a common share issuance on the pro rata basis of 1 newly issued equity share for every 9 equity shares held, at a price of 300.00 Indian rupees per share. In connection with the IIFL Finance Rights Offer, the company's wholly-owned subsidiary, FIH Mauritius will participate and acquire 6,404,605 equity shares of IIFL Finance for cash consideration of approximately \$23 million based on current exchange rates (1.9 billion Indian rupees). The IIFL Finance Rights Offer is expected to be completed in the second quarter of 2024.

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 March 31, 2024 and December 31, 2023 the company's total cash and investments composition by the issuer's country of domicile was primarily India, and at March 31, 2024 represented 99.2% (December 31, 2023 - 99.3%) of the total cash and investments portfolio.

The company's holdings of Public and Private Indian Investments (see note 5) at March 31, 2024 and December 31, 2023 are summarized by the issuer's primary industry sector in the table below:

	March 31, 2024	December 31, 2023
Infrastructure	1,599,973	1,599,988
Financial services	829,443	1,232,943
Commercial and industrial	547,602	586,191
Ports and shipping	202,359	193,390
	<u>3,179,377</u>	<u>3,612,512</u>

At March 31, 2024 the company determined that it was in compliance with the Investment Concentration Restriction, as defined in the company's annual consolidated financial statements for the year ended December 31, 2023.

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) decreased to \$3,279,573 at March 31, 2024 from \$3,582,601 at December 31, 2023, principally reflecting a decrease in common shareholders' equity, partially offset by an increase in non-controlling interests as described below.

Common shareholders' equity decreased to \$2,655,550 at March 31, 2024 from \$2,958,718 at December 31, 2023 primarily reflecting a net loss attributable to shareholders of \$293,504, unrealized foreign currency translation losses attributable to shareholders of \$5,422 and purchases of subordinate voting shares for cancellation of \$3,621 during the first quarter of 2024. Non-controlling interests increased slightly to \$126,065 at March 31, 2024 from \$126,056 at December 31, 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:

	March 31, 2024	December 31, 2023
Performance fee	—	110,158
Investment and advisory fees	9,416	10,700
	<u>9,416</u>	<u>120,858</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

During March 2024 the company settled in cash, the performance fee payable of \$110,158 due to Fairfax for the third calculation period (three-year period from January 1, 2021 to December 31, 2023).

The period from January 1, 2024 to December 31, 2026 (the "fourth calculation period") is the next consecutive three-year period 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, 2026, the performance fee will be payable in cash, or at Fairfax's option, in subordinate voting shares. 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 March 31, 2024 the company determined that no performance fee accrual was required related to the fourth calculation period (December 31, 2023 - performance fee payable of \$110,158 related to the third calculation period). Accordingly, no performance fee was recorded in the consolidated statements of earnings (loss) in the first quarter of 2024 (2023 - a performance fee recovery of \$14,547).

Investment and Advisory Fees

The investment and advisory fees recorded in the consolidated statements of earnings (loss) for the first quarter of 2024 were \$9,484 (2023 - \$8,816).

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:

	March 31, 2024	December 31, 2023
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 (loss) for the first quarter of 2024 included \$730 related to amounts due to related parties (2023 - \$730). Refer to note 7 for further details on the Unsecured Senior Notes.

Fairfax's Voting Rights and Equity Interest

At March 31, 2024 Fairfax, through its subsidiaries, owned 30,000,000 multiple voting shares (December 31, 2023 - 30,000,000) and owned and/or exercised control or direction over 28,504,470 subordinate voting shares (December 31, 2023 - 28,504,470) of Fairfax India. At March 31, 2024 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 43.3% equity interest (December 31, 2023 - 95.2% and 43.2%) in Fairfax India.

12. General and Administration Expenses

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

	First quarter	
	2024	2023
Audit, legal, tax, and professional fees ⁽¹⁾	563	3,605
Salaries and employee benefit expenses	460	316
Administrative expenses	378	475
Other	1,135	933
	<u>2,536</u>	<u>5,329</u>

(1) Audit, legal, tax, and professional fees were lower in the first quarter of 2024 primarily due to decreased consulting fees.

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Management's Discussion and Analysis of Financial Condition and Results of Operations

(as of May 2, 2024)

(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 months ended March 31, 2024 and the company's 2023 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 as issued by the International Accounting Standards Board ("IFRS Accounting Standards") 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 Accounting Standards 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.

Book Value per Share

Common shareholders' equity at March 31, 2024 was \$2,655,550 (December 31, 2023 - \$2,958,718). The book value per share at March 31, 2024 was \$19.65 compared to \$21.85 at December 31, 2023, representing a decrease in the first quarter of 2024 of 10.1%, principally reflecting a net loss attributable to shareholders of Fairfax India of \$293,504 (primarily related to net change in unrealized losses on investments, partially offset by realized gains on sales of investments). In addition, the company purchased for cancellation 246,062 subordinate voting shares during the first quarter of 2024 for a net cost of \$3,621 (\$14.72 per subordinate voting share) through its normal course issuer bid, which partially offset the decrease in book value per share.

	March 31, 2024	December 31, 2023
Common shareholders' equity	2,655,550	2,958,718
Number of common shares effectively outstanding	135,152,447	135,398,509
Book value per share	\$19.65	\$21.85

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 months ended March 31, 2024. Full descriptions of the Indian Investments committed to, acquired and sold in the first quarter of 2024 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:

March 31, 2024							
Existing Indian Investments:	Initial investment date	Ownership %	Cash consideration ⁽¹⁾	Fair value	Net change	Cumulative interest and dividends ⁽²⁾	Compounded annualized return ⁽³⁾
Public Indian Investments:							
Common stocks:							
IIFL Finance ⁽⁴⁾	December 2015	15.1 %	76,239	234,187	157,948	18,716	17.0 % *
IIFL Securities ⁽⁴⁾	December 2015	27.5 %	51,055	124,827	73,772	16,993	14.5 % *
Spaisa ⁽⁴⁾	December 2015	24.6 %	16,603	46,534	29,931	—	19.4 % *
Fairchem Organics ⁽⁵⁾	February 2016	52.8 %	29,741	98,228	68,487	2,108	21.6 %
CSB Bank	October 2018	49.7 %	169,492	345,290	175,798	—	15.0 %
Other	May 2022	< 1.0 %	3,386	3,039	(347)	28	(5.1)%
			346,516	852,105	505,589	37,845	16.4 %
Private Indian Investments:							
Common stocks:							
NCML	August 2015	91.0 %	188,288	45,025	(143,263)	823	(16.5)%
Sanmar	April 2016	42.9 %	199,039	271,849	72,810	—	7.5 %
NSE	July 2016	0.3 %	8,018	56,701	48,683	4,505	32.3 %
Saurashtra	February 2017	51.0 %	30,018	52,659	22,641	10,884	11.3 %
BIAL	March 2017	64.0 %	902,982	1,599,973	696,991	2,241	11.1 %
IH Fund ⁽⁶⁾	January 2019	—	12,326	11,342	(984)	5,460	5.5 %
Seven Islands	March 2019	48.5 %	83,846	149,700	65,854	6,054	13.4 %
Maxop	November 2021	67.0 %	51,448	56,766	5,318	—	5.0 %
Jaynix	February 2022	70.0 %	32,504	51,754	19,250	—	24.4 %
Other Indian Fixed Income	November 2021	—	31,408	31,503	95	1,134	4.6 %
			1,539,877	2,327,272	787,395	31,101	8.3 %
Total existing Indian Investments			1,886,393	3,179,377	1,292,984	68,946	10.3 %
Monetized Indian Investments:							
	Initial investment date	Last sale date	Cash consideration ⁽¹⁾	Cash proceeds ⁽¹⁾	Cash proceeds less cash consideration	Cumulative interest and dividends ⁽²⁾	Compounded annualized return ⁽³⁾
Partially monetized ⁽⁷⁾:							
NSE	July 2016	January 2024	18,765	132,265	113,500	10,543	33.0 %
IIFL Finance ⁽⁴⁾	December 2015	December 2023	35,711	177,324	141,613	7,467	24.9 % *
Fairchem Organics ⁽⁵⁾	February 2016	February 2022	7,787	45,585	37,798	86	49.7 %
			62,263	355,174	292,911	18,096	29.7 %
Fully monetized:							
360 ONE (formerly IIFL Wealth) ⁽⁴⁾	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 ⁽⁵⁾	August 2016	April 2021	54,975	164,895	109,920	1,985	27.1 %
Sanmar Bonds ⁽⁸⁾	April 2016	December 2019	299,000	433,873	134,873	—	11.0 %
			639,781	1,124,797	485,016	51,775	16.6 %
Total monetized Indian Investments			702,044	1,479,971	777,927	69,871	19.2 %
* Aggregate: IIFL Finance, IIFL Securities, Spaisa and 360 ONE (formerly IIFL Wealth)							17.8 %

- (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 interest and dividend 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 WAM Limited (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 (April 2024) published by the International Monetary Fund ("IMF"), global growth is expected to remain steady at 3.2% in 2024 and 2025, consistent with the estimated growth in 2023. The slow pace of expansion is due to both near term factors, such as still-high borrowing costs and withdrawal of fiscal support, as well as longer-term effects from the COVID-19 pandemic, the conflicts in Ukraine and the Middle East, and weak growth in productivity. More encouragingly, inflation is on the decline, primarily attributable to still-tight monetary policies and a softening labour market. With this easing of inflation, market expectations that future policy rates will decline have contributed to a reduction in longer-term interest rates and rising equity markets.

Indian Economy

According to the latest estimates from the Indian government, the country's GDP growth was estimated at 7.6% for fiscal year 2024 (April to March 2024), which outpaced major economies and was primarily supported by private consumption and government capital expenditure. In its April 2024 report, the IMF estimated India's GDP will expand by 6.8% for fiscal year 2025, which is an upward revision from its January 2024 estimate of 6.5%, reflecting continuing strength in domestic demand and a rising working-age population.

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 continue 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 April 2024, for the seventh consecutive meeting. While the RBI remains cautious on the outlook for inflation, factors such as moderating inflationary pressures, an anticipated normal monsoon season, and the relative stability of the Indian rupee point to the possibility of future rate cuts within the coming fiscal year. The RBI further reaffirmed its commitment to remain focused on the withdrawal of its accommodative policy, while still supporting growth.

Indian Market Indices and Foreign Exchange Rate

After a year of record highs in Indian market indices in the prior year, the BSE Sensex achieved further growth, climbing to a new all-time high in the first quarter of 2024. The U.S. dollar S&P BSE Sensex increased 1.7% in the first quarter of 2024, supported by strong corporate earnings, robust domestic demand, and investment activity. The Indian rupee weakened slightly against the U.S. dollar, reflecting depreciation of 0.2% in the first quarter of 2024.

Despite the overall positive performance of Indian equity markets, the fair values of the company's publicly traded Indian Investments experienced some volatility over the first quarter of 2024.

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

There have been no changes in the first quarter of 2024 to the company's investment restrictions. At March 31, 2024 the company determined that it was in compliance with the Investment Concentration Restriction, as defined in the company's 2023 Annual Report.

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 Accounting Standards 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 Limited (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 Accounting Standards. 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 Accounting Standards, 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 first quarters of 2024 and 2023 are presented in the tables disclosed in note 5 (Indian Investments) to the interim consolidated financial statements.

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 779 branches and 731 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 areas of retail, SMEs, gold and corporate lending and to mobilize low cost deposits in the form of current accounts, savings accounts and non-resident Indian deposits. CSB's vision is to transition from a small bank to mid-sized bank by fiscal year 2030.

The net loan advance and deposit segments have been the drivers of growth for CSB Bank during fiscal year 2024. Despite the increased costs from investments made in people, distribution and technology, CSB Bank's operating profit continued to grow. CSB Bank will aim to strengthen the SME and corporate lending segments, while maintaining its focus on the retail and gold loans business. CSB continues to better leverage its full-service banking license by building franchises that offer wholesale, SME, retail and gold loans, and further investing to provide its customers with a full-service banking facility.

Banks in India are highly regulated by the RBI including specific regulations on shareholder voting rights, shareholdings and board representation. On November 29, 2023, the dilution schedule was amended, now requiring the company to bring down its shareholding in CSB Bank to 40.0% within 5 years, 30.0% within 10 years, and 26.0% within 15 years from the investment completion date of August 7, 2019.

Valuation and Interim Consolidated Financial Statement Impact

At March 31, 2024 the fair value of the company's investment in CSB Bank was \$345,290 (December 31, 2023 - \$409,335) comprised of 86,262,976 common shares representing a 49.7% equity interest (December 31, 2023 - 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 March 31, 2024 and December 31, 2023 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 decreased by 15.8% from 418.00 Indian rupees per share at December 31, 2023 to 351.95 Indian rupees per share at March 31, 2024.

CSB Bank's Summarized Financial Information

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

Balance Sheets

(unaudited - US\$ thousands)

	December 31, 2023⁽¹⁾	March 31, 2023⁽¹⁾
Financial assets	3,870,981	3,456,558
Non-financial assets	112,662	114,561
Financial liabilities	3,465,593	3,087,318
Non-financial liabilities	80,071	87,869
Shareholders' equity	437,979	395,932

(1) The net assets of CSB Bank were translated at December 31, 2023 at \$1 U.S. dollar = 83.21 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 other assets, partially offset by higher property, plant and equipment consistent with the growth in number of CSB Bank branches. Financial liabilities increased primarily due to increased deposits from customers and banks, and increased borrowings. Non-financial liabilities decreased primarily due to a decrease in other payables and deferred tax liabilities.

Summarized below are CSB Bank's statements of earnings for the nine months ended December 31, 2023 and 2022.

Statements of Earnings

(unaudited - US\$ thousands)

	Nine months ended December 31, 2023⁽¹⁾	Nine months ended December 31, 2022⁽¹⁾
Revenue	181,030	153,866
Earnings before income taxes	68,838	71,675
Net earnings	51,539	53,664

(1) Amounts for the nine months ended December 31, 2023 and 2022 were translated using the average exchange rates of \$1 U.S. dollar = 82.71 Indian rupees and \$1 U.S. dollar = 79.69 Indian rupees prevailing during those periods.

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 decreased primarily due to increased employee and other expenses consistent with higher headcount and number of branches, partially offset by increased revenue discussed above.

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 March 31, 2024 IIFL Finance had over 4,680 branches across India, making it one of the largest retail focused non-banking finance companies.

At December 31, 2023 IIFL Finance had assets under management ("AUM") of approximately \$9.3 billion (774 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.

On March 4, 2024 the RBI ordered IIFL Finance to immediately cease the sanctioning and disbursing of gold loans due to material supervisory concerns in IIFL Finance's gold loan portfolio arising from an onsite inspection conducted by the RBI for the fiscal year ended March 31, 2023 ("RBI Order"). The primary concerns raised by the RBI included violations over the assaying and certifying of the purity and net weight of gold at the time of sanction of loans and at the time of auction upon default, breaches of regulated loan-to-value ratios and lending in excess of statutory limits in cash, among others. IIFL Finance will continue to service its existing gold loan portfolio and reaffirmed its commitment to rectify its gold loan processes in order to address the RBI's observations. The RBI stated that these supervisory restrictions will be reviewed after the completion of a special audit, subject to IIFL Finance's recertification of audit findings to the RBI's satisfaction. The RBI special audit commenced on April 23, 2024.

Valuation and Interim Consolidated Financial Statement Impact

At March 31, 2024 the fair value of the company's investment in IIFL Finance was \$234,187 (December 31, 2023 - \$412,151) comprised of 57,641,445 common shares representing a 15.1% equity interest (December 31, 2023 - 15.1%).

In connection with the RBI Order discussed in the *Key Business Drivers, Events and Risks* section, IIFL Finance's share price decreased by 43.1% from 595.00 Indian rupees per share at December 31, 2023 to 338.85 Indian rupees per share at March 31, 2024, and subsequently has recovered by 17.0% to 396.50 Indian rupees per share on May 2, 2024.

In the first quarter of 2024 the consolidated statements of earnings (loss) included dividend income earned from the company's investment in IIFL Finance of \$2,776 (2023 - \$4,116).

Subsequent to March 31, 2024

On April 17, 2024 IIFL Finance announced a rights offering to existing shareholders, whereby shareholders of record on April 23, 2024 were given the right to participate in a common share issuance on the pro rata basis of 1 newly issued equity share for every 9 equity shares held, at a price of 300.00 Indian rupees per share ("IIFL Finance Rights Offer"). In connection with the IIFL Finance Rights Offer, the company's wholly-owned subsidiary, FIH Mauritius will participate and acquire 6,404,605 equity shares of IIFL Finance for cash consideration of approximately \$23 million based on current exchange rates (1.9 billion Indian rupees). The IIFL Finance Rights Offer is expected to be completed in the second quarter of 2024.

In response to the RBI Order, the company and Fairfax estimated that IIFL Finance may require up to \$200.0 million in liquidity support, which the company and Fairfax agreed to provide on terms to be mutually agreed and subject to applicable laws and regulatory approvals. Subsequent to completion of the IIFL Finance Rights Offer, the company and Fairfax will have, in aggregate, provided approximately \$83 million in liquidity support to IIFL Finance in the form of equity and debt. At this time, IIFL Finance does not require further liquidity support from the company.

IIFL Finance's Summarized Financial Information

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

Balance Sheets

(unaudited - US\$ thousands)

	December 31, 2023 ⁽¹⁾	March 31, 2023 ⁽¹⁾
Financial assets	6,921,671	6,262,119
Non-financial assets	170,628	187,103
Financial liabilities	5,639,784	5,145,540
Non-financial liabilities	36,070	62,281
Total equity	1,416,445	1,241,401

(1) The net assets of IIFL Finance were translated at December 31, 2023 at \$1 U.S. dollar = 83.21 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 current tax assets. Financial liabilities increased principally reflecting net proceeds from borrowings and increased other financial liabilities. Non-financial liabilities decreased primarily due to decreased advances from customers.

Summarized below are IIFL Finance's statements of earnings for the nine months ended December 31, 2023 and 2022.

Statements of Earnings

(unaudited - US\$ thousands)

	Nine months ended December 31, 2023 ⁽¹⁾	Nine months ended December 31, 2022 ⁽¹⁾⁽²⁾
Revenue	917,426	774,366
Earnings before income taxes	244,016	190,545
Net earnings	186,630	144,305

(1) Amounts for the nine months ended December 31, 2023 and 2022 were translated using the average exchange rates of \$1 U.S. dollar = 82.71 Indian rupees and \$1 U.S. dollar = 79.69 Indian rupees prevailing during those periods.

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

IIFL Finance's revenue increased primarily reflecting an increase in interest income consistent with the higher balance of AUM, and higher total portfolio yields. 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 India. 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 890 domestic and foreign clients, and provides comprehensive research coverage in over 260 stocks in more than 20 sectors, which accounts for over 75% of India's market capitalization. The investment banking business was ranked first in terms of number of IPOs launched in fiscal year 2023, and continues to have a strong presence in equity capital markets.

At December 31, 2023 IIFL Securities had AUM of approximately \$21.8 billion (1,816 billion Indian rupees).

Valuation and Interim Consolidated Financial Statement Impact

At March 31, 2024 the fair value of the company's investment in IIFL Securities was \$124,827 (December 31, 2023 - \$147,437) comprised of 84,641,445 common shares representing a 27.5% equity interest (December 31, 2023 - 27.5%). IIFL Securities' share price decreased by 15.1% from 144.95 Indian rupees per share at December 31, 2023 to 123.00 Indian rupees per share at March 31, 2024.

In the first quarter of 2024 the consolidated statements of earnings (loss) included dividend income earned from the company's investment in IIFL Securities of \$3,058 (2023 - \$3,087).

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 experienced strong growth in recent years.

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. As India is one of the largest consumers of soft oils, its easy access to raw materials and lower costs, combined with 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 some of its products, with little or no direct competition, and is considered to produce a superior quality product compared to its competitors.

After volatile prices seen in the vegetable oil market in fiscal year 2023 (a key raw material input for Fairchem Organics), prices have since moderated but remained subdued during fiscal year 2024. The higher availability of raw materials is supported by the revival of demand, resulting in increased processing and building of inventory to near-normal levels. 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 March 31, 2024 the fair value of the company's investment in Fairchem Organics was \$98,228 (December 31, 2023 - \$102,998) comprised of 6,878,656 common shares representing a 52.8% equity interest (December 31, 2023 - 52.8%). Fairchem Organics' share price decreased by 4.4% from 1,246.00 Indian rupees per share at December 31, 2023 to 1,191.00 Indian rupees per share at March 31, 2024.

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.

At March 31, 2024 the 5paise mobile application has reached over 18.6 million downloads and its total customer base exceeded 4.2 million. During the first quarter of 2024, approximately 87% of customer acquisitions were attributed to customers onboarded to the digital platform without intervention or assistance. 5paise remains focused on improving the quality of customer acquisitions and investing in new technologies to strengthen revenue and optimize costs.

Valuation and Interim Consolidated Financial Statement Impact

At March 31, 2024 the fair value of the company's investment in 5paise was \$46,534 (December 31, 2023 - \$52,129) comprised of 7,670,130 common shares representing a 24.6% equity interest (December 31, 2023 - 24.6%). 5paise's share price decreased by 10.5% from 565.55 Indian rupees per share at December 31, 2023 to 506.00 Indian rupees per share at March 31, 2024.

Investment in Other Public Indian Investments

At March 31, 2024 the fair value of the company's investment in Other Public Indian Investments was \$3,039 (December 31, 2023 - \$2,751) and represents less than 1.0% equity interest in a public Indian company in the financial services sector.

In the first quarter of 2024 the consolidated statements of earnings (loss) included dividend income earned from the company's investment in Other Public Indian Investments of \$13 (2023 - nil).

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.

The changes in fair value of the company's Private Indian Investments for the first quarters of 2024 and 2023, 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 8.3 million and international passenger traffic of 1.2 million in the first three months of 2024, surpassing 2019 pre-pandemic levels and representing year over year growth of 1.9% and 16.4%, respectively. Cargo volumes grew 17.1% year over year, driven by the strong Indian domestic retail market and a surge in demand for international air cargo as a result of recent geopolitical events impacting the ocean freight industry.

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 460 acres of monetizable leasehold 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 May 9, 2023 Fairfax India entered into an agreement with Siemens Project Ventures GmbH ("Siemens"), a part of Siemens Financial Services and one of the original investors in the public-private partnership, to acquire an additional 10.0% equity interest in BIAL through FIH Mauritius in two transactions: (i) 3.0% equity interest acquired on June 21, 2023 for cash of \$75,000 (6.2 billion Indian rupees); and (ii) 7.0% equity interest acquired on December 12, 2023 for cash of \$175,000 (14.6 billion Indian rupees).

The transaction implied a fair value for 100% of BIAL at approximately \$2.5 billion (approximately 208.0 billion Indian rupees).

At March 31, 2024 the company held a 64.0% equity interest in BIAL (December 31, 2023 - 64.0%), and its internal valuation model indicated that the fair value of the company's investment in BIAL was \$1,599,973 (December 31, 2023 - \$1,599,988), which approximates the equity valuation of BIAL implied by the Siemens transaction above.

At March 31, 2024 the company held 43.6% out of its 64.0% (December 31, 2023 - 43.6% out of its 64.0%) equity interest in BIAL through Anchorage. As a result, the company's fully-diluted equity interest in BIAL was 59.0% (December 31, 2023 - 59.0%). Refer to note 8 (Total Equity, under the heading Non-controlling interests) to the interim consolidated financial statements for the three months ended March 31, 2024 for further discussion on Anchorage.

BIAL's Summarized Financial Information

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

Balance Sheets

(unaudited - US\$ thousands)

	December 31, 2023⁽¹⁾	March 31, 2023⁽¹⁾
Current assets	301,525	270,447
Non-current assets	1,571,675	1,538,722
Current liabilities	192,961	147,684
Non-current liabilities	1,370,242	1,338,204
Shareholders' equity	309,997	323,281

(1) The net assets of BIAL were translated at December 31, 2023 at \$1 U.S. dollar = 83.21 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 increased primarily reflecting the investment of surplus cash from operations and proceeds from borrowings into short term fixed deposits. Non-current assets increased primarily due to continued progress on capital expansion projects and investments in longer term fixed deposits. Current liabilities increased primarily due to increased capital expenditure payables and current maturities of borrowings. 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 nine months ended December 31, 2023 and 2022.

Statements of Earnings (Loss)

(unaudited - US\$ thousands)

	Nine months ended December 31, 2023⁽¹⁾	Nine months ended December 31, 2022⁽¹⁾
Revenue	242,986	167,268
EBITDA	158,678	104,929
Net earnings (loss)	(8,983)	5,835

(1) Amounts for the nine months ended December 31, 2023 and 2022 were translated using the average exchange rates of \$1 U.S. dollar = 82.71 Indian rupees and \$1 U.S. dollar = 79.69 Indian rupees prevailing during those periods.

The increase in revenue primarily reflected the increased aeronautical revenues as a result of higher UDFs with effect from April 1, 2023 and higher passenger traffic levels. The higher passenger traffic levels also translated into higher non-aeronautical revenues, and reflected higher spend by passengers. The increase in EBITDA principally reflected increased revenues, partially offset by higher operating, marketing and administrative expenses in connection with higher business volumes and the launch of Terminal 2. Net loss for the nine months ended December 31, 2023 compared to net earnings in the prior period was primarily due to increased depreciation and interest expense, consistent with the commencement of operations of Terminal 2 in 2023.

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 838,000 metric tons per annum, comprised of approximately 438,000 metric tons per annum in India and 400,000 metric tons per annum in Egypt.

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 ("Speciality 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 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 Speciality Chemicals business, increase PVC manufacturing capacity in India (specifically the specialty PVC) to align with the growing demand for PVC, and to improve the overall capacity utilization at all of its PVC production facilities. Sanmar is in the second phase of a capacity expansion project at its custom manufactured chemicals division, which is expected to be completed in the first quarter of fiscal year 2025. Additionally, Chemplast commissioned its 41,000 metric tons per annum paste PVC capacity expansion project during the current quarter.

The international PVC market has been impacted by weak demand recovery in China, however prices are expected to recover in 2024. Currently, 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. There have been positive developments to the Egyptian currency crisis in the first quarter of 2024, which are expected to contribute to lower foreign exchange risks.

Valuation and Interim Consolidated Financial Statement Impact

At March 31, 2024 the company held a 42.9% equity interest in Sanmar (December 31, 2023 - 42.9%) and its internal valuation model indicated that the fair value of the company's investment in Sanmar was \$271,849 (December 31, 2023 - \$302,881).

The fair value of Chemplast, a publicly traded subsidiary of Sanmar, comprised 74.1% of the company's investment in Sanmar at March 31, 2024 (December 31, 2023 - 74.0%). The share price of Chemplast decreased by 9.9% from 499.60 Indian rupees per share at December 31, 2023 to 450.00 Indian rupees per share at March 31, 2024.

Sanmar's Summarized Financial Information

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

Balance Sheets

(unaudited - US\$ thousands)

	December 31, 2023 ⁽¹⁾	March 31, 2023 ⁽¹⁾
Current assets	338,526	381,091
Non-current assets	1,710,210	1,693,998
Current liabilities	612,543	576,449
Non-current liabilities	967,388	961,701
Total equity	468,805	536,939

(1) The net assets of Sanmar were translated at December 31, 2023 at \$1 U.S. dollar = 83.21 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 and non-current assets increased primarily due to use of cash toward purchases of property, plant, and equipment as a result of capital expansion projects. Current and non-current liabilities increased primarily due to increased borrowings to fund expansion projects at Chemplast, partially offset by decreased advances from customers as a result of the fall in PVC and caustic soda prices, and decreased deferred tax liabilities.

Summarized below are Sanmar's statements of earnings (loss) for the nine months ended December 31, 2023 and 2022.

Statements of Earnings (Loss)

(unaudited - US\$ thousands)

	Nine months ended December 31, 2023 ⁽¹⁾	Nine months ended December 31, 2022 ⁽¹⁾
Revenue	695,673	957,608
Earnings (loss) before income taxes	(69,364)	49,616
Net earnings (loss)	(65,120)	43,053

(1) Amounts for the nine months ended December 31, 2023 and 2022 were translated using the average exchange rates of \$1 U.S. dollar = 82.71 Indian rupees and \$1 U.S. dollar = 79.69 Indian rupees prevailing during those periods.

Revenue decreased primarily due to lower prices of PVC, caustic soda, and other chemicals in both India and Egypt, particularly a significant drop in prices for paste PVC and chloromethanes, partially offset by higher sales volumes on certain finished products. In addition, the Egyptian government has revised export incentives applicable to Sanmar Egypt's products to 9% for PVC and 10% for caustic soda and calcium chloride for the one year period from July 2022 to June 2023 from 14% and 15% respectively. This has resulted in reversal of some export incentives accrued at previous rates. Loss before income taxes and net loss for the nine months

ended December 31, 2023 compared to earnings before income taxes and net earnings in the prior period primarily reflecting the decline in revenue noted above and increased cost of borrowing, partially offset by decreased power costs and other expenses from the devaluation of the Egyptian pound, and a tax recovery compared to tax expense in the prior period.

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 March 31, 2024 Seven Islands owned 25 vessels, including 2 gas carriers, with a total deadweight capacity of approximately 1.3 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 continued ban on the import of oil from Russia 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. Seven Islands primarily operates along the Indian coast, the Arabian Gulf and Southeast Asia, shipping oil for Indian oil companies, therefore it indirectly benefits from the increased demand for medium-sized vessels and longer-haul routes, particularly in Asia, which has resulted in increased tanker charter rates.

The global crude oil market continues to experience uncertainties due to geopolitical events impacting oil supply chain and demand patterns. Despite these conditions, recent macroeconomic trends indicate global oil demand will grow in 2024, driven by an improved economic outlook for the United States and strong industrial activity in China and other Asian countries, partially offset by efforts to make energy efficiency improvements and pressures to reduce negative environmental impacts. Given the predominantly positive outlook on demand, charter rates for crude oil tankers are expected to remain elevated in the short to medium term. 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 March 31, 2024 the company held a 48.5% equity interest in Seven Islands (December 31, 2023 - 48.5%), and its internal valuation model indicated that the fair value of the company's investment in Seven Islands was \$149,700 (December 31, 2023 - \$142,839).

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 over 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 applications 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.

Business growth continues to be supported by the resilient domestic market in India, in addition to Maxop's strong pipeline of contracts with major global customers. However, external market conditions such as elevated inflation, particularly across U.S. and Europe, and other supply chain disruptions exacerbated by geopolitical conflicts, may raise energy and raw material costs and dampen the outlook for future export growth.

Maxop's key initiatives involve securing more contracts from prominent customers, strategic enhancements to improve operational efficiencies with a focus on cost optimization, and the expansion of manufacturing facilities to serve regions and industries with significant growth outlook. Maxop also mitigates its exposure to volatility in input prices through its in-house aluminum processing plants, which transform scrap metal to aluminum ingots for its aluminum die casting and machinery supply segment.

Valuation and Interim Consolidated Financial Statement Impact

At March 31, 2024 the company held a 67.0% equity interest in Maxop (December 31, 2023 - 67.0%), and its internal valuation model indicated that the fair value of the company's investment in Maxop was \$56,766 (December 31, 2023 - \$56,674).

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.

Valuation and Interim Consolidated Financial Statement Impact

During the fourth quarter of 2023 and first quarter of 2024 the company entered into agreements to sell its equity interest in NSE. The sales were at fair value with 360 ONE (formerly IIFL Wealth), IIFL Securities and IIFL Finance.

On January 29, 2024 the company completed the sale of 70.1% of its equity interest in NSE for gross proceeds of \$132,265 (11.0 billion Indian rupees), resulting in realized gains since inception of \$117,106.

At March 31, 2024 the company held a 0.3% equity interest in NSE (December 31, 2023 - 1.0%) with an estimated fair value of \$56,701 (December 31, 2023 - \$188,615).

Subsequent to March 31, 2024

In April 2024, the company completed the sales of its remaining equity interest in NSE for gross proceeds of \$56,683 (4.7 billion Indian rupees).

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 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 first quarter of 2024, Saurashtra handled 33,828 TEUs compared to quarterly installed capacity of 57,900 TEUs, implying a capacity utilization of approximately 58% (first quarter of 2023 - 32,487 TEUs compared to quarterly installed capacity of 49,300, implying utilization of approximately 66%). Saurashtra is the second largest CFS at the Mundra port in terms of total throughput, imports and exports, achieving a 13% total market share for the quarter ended March 31, 2024.

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 has undertaken a new project to become the operator of a new CFS that is expected to commence operations during the second quarter of 2024, subject to regulatory approvals. 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.

Valuation and Interim Consolidated Financial Statement Impact

At March 31, 2024 the company held a 51.0% equity interest in Saurashtra (December 31, 2023 - 51.0%) and its internal valuation model indicated that the fair value of the company's investment in Saurashtra was \$52,659 (December 31, 2023 - \$50,551).

In the first quarter of 2024 the consolidated statements of earnings (loss) included dividend income earned from the company's investment in Saurashtra of \$491 (2023 - nil).

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 working towards acquiring new machinery and upgrading existing machinery in order to increase 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 also exploring opportunities to include sheet metal machinery to meet customer demand for complete product assemblies.

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. Jaynix's management has operational expertise in obtaining and maintaining these certifications. Overall growth in demand, which had slowed in fiscal year 2024 primarily due to the slowdown in the U.S. housing market, has shown signs of returning to normal levels along with increasing demand from customers to develop new products. 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

At March 31, 2024 the company held a 70.0% equity interest in Jaynix (December 31, 2023 - 70.0%), and its internal valuation model indicated that the fair value of the company's investment in Jaynix was \$51,754 (December 31, 2023 - \$49,277).

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.

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 agreements with the Food Corporation of India ("FCI").

Business volumes across the commodity management solutions business 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. 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 (3.0 billion Indian rupees) of outstanding external debt for \$11.5 million (1.0 billion Indian rupees). NCML recorded a gain on the settlement of the external debt, which was fully offset by the impairment of certain assets.

At March 31, 2024, four of NCML's silo projects were operational, and three remaining silo projects are in advanced stages of construction with expected completion in 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

NCML Common Shares

On March 31, 2023 the company converted its investment in 12.5% unsecured compulsorily convertible debentures originally issued by NCML in 2019 ("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. 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 March 31, 2024 the company held a 91.0% equity interest in NCML (December 31, 2023 - 91.0%), and its internal valuation model indicated that the fair value of the company's equity investment in NCML was \$45,025 (December 31, 2023 - \$50,327).

NCML Non-convertible Debentures

On November 9, 2023 the company invested \$24,013 (2.0 billion Indian rupees) in 9.47% unsecured non-convertible debentures ("NCML NCD"), due November 8, 2028.

At March 31, 2024 the fair value of the company's investment in the NCML NCD was \$23,980 (including a deferred loss of \$3,479) (December 31, 2023 - \$24,034, including a deferred loss of \$3,631), and is presented within Other Indian Fixed Income in the table disclosed earlier in the Summary of Indian Investments section.

NCML's Summarized Financial Information

NCML's fiscal year ends on March 31. Summarized below are NCML's balance sheets at March 31, 2024 and 2023.

Balance Sheets

(unaudited - US\$ thousands)

	March 31, 2024⁽¹⁾	March 31, 2023⁽¹⁾
Current assets	17,239	26,074
Non-current assets	111,539	131,458
Current liabilities	21,612	24,424
Non-current liabilities	54,682	77,260
Shareholders' equity	52,484	55,848

(1) The net assets of NCML were translated at March 31, 2024 at \$1 U.S. dollar = 83.40 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 and non-current assets decreased primarily reflecting use of cash towards continued construction of silo projects and net repayments of borrowings, in addition to loss provisions recorded on receivables and certain properties. Current liabilities decreased primarily due to decreased accrued interest and net repayments of short term borrowings. Non-current liabilities decreased principally reflecting settlement of external debt as discussed under the *Key Business Drivers, Events and Risks* section and net repayments of other long term borrowings. Shareholders' equity decreased principally due to net losses during the year, partially offset by the issuance of common shares in May 2023 to settle accrued interest on the NCML CCD.

Summarized below are NCML's statements of earnings (loss) for the years ended March 31, 2024 and 2023.

Statements of Earnings (Loss)

(unaudited - US\$ thousands)

	Year ended March 31, 2024 ⁽¹⁾	Year ended March 31, 2023 ⁽¹⁾
Revenue	31,633	31,305
Loss before income taxes	(6,581)	(16,624)
Net loss	(6,768)	(23,971)

(1) Amounts for the years ended March 31, 2024 and 2023 were translated using the average exchange rates of \$1 U.S. dollar = 82.79 Indian rupees and \$1 U.S. dollar = 80.31 Indian rupees prevailing during those periods.

Revenue increased primarily reflecting revenue from operational silos and higher storage revenue, partially offset by reduced volumes across the supply chain management business due to funding limitations. Loss before income taxes decreased primarily due to the impact of loss provisions on terminated silo projects recorded in the prior year, in addition to improved margins in the current year due to cost optimization efforts by NCML. The decrease in net loss is also attributable to the write off of deferred tax assets in the prior year arising from a change in probability of recovery. The gain recorded on settlement of NCML's external debt in the current year was offset by loss provisions recorded on certain assets.

Investment in India Housing Fund

Business Overview

India Housing Fund ("IH Fund") is a closed-ended fund of 360 ONE 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 March 31, 2024 IH Fund had invested approximately \$128 million at period end exchange rates (10.7 billion Indian rupees) in 7 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.

Valuation and Interim Consolidated Financial Statement Impact

At March 31, 2024 the company estimated the fair value of its investment in IH Fund was \$11,342 (December 31, 2023 - \$13,090).

During the first quarter of 2024 the company received distributions of \$884 (2023 - \$429) from IH Fund, and in the first quarter of 2024 the consolidated statements of earnings (loss) included dividend income earned from the company's investment in IH Fund of \$711 (2023 - \$612).

Results of Operations

Fairfax India's consolidated statements of earnings (loss) for the three months ended March 31 are shown in the following table:

	First quarter	
	2024	2023
Income		
Interest	5,038	4,680
Dividends	7,049	8,194
Net realized gains on investments	116,924	4,081
Net change in unrealized losses on investments	(410,927)	(56,302)
Net foreign exchange gains (losses)	(376)	2,132
	<u>(282,292)</u>	<u>(37,215)</u>
Expenses		
Investment and advisory fees	9,484	8,816
Performance fee (recovery)	—	(14,547)
General and administration expenses	2,536	5,329
Interest expense	6,380	6,380
	<u>18,400</u>	<u>5,978</u>
Loss before income taxes	(300,692)	(43,193)
Provision for (recovery of) income taxes	(7,483)	8,425
Net loss	<u>(293,209)</u>	<u>(51,618)</u>
Attributable to:		
Shareholders of Fairfax India	(293,504)	(55,487)
Non-controlling interests	295	3,869
	<u>(293,209)</u>	<u>(51,618)</u>
Net loss per share	\$ (2.17)	\$ (0.40)
Net loss per diluted share	\$ (2.17)	\$ (0.40)

The company reported a net loss attributable to shareholders of \$293,504 (\$2.17 net loss per basic and diluted share) in the first quarter of 2024 compared to \$55,487 (\$0.40 net loss per basic and diluted share) in the first quarter of 2023.

The quarter-over-quarter increase in net loss attributable to shareholders primarily reflected higher unrealized losses on publicly listed investments and the impact of a performance fee recovery in the prior period, partially offset by higher realized gains on investments during first quarter of 2024, and a recovery of income taxes compared to a provision in the prior period.

The key components of results of operations for the first quarter of 2024 (with comparisons to the first quarter of 2023, except as otherwise noted) included the following:

Net change in unrealized losses on investments of \$410,927 (2023 - \$56,302) were principally driven by changes in market prices of Public Indian Investments (\$273,315) and fair values of Private Indian Investments (\$20,274) determined using industry accepted valuation techniques and models, in addition to reversals of prior period unrealized gains upon sales (\$117,241). For more information on 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 first quarters of 2024 and 2023, refer to note 5 (Indian Investments) to the interim consolidated financial statements for the three months ended March 31, 2024.

Net realized gains on investments of \$116,924 in the first quarter of 2024 principally related to sales of NSE (\$117,106). Net realized gains on investments of \$4,081 in the first quarter of 2023 principally arose from realized gains from sales of Other Public Indian Investments (\$6,403) and 360 ONE (formerly IIFL Wealth) (\$3,481), partially offset by realized losses on Other Indian Fixed Income (\$5,803).

Interest income of \$5,038 increased from \$4,680 in the first quarter of 2023 principally as a result of increased interest from investments in Government of India bonds.

Dividends of \$7,049 in the first quarter of 2024 decreased from \$8,194 in the first quarter of 2023 primarily due to sales of the company's investments in IIFL Finance and 360 ONE since the prior period, partially offset by increased dividends from the company's investment in Saurashtra.

Net foreign exchange losses of \$376 compared to net foreign exchange gains of \$2,132 in the prior period principally reflecting depreciation of the Indian rupee against the U.S. dollar during the first quarter of 2024 compared to appreciation in the corresponding prior period.

Total expenses of \$18,400 increased from \$5,978 in the first quarter of 2023, primarily as a result of the impact of a performance fee recovery in the prior period, whereas there was no performance fee recorded in the current period given the decrease in book value per share.

Recovery of income taxes of \$7,483 in the first quarter of 2024 (2023 - provision for income taxes of \$8,425) primarily reflected a recovery of deferred income taxes of \$8,100 in the first quarter of 2024 as a result of net unrealized losses on the company's investments in equity shares acquired or spun out subsequent to April 1, 2017. Refer to note 9 (Income Taxes) to the interim consolidated financial statements for the three months ended March 31, 2024.

Consolidated Balance Sheet Summary

The company's consolidated balance sheet at March 31, 2024 (with comparisons to December 31, 2023, except as otherwise noted) was primarily comprised of the following:

Total Assets

Total assets at March 31, 2024 of \$3,392,635 (December 31, 2023 - \$3,821,535) were principally comprised as follows:

Cash and cash equivalents decreased to \$29,410 at March 31, 2024 from \$174,615 at December 31, 2023 principally due to the settlement of the performance fee payable for the third calculation period, payment of interest on the Unsecured Senior Notes, investment and advisory fees, purchases of subordinate voting shares for cancellation, and net purchases of investments, partially offset by the receipt of dividend and interest income.

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 \$3,386,809 at March 31, 2024 (December 31, 2023 - \$3,818,921) see note 6 (Cash and Investments) to the interim consolidated financial statements for the three months ended March 31, 2024.

Interest receivable increased to \$4,557 at March 31, 2024 from \$1,367 at December 31, 2023 primarily reflecting increased interest arising from net purchases of Government of India bonds.

Other assets of \$1,060 at March 31, 2024 (December 31, 2023 - \$1,027) was primarily comprised of unamortized upfront costs related to the Revolving Credit Facility.

Total Liabilities and Equity

Total liabilities at March 31, 2024 of \$611,020 (December 31, 2023 - \$736,761) were principally comprised as follows:

Accrued interest expense of \$2,361 at March 31, 2024 (December 31, 2023 - \$8,611) was comprised of accrued interest expense for the Unsecured Senior Notes, which are due in semi-annual installments.

Payable to related parties decreased to \$9,416 at March 31, 2024 from \$120,858 at December 31, 2023 primarily due to the settlement of the performance fee payable of \$110,158 to Fairfax for the third calculation period ended December 31, 2023.

Deferred income taxes decreased to \$100,242 at March 31, 2024 from \$108,553 at December 31, 2023 primarily as a result of the reversal of prior period deferred taxes recognized due to unrealized losses on the company's investments in CSB Bank and IIFL Securities, partially offset by deferred taxes recognized resulting from unrealized gains on the company's investment in Seven Islands.

Borrowings increased to \$497,958 at March 31, 2024 from \$497,827 at December 31, 2023 as a result of the amortization of issuance costs related to the Unsecured Senior Notes.

Total equity at March 31, 2024 of \$2,781,615 (December 31, 2023 - \$3,084,774) was comprised of common shareholders' equity of \$2,655,550 (December 31, 2023 - \$2,958,718) and non-controlling interests of \$126,065 (December 31, 2023 - \$126,056). Refer to note 8 (Total Equity) to the interim consolidated financial statements for the three months ended March 31, 2024 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 March 31, 2024 compared to those identified at December 31, 2023 and disclosed in the company's 2023 Annual Report, other than as outlined in note 10 (Financial Risk Management) to the interim consolidated financial statements for the three months ended March 31, 2024.

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 months ended March 31, 2024.

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 months ended March 31, 2024.

Highlights in the first quarter of 2024 (with comparisons to the first quarter of 2023) of major components of the statements of cash flows are presented in the following table:

	First quarter	
	2024	2023
Operating activities		
Cash used in operating activities excluding the impact of net sales (purchases) of investments	(128,787)	(15,936)
Net sales (purchases) of short term investments	510	(14,968)
Purchases of investments	(197,589)	—
Sales of investments	184,024	22,385
Cash used in operating activities	<u>(141,842)</u>	<u>(8,519)</u>
Financing activities		
Purchases of subordinate voting shares for cancellation	(3,621)	(2,260)
Cash used in financing activities	<u>(3,621)</u>	<u>(2,260)</u>
Decrease in cash and cash equivalents during the period	<u>(145,463)</u>	<u>(10,779)</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, performance fees, investment and advisory fees, interest expense, 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 \$128,787 in the first quarter of 2024 increased from \$15,936 in the first quarter of 2023 primarily reflecting the settlement of performance fees relating to the third calculation period and decreased cash received from dividend and interest income, partially offset by lower general and administration expenses and income tax payments.

Purchases of investments of \$197,589 in the first quarter of 2024 related to purchases of Government of India Bonds. Sales of investments of \$184,024 in the first quarter of 2024 primarily related to partial sales of NSE and Government of India bonds. Sales of investments of \$22,385 in the first quarter of 2023 primarily related to Other Public Indian Investments and 360 ONE.

Purchases of subordinate voting shares for cancellation of \$3,621 in the first quarter of 2024 (2023 - \$2,260) related to the company's purchases for cancellation of 246,062 subordinate voting shares under the terms of the normal course issuer bid (2023 - 454,948).

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 months ended March 31, 2024 for further details.

During the fourth quarter of 2023 and first quarter of 2024 the company entered into agreements to sell its equity interest in NSE. On January 29, 2024 the company completed the sale of 70.1% of its equity interest in NSE for gross proceeds of \$132,265 (11.0 billion Indian rupees). At March 31, 2024 the remaining sales were subject to customary closing conditions.

Subsequent to March 31, 2024

In April 2024, the company completed the sales of its remaining equity interest in NSE for gross proceeds of \$56,683 (4.7 billion Indian rupees).

In connection with the IIFL Finance Rights Offer, the company's wholly-owned subsidiary, FIH Mauritius will participate and acquire 6,404,605 equity shares of IIFL Finance for cash consideration of approximately \$23 million based on current exchange rates (1.9 billion Indian rupees). The IIFL Finance Rights Offer is expected to be completed in the second quarter of 2024.

Other

Quarterly Data (unaudited)

<i>US\$ thousands, except per share amounts</i>	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022
Income (loss)	(282,292)	206,380	185,125	244,566	(37,215)	119,560	148,771	(103,884)
Expenses	18,400	46,833	38,351	55,798	5,978	30,996	24,865	(29,538)
Provision for (recovery of) income taxes	(7,483)	22,794	13,789	23,042	8,425	(3,996)	11,206	(4,791)
Net earnings (loss)	(293,209)	136,753	132,985	165,726	(51,618)	92,560	112,700	(69,555)
Net earnings (loss) attributable to shareholders	(293,504)	134,968	132,954	159,335	(55,487)	92,574	112,613	(69,710)
Net earnings (loss) per share	\$ (2.17)	\$ 1.00	\$ 0.97	\$ 1.16	\$ (0.40)	\$ 0.67	\$ 0.81	\$ (0.50)
Net earnings (loss) per diluted share	\$ (2.17)	\$ 1.00	\$ 0.93	\$ 1.12	\$ (0.40)	\$ 0.65	\$ 0.79	\$ (0.50)

<i>Indian rupees and in millions, except per share amounts ⁽¹⁾</i>	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022
Income (loss)	(23,443)	17,133	15,281	20,108	(3,061)	9,528	11,479	(7,848)
Expenses	1,528	3,890	3,169	4,587	492	2,447	1,908	(2,237)
Provision for (recovery of) income taxes	(621)	1,893	1,141	1,894	693	(304)	864	(363)
Net earnings (loss)	(24,350)	11,350	10,972	13,627	(4,245)	7,385	8,707	(5,248)
Net earnings (loss) attributable to shareholders	(24,374)	11,200	10,968	13,101	(4,564)	7,386	8,700	(5,260)
Net earnings (loss) per share	(180.06)	82.68	80.37	95.50	(33.02)	53.34	62.67	(37.76)
Net earnings (loss) per diluted share	(180.06)	82.68	76.82	92.40	(33.02)	52.07	61.11	(37.76)

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

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: 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; disruption of the company's information technology systems; 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; trading price of subordinate voting shares relative to book value per share risk; and economic disruptions from the after-effects of the COVID-19 pandemic and the conflicts in Ukraine and the Middle East. Additional risks and uncertainties are described in the company's annual information form dated March 8, 2024 which is available on SEDAR+ at www.sedarplus.ca and on the company's website at www.fairfaxindia.ca. These factors and assumptions are not intended to represent a complete list of the factors and assumptions that could affect the company. These factors and assumptions, however, should be considered carefully.

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

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 Accounting Standards 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 months ended March 31, 2024.

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 interest and dividend 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, performance fees, investment and advisory fees, interest expense, 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 months ended March 31, 2024.

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 months ended March 31, 2024.

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