

# Fairfax India Holdings Corporation

News Release

TSX Stock Symbol: *FIH.U*

TORONTO, February 10, 2022

*NOT FOR DISTRIBUTION TO U.S. NEWS WIRE SERVICES OR DISSEMINATION IN THE UNITED STATES*

## FINANCIAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2021

*(Note: All dollar amounts in this news release are expressed in U.S. dollars except as otherwise noted. The financial results are derived from financial statements prepared using the recognition and measurement requirements of International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"), except as otherwise noted, and are unaudited. This news release contains certain non-GAAP and other financial measures, including book value per share, book value per share prior to the performance fee and cash and marketable securities, that do not have a prescribed meaning under IFRS and may not be comparable to similar financial measures presented by other issuers. See "Glossary of non-GAAP and other financial measures" at the end of this news release for further details.)*

Fairfax India Holdings Corporation (TSX: FIH.U) announces fiscal year 2021 net earnings of \$494.5 million (\$3.22 net earnings per diluted share), compared to fiscal year 2020 net loss of \$41.5 million (\$0.27 net loss per diluted share), reflecting increased net unrealized and realized gains on investments, partially offset by increased performance fees and provision for income taxes. The company's book value per share increased by 20.0% from \$16.37 at December 31, 2020 to \$19.65 at December 31, 2021, representing a compound annual growth rate of 10.3% (10.7% prior to the performance fee recorded in 2021) from the initial public offering price of \$10.00 per share.

Highlights for 2021 (with comparisons to 2020 except as otherwise noted) included the following:

- Net change in unrealized gains on investments of \$438.9 million, principally from an increase in market prices of the company's investments in the public companies IIFL Finance (\$190.0 million), Fairchem Organics (\$96.3 million), IIFL Wealth (\$66.6 million), IIFL Securities (\$48.8 million), CSB Bank (\$17.1 million), and 5paisa (\$10.5 million), and an increase in the fair value of the company's investments in the private companies Sanmar (\$88.8 million), NSE (\$40.1 million), and Saurashtra (\$15.0 million), partially offset by a decrease in the fair value of the company's investment in the private company NCML (\$15.3 million). The net change in unrealized gains on investments also included reversals of unrealized gains on Privi Speciality (\$105.1 million), Other Public Indian Investments (\$30.3 million), and Fairchem Organics (\$5.3 million) recorded in prior periods as a result of its sale.
- Net realized gains on investments of \$227.2 million primarily related to realized gains since inception on the sales of Privi Speciality (\$132.3 million), Other Public Indian Investments (\$58.9 million), and Fairchem Organics (\$33.6 million).
- In accordance with the Investment Advisory Agreement, which provides for the payment of a performance fee of 20% of the increase in book value per share in excess of a hurdle rate of 5% per annum, the company recorded a performance fee of \$85.2 million for 2021 and at December 31, 2021 had accrued \$84.7 million to the benefit of Fairfax Financial Holdings. The performance fee, if any, will only be finally determined on December 31, 2023 at the end of the three year measurement period.
- On August 11, 2021 the company completed its substantial issuer bid, pursuant to which the company purchased for cancellation 7,046,979 subordinate voting shares for aggregate consideration of \$105.0 million (\$14.90 per subordinate voting share). In addition, the company continued to buy back shares under its normal course issuer bid and during 2021 purchased for cancellation 1,734,503 subordinate voting shares at a net cost of \$21.9 million (\$12.61 per subordinate voting share). Subsequent to December 31, 2021, the company purchased for cancellation 1,397,532 subordinate voting shares for a net cost of \$18.0 million (\$12.88 per subordinate voting share) under the terms of an automatic share purchase plan.

FAIRFAX INDIA HOLDINGS CORPORATION

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

- On September 16, 2021 the company completed the sale of approximately 11.5% of its interest in Anchorage for gross proceeds of 9.5 billion Indian rupees (\$129.2 million). As part of the transaction, Fairfax India transferred 43.6% of its equity interest in BIAL such that it is held through Anchorage.
- On November 30, 2021 the company completed the initial closing of its investment in Maxop Engineering Company Private Limited. In connection with initial closing, the company invested cash of \$29.5 million (approximately 2.2 billion Indian rupees) for 51.0% equity interest in Maxop. The second transaction is expected to close in the second half of 2022, subject to customary closing conditions.
- On December 17, 2021 the company completed a \$175.0 million unsecured revolving credit facility ("Revolving Credit Facility") with a syndicate of lenders. The Revolving Credit Facility has a three-year term with an option to extend for an additional year and at December 31, 2021 it was undrawn.
- At December 31, 2021 common shareholders' equity was \$2,774.8 million, or book value per share of \$19.65, compared to \$2,446.9 million, or book value per share of \$16.37, at December 31, 2020, an increase of 20.0% (an increase of 23.7% prior to the performance fee recorded in 2021), primarily related to net earnings and the impact of share purchases for cancellation in 2021, partially offset by unrealized foreign currency translation losses as a result of the weakening of the Indian rupee relative to the U.S. dollar.

Fairfax India is in strong financial health, with cash and marketable securities of approximately \$299 million.

There were 141.4 million and 149.9 million weighted average common shares outstanding during the fourth quarters of 2021 and 2020 respectively. At December 31, 2021 there were 111,235,352 subordinate voting shares and 30,000,000 multiple voting shares outstanding.

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

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

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

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

*Forward-looking statements are based on our opinions and estimates as of the date of this press release, and they are subject to known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking statements, including but not limited to the following factors: the COVID-19 pandemic; oil price risk; geographic concentration of investments; foreign currency fluctuation; volatility of the Indian securities markets; investments may be made in foreign private businesses where information is unreliable or unavailable; valuation methodologies involve subjective judgments; financial market fluctuations; pace of completing investments; minority investments; reliance on key personnel and risks associated with the Investment Advisory Agreement; lawsuits; use of leverage; significant ownership by Fairfax may adversely affect the market price of the subordinate voting shares; weather risk; taxation risks; emerging markets; multilateral instrument; economic risk; and trading price of subordinate voting shares relative to book value per share risk. Additional risks and*

*uncertainties are described in the company's annual information form dated March 5, 2021 which is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the company's website at [www.fairfaxindia.ca](http://www.fairfaxindia.ca). These factors and assumptions are not intended to represent a complete list of the factors and assumptions that could affect the company. These factors and assumptions, however, should be considered carefully.*

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

Information on  
**CONSOLIDATED BALANCE SHEETS**  
*as at December 31, 2021 and December 31, 2020*  
*(unaudited - US\$ thousands)*

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<b>Assets</b>		
Cash and cash equivalents	30,376	22,057
Restricted cash	—	16,315
Short term investments	6,151	—
Bonds	214,468	35,873
Common stocks	3,325,713	2,991,775
Total cash and investments	<u>3,576,708</u>	<u>3,066,020</u>
Interest and dividends receivable	5,339	1,911
Income taxes refundable	1,056	2,803
Other assets	1,243	2,264
Total assets	<u>3,584,346</u>	<u>3,072,998</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	866	931
Accrued interest expense	8,611	—
Payable to related parties	95,002	14,428
Deferred income taxes	80,648	63,477
Borrowings	496,785	547,228
Total liabilities	<u>681,912</u>	<u>626,064</u>
<b>Equity</b>		
Common shareholders' equity	2,774,792	2,446,934
Non-controlling interests	127,642	—
Total equity	<u>2,902,434</u>	<u>2,446,934</u>
	<u>3,584,346</u>	<u>3,072,998</u>
<b>Book value per share</b>	<u>\$ 19.65</u>	<u>\$ 16.37</u>

Information on  
**CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)**  
for the fourth quarters and years ended December 31, 2021 and 2020  
(unaudited - US\$ thousands except per share amounts)

	Fourth quarter		Year ended December 31,	
	2021	2020	2021	2020
<b>Income</b>				
Interest	2,372	865	5,500	6,013
Dividends	4,438	1,022	27,468	16,449
Net realized gains on investments	33,550	666	227,193	5,372
Net change in unrealized gains (losses) on investments	(186,133)	102,670	438,935	(26,618)
Net foreign exchange gains (losses)	(112)	4,998	(5,557)	(14,188)
	<u>(145,885)</u>	<u>110,221</u>	<u>693,539</u>	<u>(12,972)</u>
<b>Expenses</b>				
Investment and advisory fees	10,120	9,010	40,775	33,922
Performance fee (recovery)	(32,976)	5,143	85,193	(41,991)
General and administration expenses	994	1,127	5,526	4,233
Interest expense	6,381	7,272	28,515	29,844
	<u>(15,481)</u>	<u>22,552</u>	<u>160,009</u>	<u>26,008</u>
<b>Earnings (loss) before income taxes</b>	<b>(130,404)</b>	87,669	<b>533,530</b>	(38,980)
Provision for (recovery of) income taxes	(12,679)	5,372	39,030	2,496
<b>Net earnings (loss)</b>	<b>(117,725)</b>	<b>82,297</b>	<b>494,500</b>	<b>(41,476)</b>
<b>Attributable to:</b>				
Shareholders of Fairfax India	(117,716)	82,297	494,514	(41,476)
Non-controlling interests	(9)	—	(14)	—
	<u>(117,725)</u>	<u>82,297</u>	<u>494,500</u>	<u>(41,476)</u>
<b>Net earnings (loss) per share</b>	<b>\$ (0.83)</b>	<b>\$ 0.55</b>	<b>\$ 3.38</b>	<b>\$ (0.27)</b>
<b>Net earnings (loss) per diluted share</b>	<b>\$ (0.83)</b>	<b>\$ 0.55</b>	<b>\$ 3.22</b>	<b>\$ (0.27)</b>
<b>Shares outstanding (weighted average)</b>	<b>141,398,140</b>	<b>149,904,457</b>	<b>146,379,346</b>	<b>151,001,909</b>

Information on  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
for the fourth quarters and years ended December 31, 2021 and 2020  
(unaudited - US\$ thousands)

	Fourth quarter		Year ended December 31,	
	2021	2020	2021	2020
<b>Net earnings (loss)</b>	<b>(117,725)</b>	82,297	<b>494,500</b>	(41,476)
<b>Other comprehensive income (loss), net of income taxes</b>				
<b>Item that may be subsequently reclassified to net earnings (loss)</b>				
Unrealized foreign currency translation gains (losses), net of income taxes of nil (2020 - nil)	(1,125)	24,185	(46,262)	(60,606)
<b>Other comprehensive income (loss), net of income taxes</b>	<b>(1,125)</b>	24,185	<b>(46,262)</b>	(60,606)
<b>Comprehensive income (loss)</b>	<b>(118,850)</b>	106,482	<b>448,238</b>	(102,082)
<b>Attributable to:</b>				
Shareholders of Fairfax India	(118,656)	106,482	449,672	(102,082)
Non-controlling interests	(194)	—	(1,434)	—
	<u>(118,850)</u>	<u>106,482</u>	<u>448,238</u>	<u>(102,082)</u>

## **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 news release, 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 and may not be comparable to similar measures presented by other companies. Those measures are described below.

**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 Financial Holdings. This measure is calculated by the company as common shareholders' equity divided by the number of common shares outstanding.

**Book value per share prior to the performance fee** - This measure adjusts common shareholders' equity in the book value per share calculation to remove the performance fee accrued, and is a key performance measure.

**Cash and marketable securities** - 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. The company uses this measure to monitor short term liquidity risk.