ONEX

Management's Discussion and Analysis and
Financial Statements, Second Quarter Ended June 30, 2002

Onex Corporation is a diversified company with 2001 annual revenues of $23.8 billion, assets of $20.9 billion and 87,300 employees worldwide.

We operate through autonomous subsidiaries in a variety of industries, including electronics manufacturing services, customer management services, automotive products, engineered building products, theatre exhibition, wireless communications infrastructure, and sugar refining and marketing.

Our objective is to create long-term value by building industry-leading businesses in partnership with our management teams.

To Our Shareholders

The second quarter of 2002 provided a mix of achievements and disappointments for Onex. We completed two significant acquisitions that added meaningfully to our theatre exhibition business: Grupo Cinemex, the leading theatre exhibition company in Mexico, and the remaining 50 percent interest in the Michigan-based Loeks-Star Partnership. With the acquisitions of Loews Cineplex, Star Theatres and Cinemex, and the steady growth of Galaxy Entertainment in Canada, we believe Onex has built the premiere theatre exhibition business in North America.

Several of our operating companies continue to be affected by sluggish economic activity in their industries. Celestica and Radian in particular, which supply customers in technology-related businesses, have seen meaningful year-over-year declines in business volumes. The report that follows reviews the initiatives being undertaken by these and other of our operating companies to address these industry conditions.

It is not unusual for certain of our companies to experience a downturn in their industry. As in the past, our principle of risk management through diversification of assets has proven its worth. We deliberately diversify our asset base by geography and industry in order to smooth the effect of business cycles on our results and value creation. Similarly, our focus on building industry leaders with international operations softens the financial impact of downturns that may affect specific geographic regions.

Onex, the parent company, remains in an exceptionally strong financial position. After completing the recent purchases in the theatre exhibition industry, Onex still has close to $1.5 billion in cash and near-cash assets to fund new acquisitions and support our existing businesses. While the current market and industry conditions provide challenges for some of our businesses, they also provide opportunities to acquire and build businesses at reasonable prices. Finding sensible opportunities to build long-term value remains our goal at Onex.

The information that follows includes Onex' Unaudited Interim Consolidated Financial Statements and Notes for the three and six months ended June 30, 2002, together with Management's Discussion and Analysis of those results.

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

The Management's Discussion and Analysis may contain certain statements that include words such as "believes", "expects", "anticipates" and words of similar connotation, which would constitute forward-looking statements. Forward-looking statements are not guarantees of future performance and involve risks and uncertainties that could cause actual results to be materially different from those anticipated in these forward-looking statements. We are under no obligation to update any forward-looking statements contained herein should material facts change due to new information, future events or otherwise.

The following discussion of the consolidated financial condition and results of operations should be read in conjunction with the June 30, 2002 Unaudited Interim Consolidated Financial Statements and the 2001 Audited Annual Consolidated Financial Statements. All amounts are in Canadian dollars unless otherwise indicated.

Financial Highlights for the Second Quarter of 2002

- Revenues were **$6.1 billion** compared to $6.3 billion in the second quarter of 2001.
- Operating earnings, as defined on page 7, were **$357 million**, up from $308 million for the same quarter last year.
- Net earnings from continuing operations for the quarter were **$49 million** compared to a loss of $163 million in the second quarter of 2001.
- Net earnings were **$49 million** compared to $747 million; the second quarter of 2001 included a net gain of $910 million from the sale of Sky Chefs.
- Cash flow from operations was **$324 million**, up from $218 million for the second quarter of 2001.

Financial Highlights for the Six Months ended June 30, 2002

- Revenues were **$11.6 billion** compared to $12.5 billion in the first six months of last year.
- Operating earnings increased 5 percent to **$622 million** from $595 million in the first six months of 2001.
- Net earnings from continuing operations totalled **$71 million** for the first six months of 2002 compared to a loss of $176 million for the first six months of 2001.
- Net earnings for the first six months were **$71 million**. Net earnings of $763 million for the first six months of 2001 included the Sky Chefs gain.
- Cash flow from operations grew to **$636 million**, up 27 percent from the first six months of 2001.
- As at June 30, 2002, assets totalled **$22.7 billion** and shareholders' equity was **$1.9 billion**.

Significant Events

This section provides a summary of significant activities at Onex and its operating companies during the three months ended June 30, 2002.

Theatre exhibition

In mid-June, Onex and its partner, Oaktree Capital, acquired Grupo Cinemex, S.A. de C.V. ("Cinemex") in a transaction valued at approximately $450 million. As part of this transaction, Onex initially invested $179 million for a 52 percent ownership interest in Cinemex.

Cinemex is a leading theatre exhibition company in Mexico, operating 31 theatres with a total of 349 screens. The majority of its theatres are located in Mexico City, where the company operates 26 theatres with 289 screens and enjoys a market share of approximately 50 percent. This purchase was an important strategic add-on acquisition for Loews Cineplex. Cinemex positions Loews Cineplex as the only exhibition company with a significant presence in the best film markets throughout North America.

Onex has made a significant commitment to the theatre exhibition industry, and is a leading player through its ownership in Loews Cineplex, Star Theatres, Cinemex and Galaxy Entertainment. With the acquisition of Cinemex, Onex' theatre exhibition platform totals 296 theatres and 2,886 screens in five countries: the United States, Canada, Mexico, Spain and South Korea.

During the second quarter, the theatre exhibition industry segment reported revenues of $397 million and operating earnings of $40 million. A comparison to the second quarter of last year is not relevant due to the significant acquisition of Loews Cineplex in the first quarter of 2002.

Electronics manufacturing services

Ongoing weakness in the end-markets served by the telecommunications and information technology industries continued to reduce overall demand at Celestica. The company reported revenues of $3.5 billion for the second quarter, down $608 million from the second quarter of 2001. As a result, operating earnings were $133 million, a decrease of 24 percent from last year. Despite the difficult end-market conditions, Celestica continued to generate significant cash flow from operations and drive improvements in operating margins and in all areas of working capital efficiency. These improvements strengthened the company's balance sheet as Celestica ended the quarter with more than $2.5 billion in cash, up $190 million from the end of the first quarter of 2002. As a result of Celestica's strong financial position, the company announced it would redeem all of its 10½ percent Senior Subordinated Notes and announced a Normal Course Issuer Bid which would allow Celestica to repurchase up to 5 percent of its total shares outstanding.

Management at Celestica also announced additional plans to increase operating efficiency by improving utilization rates through the reduction of manufacturing capacity, particularly in higher-cost locations. This restructuring will result in a total charge of between approximately $465 million to $680 million to be recorded over the third and fourth quarters of 2002. Of this charge, Celestica expects the maximum cash cost to be approximately $235 million.

Customer management services

ClientLogic reported revenue growth of 4 percent in the first six months of 2002 over the same period last year. Second quarter revenues were $148 million compared to $159 million reported in the same quarter of 2001, which included revenues associated with the initiation of the BT Ignite Solutions alliance. ClientLogic continued to improve its operating performance during the second quarter, substantially reducing its operating loss in the quarter to $2 million; this compared to a $17 million operating loss in the prior year. This improvement in operations was primarily due to the cost-saving initiatives started in the second half of 2001.

ClientLogic's management remained focused on implementing strategic initiatives intended to drive increases in ClientLogic's operating earnings. These strategies include improving asset utilization, increasing operating efficiency, reducing selling, general and administrative expenses, changing its business mix to bring in higher-value business and investing in infrastructure.

Automotive products

North American production of cars and light trucks was up approximately 7 percent in the second quarter of 2002 over the same period in 2001. The increase in production was the result of strong retail demand for new vehicles, which was stimulated by retail incentives offered by automakers.

Dura Automotive's revenues were $1,036 million during the second quarter of 2002, slightly ahead of the $1,026 million reported in the second quarter of last year. The increase was due to additional volumes and new business. Higher revenues were partially offset by the sale of the Plastics Products Division, which was completed during the first quarter of 2002. Operating earnings increased slightly to $85 million from $84 million in the second quarter of 2001 due to higher revenues and the impact of cost-reduction programs. In late July, Dura Automotive adopted a new online purchasing system that will streamline and speed up the company's global purchasing process. This system is expected to reduce Dura Automotive's purchasing costs and dramatically improve the company's quote turnaround time since the online system will provide access to preferred suppliers globally in a user-friendly environment.

J.L. French reported revenues of $229 million in the second quarter, up 8 percent from $212 million for the three months ended June 30, 2001. Operating earnings were $26 million

in the second quarter, slightly ahead of $24 million reported in the second quarter of last year. Higher production volumes by both North American and European customers drove the increase in revenues.

While J.L. French had met all requirements to its lenders as at June 30, 2002, the majority of J.L. French's long-term debt has been classified as current in Onex' Unaudited Interim Consolidated Balance Sheet at June 30, 2002. This accounting classification requirement results from J.L. French's management not being certain that the company will be able to meet all its existing covenant requirements over the next 12 months from June 30. The company is in discussions with its lenders and other parties on alternatives that would improve J.L. French's financial structure. While management of J.L. French believes that alternative financing can be completed, accounting rules require the debt be classified as current until such time that the financing is consummated.

Revenues at Performance Logistics Group for the second quarter of 2002 were $83 million and operating earnings were $8 million. This compares to revenues of $84 million and operating earnings of $7 million in the same period last year. Revenues were slightly lower in the second quarter due to a change in the revenue mix of the business. Cost-reduction efforts implemented by the company in 2001 had a positive impact on operating earnings.

Heavy truck production in the second quarter of 2002 was at an annualized rate of approximately 145,000 units compared to a rate of about 130,000 units in the same quarter of last year. Nevertheless the commercial vehicle sector companies – Commercial Vehicle Systems, Trim Systems and Bostrom – reported second quarter revenues of $133 million, down slightly from $137 million in the second quarter of last year. Operating earnings were $13 million for the three months ended June 30, 2002 compared to $8 million in the same period last year. This increase was due to improved productivity and cash flow from cost-saving initiatives related to labour, freight and scrap costs.

Engineered building products

With industry sales declining approximately 12 percent in the first six months of 2002 from the same period a year ago, conditions in the engineered metal buildings segment continued to be challenging in the second quarter. MAGNATRAX maintained its market share in these conditions despite reporting revenues of $275 million in the second quarter of 2002, down from $349 million in the same quarter last year. The effect of the metal buildings sales decline has been compounded by extremely difficult conditions in the Western Canadian agricultural market, causing sales in the Westeel division to be 43 percent below the same period a year ago. MAGNATRAX' revenue decline reduced operating earnings to $7 million in the second quarter compared to $30 million in the second quarter of 2001.

MAGNATRAX continues to roll out its lean-manufacturing initiative across all of its divisions. This is a three-stage process that is expected to reduce work-in-process inventory,

reduce lead-time and improve productivity. The first stage of lean-manufacturing projects has been very effective in reducing costs and improving manufacturing efficiency.

Other businesses

Communications infrastructure Radian reported lower revenues than those of the second quarter of 2001. Continued delays by customers in implementing network expansion plans, as well as highly competitive market conditions, contributed to the lower revenues, increased margin pressure and reduced operating earnings, principally in the company's wireless services divisions. New business in the United States during the quarter was encouraging. Radian was awarded a significant project with the Florida Department of Transportation; the project includes 70 communications sites throughout the state and will take approximately one year to complete. Additionally, Radian's broadcast division increased its orders for tall towers used in broadcast television and radio in the United States.

Sugar refining and marketing The combined Lantic Sugar–Rogers Sugar enterprise reported revenues of $101 million and $12 million in operating earnings for the second quarter of 2002. A direct comparison to the prior year is not meaningful since the operations of Rogers Sugar only began to be consolidated in the first quarter of 2002. In mid-June, Lantic Sugar entered into a memorandum of understanding with a third party for a proposed co-generation plant adjacent to Lantic Sugar's refinery in Montreal. A proposal to build a co-generation plant was submitted to Hydro-Québec under its call for tenders. If the proposal is accepted, the co-generation facility would benefit Lantic Sugar by significantly reducing its energy costs.

Small-capitalization opportunities ONCAP is Onex' small-cap fund dedicated to acquiring and building value in North American small- and mid-sized companies.

Its operating companies include EnSource Energy Services, Inc., CMC Electronics Inc. and Armtec Limited. These companies provided $183 million in total revenues and $12 million in combined operating earnings during the second quarter of 2002; this compared to $146 million in revenues and $9 million in operating earnings for the second quarter of last year. Most of the growth in revenues and operating earnings was attributable to the acquisition of Armtec in August 2001.

In mid-July 2002, ONCAP's operating company, EnSource Energy Services, was sold to Enerflex Systems Ltd. in a share exchange transaction. The sale was completed at a significant premium to ONCAP's initial investment made two years ago. In July 2002, CMC Electronics acquired Flight Visions Inc., a U.S.-based aviation company that manufactures heads-up displays and mission computers. This acquisition broadens CMC Electronics' product portfolio and provides access to new customers and markets.

Financial Review

This section compares the unaudited consolidated financial results for the three and six months ended June 30, 2002 to those ended June 30, 2001.

CONSOLIDATED RESULTS

Revenues

Consolidated revenues declined to $6.1 billion in the second quarter of 2002 from $6.3 billion in the same quarter last year. Loews Cineplex, acquired in March 2002, added $386 million in revenues in the quarter. More than offsetting this contribution were lower revenues at Celestica and MAGNATRAX compared to the second quarter of 2001.

For the six months ended June 30, 2002, revenues were $11.6 billion compared to $12.5 billion in the first six months of 2001. Lower revenues at Celestica accounted for much of the reduction from the same period last year. Growth in revenues at ONCAP and the inclusion of Loews Cineplex' revenues partially offset the overall decline in revenues for the six months.

A detailed breakdown of revenues by industry segment is provided in note 11 to the Unaudited Interim Consolidated Financial Statements.

Operating earnings

We define operating earnings as EBIAT, or earnings before interest expense, amortization of goodwill, intangible assets and deferred charges, acquisition and restructuring expenses, and income taxes. Although this is a non-GAAP measure, Onex uses this measure to evaluate its operating companies' performance because it eliminates interest charges, which are a function of the particular financing structure, and any unusual charges. Onex' method of calculating EBIAT may differ from other companies' methods and accordingly EBIAT may not be comparable to measures used by other companies.

Consolidated operating earnings were $357 million in the second quarter of 2002 compared to $308 million for the second quarter of last year. This increase was due to the inclusion of Loews Cineplex' operating earnings and growth in operating earnings at ClientLogic and the automotive companies in the second quarter of 2002 compared to the same quarter in the prior year. Partially offsetting this growth were lower operating earnings at Celestica and MAGNATRAX.

For the six months ended June 30, 2002, Onex' operating earnings of $622 million were 5 percent higher than the $595 million reported for the first six months of 2001. This improvement was due primarily to the growth in operating earnings at ClientLogic, ONCAP and Onex' automotive companies and the inclusion of Loews Cineplex, acquired in March of this year. Partially offsetting this growth were reduced operating earnings at Celestica.

Note 11 to the Unaudited Interim Consolidated Financial Statements provides a detailed breakdown of operating earnings by industry segment.

Amortization of goodwill, intangible assets and deferred charges

Effective January 1, 2002, Onex and its subsidiaries adopted the new accounting standards for business combinations and for goodwill and other intangible assets. These new policies resulted in the discontinuation of amortization for all goodwill and intangible assets with indefinite useful lives. Intangible assets with finite useful lives continue to be amortized. Note 1 to the Unaudited Interim Consolidated Financial Statements discusses the accounting policy for goodwill and other intangible assets in greater detail.

Amortization of goodwill, intangible assets and deferred charges was significantly lower in the second quarter of 2002 at $43 million compared to $92 million in the same quarter last year. For the first six months of 2002, amortization of goodwill, intangible assets and deferred charges totalled $82 million compared to $179 million for the six months ended June 30, 2001. The primary factor in this reduction was the change in accounting policy noted above.

During the second quarter of last year, ClientLogic and J.L. French completed a review of the recoverability of their companies' unamortized goodwill and intangible assets. These companies' managements determined at that time that the full recoverability of goodwill on their balance sheets was not achievable. As a result, ClientLogic recorded a non-cash charge of $140 million while J.L. French recorded a $225 million non-cash charge, both relating to write-downs of goodwill and intangible assets. The net effect of these non-cash charges on Onex' consolidated net earnings in the second quarter of 2001 was $181 million or $1.12 per share.

Interest and other income

Interest and other income decreased to $19 million in the second quarter of 2002 from $46 million in the same quarter of last year due to Onex and certain of its operating companies, primarily Celestica, earning lower interest rates on their cash balances. For the six months ended June 30, 2002, interest and other income was $44 million, down from $85 million in the first six months of 2001 for the same reason.

Stock-based compensation

Onex has adopted a policy of expensing its option costs at the parent company through its statement of earnings. In the Management's Discussion and Analysis section of Onex' December 31, 2001 report, we indicated that Onex would be adopting the new accounting policy for stock-based compensation in 2002 and going forward would be recording the effect of the change in the value of Onex' options and investment rights in the statement of earnings. At that time, we also indicated that it could have the effect of decreasing or increasing earnings

depending upon changes in the market value of the shares. During the second quarter, the revaluation of the stock-based compensation liability to market value resulted in a $60 million improvement in earnings due to the decrease in value of stock options from their value at March 31, 2002. For the first six months of 2002, the stock-based compensation liability revaluation resulted in the recognition of a $73 million improvement in earnings due to the overall decline in value of the stock-based compensation liability from January 1, 2002. The new accounting requirement for stock-based compensation, effective January 1, 2002, is discussed in greater detail in notes 1 and 8 to the Unaudited Interim Consolidated Financial Statements.

Gains on shares of operating companies

Gains on shares of operating companies totalled $5 million in the second quarter of 2002, down from $67 million for the three months ended June 30, 2001. A $136 million dilution gain recorded from Celestica's offering of 12 million treasury shares in the second quarter of 2001 provided all of the gains on shares recorded in the first six months of 2001. This was partially offset by provisions recorded in the second quarter of 2001 against certain non-controlled investments, primarily in technology-related businesses.

Acquisition, restructuring and other expenses

Acquisition, restructuring and other expenses are considered to be one-time costs incurred to realign organizational structures, restructure manufacturing capacity and obtain operating synergies critical to building the long-term value of Onex' operating companies. In the second quarter of 2002, acquisition, integration and other expenses totalled $53 million compared to $107 million in the same quarter last year. In the second quarter of 2002, Celestica recorded $16 million in integration costs, primarily related to the purchase of certain assets of Lucent Technologies in August 2001 and NEC Corporation in March 2002 and the October 2001 acquisition of Omni Industries. Dura Automotive also recorded $33 million in restructuring expenses in the second quarter of 2002, primarily related to the divestiture of its Steering Gear business. This business was considered non-essential to Dura Automotive's capabilities. Included in last year's second quarter were $93 million in charges recorded by Celestica, of which $82 million related to its restructuring plan; the company consolidated its facilities and rationalized its cost structure in response to a broad-based slowdown in end-markets. In addition, $13 million in restructuring charges were recorded by ClientLogic in the second quarter of last year. For the six months ended June 30, 2002, acquisition, restructuring and other charges were $60 million compared to $122 million reported in the first six months of 2001.

In July, Celestica announced that in response to the prolonged and difficult end-market conditions, the company would reduce its manufacturing capacity in order to accelerate operating efficiency through improved utilization rates. This restructuring will result in a total

pre-tax charge of between approximately $465 million to $680 million to be recorded by the end of fiscal 2002. Of the charge, Celestica expects the maximum cash cost to be approximately $235 million. Onex' net earnings will be impacted by its share of Celestica's after-tax charge.

Non-controlling interests of operating companies

The non-controlling interest amount on the Unaudited Interim Consolidated Statements of Earnings represents the interests of shareholders other than Onex in the net earnings of the subsidiary companies. The non-controlling interest amount increased during the second quarter of 2002 and for the first six months of 2002 due to the inclusion of other shareholders' interests in the earnings of Loews Cineplex, which was acquired in March 2002, and the Loeks-Star Partnership, acquired in April 2002. Improved results at a number of the automotive companies also increased the non-controlling interest amount. Onex is required for accounting purposes to pick up 100 percent of the losses of ClientLogic and InsLogic. Prior losses at those companies eliminated the value contributed by other shareholders in those companies. Accordingly, such amounts are excluded from the non-controlling interest amount for the second quarter of 2002 and for the first six months of 2002, which totalled $5 million and $12 million, respectively. In the future, Onex will record 100 percent of any future profits in those companies until the value of the losses of non-controlling shares has been recovered.

Net earnings

Consolidated net earnings from continuing operations for the second quarter of 2002 were $49 million ($0.31 per share) compared to a loss of $163 million ($1.00 per share) for the second quarter of 2001. Net earnings totalled $49 million ($0.31 per share) for the second quarter of 2002 compared to $747 million ($4.65 per share) for the second quarter of 2001. Included in the 2001 second quarter results are earnings from discontinued operations, which totalled $910 million ($5.65 per share). These earnings from discontinued operations represent the gain on sale and the operations of Sky Chefs, which was sold in June 2001.

For the six months ended June 30, 2002, consolidated net earnings from continuing operations were $71 million ($0.44 per share) compared to a loss of $176 million ($1.09 per share) in the first six months of 2001. Overall, net earnings for the first six months were $71 million ($0.44 per share) in 2002 compared to $763 million ($4.72 per share) in 2001, which includes the gain on Sky Chefs.

Note 11 to the Unaudited Interim Consolidated Financial Statements provides a detailed breakdown of revenues, operating earnings, and earnings before taxes and non-controlling interests by industry segment for the second quarter and the first six months of 2002 and 2001.

Cash flow

Cash flow from operations totalled $324 million for the second quarter of 2002. This compares to $218 million for the three months ended June 30, 2001. For the first six months of 2002, cash flow from operations increased to $636 million from $500 million reported in the same period last year. The increase in cash flow from operations was due primarily to improved cash flow from operations at Celestica and cash flow associated with businesses acquired in the first half of this year.

Cash flow from financing activities totalled $206 million in the second quarter of 2002 compared to $1.2 billion in the same quarter last year. Included in cash flow from financing activities for the second quarter of 2001 was $1 billion raised from the May 2001 Celestica share offering. For the six months ended June 30, 2002, cash flow from financing activities was $300 million compared to $1.3 billion for the first six months of 2001.

Cash flow used in investing activities was $516 million compared to $643 million in the second quarter of last year. Lower investments in acquisitions in the second quarter of 2002 accounted for some of the decrease in cash used in investing activities. Included in the second quarter of last year was the purchase of Loews Cineplex' debt that was subsequently converted into equity of the company in the first quarter of 2002 with our acquisition of Loews Cineplex. On a year-to-date basis, cash flow used in investing activities declined to $754 million from $1.2 billion used in the same period last year.

Acquisitions completed in the first half of 2002 required $468 million in cash, compared to $616 million for those in the first six months of 2001. In the second quarter, two acquisitions were completed in the theatre exhibition industry – the Loeks-Star Partnership and Cinemex – which used total cash of $389 million. Although Loews Cineplex was a significant acquisition during the first quarter of 2002, the purchase did not require a significant amount of cash on closing as Onex primarily converted its debt holdings in Loews Cineplex, acquired in early 2001, into shares of the company. The cash used for the Loews Cineplex acquisition was $55 million, of which Onex invested $33 million as additional equity. Note 2 to the Unaudited Interim Consolidated Financial Statements discloses additional details of the acquisitions completed during the six months ended June 30, 2002.

Overall, consolidated cash increased by $371 million to $4.2 billion at June 30, 2002 from $3.8 billion at December 31, 2001. Celestica had more than $2.5 billion of this cash at quarter-end, while Onex, the parent company, reported $1.2 billion of cash on hand. This excludes near-cash items of more than $0.3 billion at the parent company.

CONSOLIDATED FINANCIAL POSITION

Consolidated assets grew to a total of $22.7 billion at June 30, 2002 compared to $20.9 billion at December 31, 2001. A breakdown of assets by industry segment is provided in note 11 to the Unaudited Interim Consolidated Financial Statements.

Acquisitions

The growth in assets at June 30, 2002 was due to acquisitions completed in the first half of 2002, which are summarized as follows:

- In March, Onex exchanged its interest in the shares of Lantic Sugar for approximately 21 million units of the Rogers Sugar Income Fund ("RSIF"). No cash was exchanged on this transaction. Onex now has an approximate 28 percent interest in RSIF and has voting control of RSIF's operating companies, Lantic Sugar and Rogers Sugar. Accordingly, the assets, liabilities and operations of Rogers Sugar have been consolidated from the date of completion of this transaction. This increased assets for the first half of this year by approximately $473 million.
- In late March, Onex completed the acquisition of Loews Cineplex following that company's emergence from bankruptcy. This purchase added $1.7 billion in assets.
- At the end of March, Celestica acquired certain assets in Japan from NEC Corporation and signed a five-year supply agreement to provide a range of electronics manufacturing services for NEC.
- In early April, Onex purchased the remaining 50 percent interest in the Loeks-Star Partnership, a leading theatre exhibition company in Michigan that operates theatres under the Star Theatres brand.
- In mid-June, Onex completed the acquisition of Cinemex, the largest theatre exhibitor in Mexico City. The Loeks-Star Partnership and Cinemex added $670 million in assets.

Further information on these acquisitions is provided in note 2 to the Unaudited Interim Consolidated Financial Statements.

Long-term debt

Onex, the parent company, has no debt with the exception of debentures that are exchangeable into shares of Celestica. It has been Onex' policy to preserve a financially strong parent company that has the funds available for new acquisitions and to support the growth of its operating companies. All debt financing is undertaken by Onex' operating companies and each company is required to support its own debt.

Total long-term debt, including the current portion, increased to $5.6 billion at the end of the second quarter of 2002, up $1.2 billion from $4.4 billion at December 31, 2001 due to new debt associated with the acquisitions of Loews Cineplex and Cinemex, and the debt of Rogers Sugar, which resulted from the exchange of Lantic Sugar's shares for RSIF trust units.

J.L. French was in compliance with its debt covenants as of June 30, 2002, however, the company is not certain that it will be able to achieve compliance with its debt requirements over the next 12 months from June 30, 2002. Accounting principles necessitate the evaluation of the company's ability to meet debt obligations and covenants under its existing debt agreements over the next 12 months and classify debt as current if it appears that those requirements may not be met. Therefore, $819 million of J.L. French's long-term debt has been classified as current debt on the Unaudited Interim Consolidated Balance Sheet as at June 30, 2002. The company is in discussions with its lenders and other parties on alternatives that would improve J.L. French's financial structure. While management of J.L. French believes that alternative financing can be completed, accounting rules require the debt be classified as current until such time that the financing is consummated. The debt of J.L. French is non-recourse to Onex.

Shareholders' equity

Shareholders' equity declined to $1.9 billion as at June 30, 2002 compared to $2.2 billion at December 31, 2001. The decline was due to the adoption of the new accounting requirement for stock-based compensation. The accounting change, effective January 1, 2002, resulted in a $280 million charge to retained earnings for the cumulative value of stock options and investment rights as at that date. Note 1 to the Unaudited Interim Consolidated Financial Statements provides further information on this new accounting policy.

The Unaudited Consolidated Statements of Shareholders' Equity show the changes to the components of shareholders' equity for the six-month periods ended June 30, 2002 and 2001.

In connection with the adoption of the new accounting requirement for goodwill and other intangible assets, Onex' operating companies are required to assess, under a new methodology, whether goodwill and other intangible assets are impaired as at January 1, 2002. All the goodwill and other intangible assets recorded on the consolidated balance sheet of Onex are associated with goodwill and other intangible assets amounts recorded at each operating company. Onex, the parent company, does not carry a goodwill balance. Any goodwill and other intangible assets that are determined to be impaired under this test would be charged against retained earnings as at January 1, 2002.

The impairment assessment is a two-step process. The accounting standard provides up to six months (until June 30, 2002) to complete an initial assessment to determine whether goodwill and other intangible assets are impaired and then a further six months (until

December 31, 2002) to measure the amount of impairment. At the end of the second quarter, Onex' operating companies had completed the first step in assessing the impairment of goodwill and other intangible assets. It has been concluded that there is an impairment of goodwill and other intangible assets associated with certain operating companies. Although the final charge for impairment of goodwill and other intangible assets is not known at this time, the current estimate is that there will be a one-time charge to opening consolidated retained earnings at January 1, 2002 of approximately $520 million resulting from the adoption of this new accounting policy, although the actual amount may differ. The reduction in the goodwill balance resulting from the adoption of this policy is estimated to be approximately $1 billion, of which $480 million will be recorded as a reduction in non-controlling interests.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates are used in determining the allowance for doubtful accounts, inventory valuation and the useful lives of intangible assets. Actual results could differ materially from those estimates and assumptions.

Recent accounting developments

Business combinations, goodwill and other intangible assets *The Canadian Institute of Chartered Accountants ("CICA") Handbook* Section 1581, "Business Combinations", and Section 3062, "Goodwill and Other Intangible Assets", became effective on July 1, 2001. See note 1 to the Unaudited Interim Consolidated Financial Statements for the discussion of the adoption of these new accounting policies.

Stock-based compensation and other stock-based payments Effective January 1, 2002, the Company adopted the new *CICA Handbook* Section 3870, "Stock-based Compensation and Other Stock-based Payments". See note 1 to the Unaudited Interim Consolidated Financial Statements for the review of this accounting policy.

Foreign currency translation and hedging relationships *CICA Handbook* Section 1650, "Foreign Currency Translation", has been amended to eliminate the deferral and amortization of foreign currency translation gains and losses on long-lived monetary items, effective January 1, 2002, with retroactive restatement of prior periods. The Company is not impacted by this change. The CICA issued *Accounting Guideline* AcG-13, "Hedging Relationships", which establishes criteria for hedge accounting effective for the Company's 2003 fiscal year. The Company has complied with the requirements of AcG-13 and has determined that all of its current hedges will continue to qualify for hedge accounting.

Consolidated Balance Sheets

(in millions of dollars)	*(Unaudited)* As at June 30 **2002**	*(Audited)* As at December 31 2001
Assets		
Current assets		
Cash and short-term investments	**$ 4,151**	$ 3,780
Accounts receivable	**2,945**	2,786
Inventories	**2,254**	2,730
Other current assets	**732**	730
	10,082	10,026
Property, plant and equipment	**4,640**	3,550
Investments and other assets	**1,321**	1,180
Goodwill (note 3)	**5,623**	5,218
Intangible assets	**1,037**	896
	$ 22,703	$ 20,870
Liabilities and Shareholders' Equity		
Current liabilities		
Bank indebtedness, without recourse to Onex	**$ 69**	$ 76
Accounts payable and accrued liabilities	**4,559**	4,340
Current portion of long-term debt and obligations under capital leases of subsidiaries, without recourse to Onex	**1,083**	360
	5,711	4,776
Long-term debt of subsidiaries, without recourse to Onex (note 4)	**4,540**	4,038
Obligations under capital leases, without recourse to Onex	**75**	38
Exchangeable debentures	**315**	590
Future income taxes	**938**	938
Other liabilities	**1,282**	525
	12,861	10,905
Non-controlling interests	**7,907**	7,746
Shareholders' equity	**1,935**	2,219
	$ 22,703	$ 20,870

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

These Unaudited Interim Consolidated Financial Statements should be read in conjunction with the Audited Annual Consolidated Financial Statements.

Consolidated Statements of Earnings

(Unaudited) *(in millions of dollars, except per share data)*	Three months ended June 30 **2002**	 2001	Six months ended June 30 **2002**	 2001
Revenues	**$ 6,105**	$ 6,324	**$ 11,585**	$ 12,481
Earnings Before the Undernoted Items	**$ 480**	$ 408	**$ 884**	$ 795
Amortization of property, plant and equipment	**(202)**	(146)	**(379)**	(285)
Amortization of goodwill, intangible assets and deferred charges (note 3)	**(43)**	(92)	**(82)**	(179)
Interest expense of operating companies	**(120)**	(117)	**(224)**	(228)
Interest and other income	**19**	46	**44**	85
Stock-based compensation (note 8)	**60**	–	**73**	–
Gains on shares of operating companies, net	**5**	67	**8**	68
	199	166	**324**	256
Acquisition, restructuring and other expenses (note 5)	**(53)**	(107)	**(60)**	(122)
Debt prepayment costs	**(9)**	–	**(9)**	–
Writedown of goodwill and intangible assets by operating companies	**–**	(365)	**–**	(365)
Earnings (loss) before income taxes and non-controlling interests	**137**	(306)	**255**	(231)
Provision for income taxes	**(35)**	(24)	**(54)**	(55)
Earnings (loss) before non-controlling interests	**102**	(330)	**201**	(286)
Non-controlling interests of operating companies	**(53)**	167	**(130)**	110
Earnings (loss) from continuing operations	**49**	(163)	**71**	(176)
Earnings from discontinued operations	**–**	910	**–**	939
Net Earnings for the Period	**$ 49**	$ 747	**$ 71**	$ 763
Net Earnings (Loss) per Subordinate Voting Share (note 6)				
Basic:				
Continuing operations	**$ 0.31**	$ (1.00)	**$ 0.44**	$ (1.09)
Discontinued operations	**$ –**	$ 5.65	**$ –**	$ 5.81
Net earnings	**$ 0.31**	$ 4.65	**$ 0.44**	$ 4.72
Diluted:				
Continuing operations	**$ 0.29**	$ (1.00)	**$ 0.42**	$ (1.09)
Discontinued operations	**$ –**	$ 5.65	**$ –**	$ 5.81
Net earnings	**$ 0.29**	$ 4.65	**$ 0.42**	$ 4.72

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

These Unaudited Interim Consolidated Financial Statements should be read in conjunction with the Audited Annual Consolidated Financial Statements.

Consolidated Statements of Shareholders' Equity

(Unaudited) Six months ended June 30 *(in millions of dollars, except per share data)*	Share Capital (note 7)	Retained Earnings	Cumulative Translation Adjustment	Total Shareholders' Equity
Balance – December 31, 2000	$ 665	$ 728	$ 38	$ 1,431
Dividends declared	–	(9)	–	(9)
Issue of shares – dividend reinvestment plan	2	–	–	2
Purchase and cancellation of shares	(7)	(22)	–	(29)
Currency translation adjustment	–	–	(3)	(3)
Net earnings for the period	–	763	–	763
Balance – June 30, 2001	$ 660	$ 1,460	$ 35	$ 2,155
Balance – December 31, 2001	**$ 659**	**$ 1,440**	**$ 120**	**$ 2,219**
Change in accounting policy[1]	**–**	**(280)**	**–**	**(280)**
Dividends declared	**–**	**(9)**	**–**	**(9)**
Issue of shares – dividend reinvestment plan and exercise of options	**3**	**–**	**–**	**3**
Currency translation adjustment	**–**	**–**	**(69)**	**(69)**
Net earnings for the period	**–**	**71**	**–**	**71**
Balance – June 30, 2002	**$ 662**	**$ 1,222**	**$ 51**	**$ 1,935**

(1) Adoption of *CICA Handbook* Section 3870, "Stock-based Compensation and Other Stock-based Payments" (see note 1), which was effective January 1, 2002.

Dividends declared per Subordinate Voting Share were $0.055 (2001 – $0.055) for the six months ended June 30, 2002.

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

These Unaudited Interim Consolidated Financial Statements should be read in conjunction with the Audited Annual Consolidated Financial Statements.

Consolidated Statements of Cash Flows

(Unaudited) *(in millions of dollars)*	Three months ended June 30 **2002**	 2001	Six months ended June 30 **2002**	 2001
Operating Activities				
Net earnings (loss) from continuing operations	**$ 49**	$ (163)	**$ 71**	$ (176)
Items not affecting cash:				
Amortization of property, plant and equipment	**202**	146	**379**	285
Amortization of goodwill, intangible assets and deferred charges	**43**	92	**82**	179
Writedown of goodwill and intangible assets by operating companies	**–**	365	**–**	365
Non-controlling interests of operating companies	**53**	(167)	**130**	(110)
Future income taxes	**2**	(13)	**(6)**	5
Gains on shares of operating companies, net	**(5)**	(67)	**(8)**	(68)
Other	**(20)**	25	**(12)**	20
	324	218	**636**	500
Increase (decrease) in other liabilities	**43**	(6)	**41**	7
Decrease (increase) in non-cash net working capital related to operations	**(38)**	324	**148**	(457)
	329	536	**825**	50
Financing Activities				
Issuance of long-term debt	**831**	574	**1,173**	803
Repayment of long-term debt	**(851)**	(418)	**(1,122)**	(717)
Repurchase of share capital, net	**–**	–	**–**	(29)
Issuance of share capital by subsidiaries	**259**	1,138	**300**	1,173
Increase (decrease) in other financing activities	**(33)**	(94)	**(51)**	32
	206	1,200	**300**	1,262
Investing Activities				
Acquisition of operating companies, net of cash in acquired companies[1]	**(399)**	(431)	**(468)**	(616)
Purchase of property, plant and equipment	**(159)**	(156)	**(254)**	(343)
Proceeds from sales of shares of operating companies	**7**	–	**12**	1
Net decrease (increase) in other investing activities	**35**	(56)	**(44)**	(215)
	(516)	(643)	**(754)**	(1,173)
Cash from discontinued operations	**–**	1,208	**–**	1,253
Increase (Decrease) in Cash and Short-term Investments for the Period	**19**	2,301	**371**	1,392
Cash and short-term investments – beginning of the period	**4,132**	1,320	**3,780**	2,229
Cash and Short-term Investments – End of the Period	**$ 4,151**	$ 3,621	**$ 4,151**	$ 3,621

(1) Cash in the acquired companies for the quarter was $6 (2001 – $251) and $156 (2001 – $265) for the six months ended June 30.

Change in cash and short-term investments is after unrealized foreign exchange losses on cash equivalents for the quarter of $182 (2001 – $86) and $178 (2001 – $5) for the six months ended June 30.

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

These Unaudited Interim Consolidated Financial Statements should be read in conjunction with the Audited Annual Consolidated Financial Statements.

Notes to Interim Consolidated Financial Statements

(in millions of dollars, except per share data) (Unaudited)

Onex Corporation ("Onex" or the "Company") is a diversified company whose subsidiaries operate as autonomous businesses.

1. BASIS OF PREPARATION

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles. The disclosures contained in these Unaudited Interim Consolidated Financial Statements do not include all the requirements of generally accepted accounting principles for annual financial statements. The Unaudited Interim Consolidated Financial Statements should be read in conjunction with the Audited Annual Consolidated Financial Statements for the year ended December 31, 2001.

The Unaudited Interim Consolidated Financial Statements are based on accounting principles consistent with those used and described in the Audited Annual Consolidated Financial Statements except as disclosed below in regard to the new accounting requirements for stock-based compensation and for goodwill and other intangible assets.

STOCK-BASED COMPENSATION AND OTHER STOCK-BASED PAYMENTS

In the first quarter of 2002, the Company adopted Section 3870 of the *Canadian Institute of Chartered Accountants ("CICA") Handbook,* "Stock-based Compensation and Other Stock-based Payments". These recommendations require that a fair-value-based method of accounting be applied to all stock-based payments to non-employees and employees that are direct awards of stock, stock appreciation rights or that call for settlement in cash or other assets.

Onex has three types of plans that are covered by this section. The first is the Company's Stock Option Plan (the "Plan") described in note 12(e) to the Audited Annual Consolidated Financial Statements, which provides, in certain situations, that the Company has the right, but not the obligation, to settle any exercisable option under the Plan by the payment of cash to the option holder. With the adoption of the new accounting policy, the Company has recorded a liability as at January 1, 2002 for the potential future settlement of vested options at that date by reference to the value of Onex shares at that date, with a corresponding charge to opening retained earnings. On a quarterly basis, the liability is adjusted up or down for the change in the market value of the underlying shares with the corresponding effect reflected in the statement of earnings.

The second is the Management Investment Plan (the "MIP"), which is described in note 20(e) to the Audited Annual Consolidated Financial Statements. The MIP provides that exercisable investment rights may be settled by the issuance of the underlying shares or, in certain situations, by a cash payment for the value of the investment right. Under the MIP, once the targets have been achieved for the exercise of investment rights, a liability is recorded for the value of the investment rights under the MIP by reference to the value of underlying investments, with a corresponding compensation expense being recorded to the statement of earnings. At January 1, 2002, three investments had fulfilled all requirements needed for the MIP investment rights to be exercised. For these investments, opening retained earnings was charged for the fair value of the investment rights by reference to the underlying investments, with a corresponding liability recorded on the balance sheet.

The third type of employee stock option plan is for employees at the subsidiary companies, under which, on payment of the exercise price, stock of the subsidiary company is issued. This type of plan is not required to be accounted for by the fair-value method; however, these plans require disclosure in the notes to these statements of pro forma net earnings and earnings per share information as if these plans had been accounted for under the fair-value method.

The adoption of this new accounting principle for the Plan and MIP has been applied retroactively, with no restatement of prior periods, with retained earnings as at January 1, 2002 being reduced by $280 with an equal increase in other liabilities. The Company has applied the pro forma disclosure provisions of the new standard to employee stock-based awards of subsidiaries granted on or after January 1, 2002 as set out in note 8 to the Unaudited Interim Consolidated Financial Statements.

GOODWILL AND OTHER INTANGIBLE ASSETS

During the third quarter of 2001, the Company adopted *CICA Handbook* Section 3062, “Goodwill and Other Intangible Assets”. This section requires that goodwill and other intangible assets with indefinite lives not be amortized but rather that their fair value be assessed periodically and written down for any impairment in value. For acquisitions made subsequent to July 1, 2001 and as of January 1, 2002, for all existing goodwill and other intangible assets with indefinite lives, such assets will no longer be amortized, but will be evaluated annually for impairment. This impairment methodology is more conservative than the previous standard.

Essentially all of the goodwill and other intangible assets amounts that appear on the Unaudited Interim Consolidated Balance Sheet are recorded by the operating subsidiary companies. Section 3062’s transitional provisions require the Company and its subsidiaries to assess whether goodwill and other intangible assets are impaired as of January 1, 2002. The Company and its subsidiaries have up to six months to complete their initial assessment and a further six months to perform and measure the amount of impairment, if any, in a manner similar to a purchase price allocation. This second step is to be completed no later than December 31, 2002. Any transitional impairment will be recognized as a change in accounting policy and will be charged to opening retained earnings as of January 1, 2002. Due to the extensive effort required to comply with this section, several of the Company’s subsidiaries are still in the process of determining the impact of its adoption. Based on the completion of the initial assessments, the Company concluded that there is an impairment of goodwill and other intangible assets associated with certain operating companies. Although the final charge for impairment of goodwill and other intangible assets is not known at this time, the current estimate is that there will be a one-time charge to opening consolidated retained earnings at January 1, 2002 of approximately $520 resulting from the adoption of this new accounting policy, although the actual amount may be different. The reduction in the goodwill balance from the adoption of this policy is estimated to be approximately $1,000, with the remaining $480 recorded as a reduction in non-controlling interests.

2. CORPORATE INVESTMENTS

During the first half of 2002 the following acquisitions, which were accounted for as purchases, were completed either directly by Onex or through subsidiaries of Onex. Any third-party borrowings in respect of acquisitions are without recourse to Onex.

a) In March 2002 Celestica acquired certain assets located in Japan from NEC Corporation. The purchase price of $164 was funded with cash on hand at Celestica.

b) In March 2002 Onex completed the purchase of Loews Cineplex Entertainment Corporation and all of its wholly-owned subsidiaries ("Loews Cineplex"). Onex and its partner, Oaktree Capital Management, LLC ("Oaktree Capital"), converted $462 of Loews Cineplex' bank debt held into an equity interest in the restructured company and invested an additional $55 in the equity of the company for a combined 100% of the equity. Loews Cineplex, headquartered in New York, United States, is one of the largest theatre exhibition companies, operating more than 2,200 screens at over 230 locations in North America, Spain and South Korea.

In April 2002 Onex and its partner purchased the 50% interest in the Loeks-Star Partnership ("Loeks-Star") not previously owned by Loews Cineplex. This brought Star Theatres, owned by Loeks-Star, under the Company's control. Star Theatres, based in Michigan, United States, is a leading theatre exhibition company in its market with 10 theatres and a total of 156 screens, located primarily in metropolitan Detroit.

In June 2002 the acquisition of Grupo Cinemex, S.A. de C.V. ("Cinemex") was completed. Cinemex is a leading theatre exhibition company in Mexico with 31 theatres and 349 screens, the majority of which are located in Mexico City.

Of the total purchase price of $922 for Loews Cineplex, Loeks-Star and Cinemex, Onex invested a total of $486 for a 52% equity ownership and has voting control of Loews Cineplex, Loeks-Star and Cinemex. Onex also continues to hold a $36 interest in Loews Cineplex' restructured bank debt, which is eliminated upon consolidation.

c) The purchase prices of the various acquisitions were allocated to the net assets acquired based on their relative fair values at the date of acquisition. The Company is obtaining third-party valuations of certain assets, which could result in further refinement of the fair-value allocation of the purchase price.

Details of the 2002 acquisitions, which were accounted for as purchases, are as follows:

	Celestica[a]	Loews Cineplex[b]
Cash	$ –	$ 156
Current assets	86	57
Goodwill	–	507
Intangible assets	74	174
Property, plant and equipment and other long-term assets	85	1,447
	245	2,341
Current liabilities	(81)	(370)
Other long-term liabilities	–	(1,049)
	164	922
Non-controlling interests in net assets	–	(436)
Interest in net assets acquired	$ 164	$ 486

d) In March 2002 Onex and the other shareholders in Lantic Sugar Limited ("Lantic Sugar") exchanged their shares of Lantic Sugar for trust units of Rogers Sugar Income Fund ("RSIF"). Onex received approximately 21 million trust units or a 28% interest in RSIF for the Company's ownership interest in Lantic Sugar. This was a non-cash transaction and Onex retained voting control of Lantic Sugar. At the same time Onex achieved voting control over RSIF's other operating company, Rogers Sugar Ltd. ("Rogers Sugar"). Effective March 2002 Onex' Unaudited Interim Consolidated Financial Statements include the assets, liabilities and operations of Rogers Sugar. Since there was no change in control of Lantic Sugar and part of the transaction was deemed to be with a related party, no accounting gain was recorded on this transaction.

3. GOODWILL

At June 30, 2002 the Company had unamortized goodwill of $5,623 that, under the accounting policy described in note 1, is no longer being amortized. This change in accounting policy is applied prospectively, and the amortization amounts presented for prior periods have not been restated for this change. The result of this change on net earnings from continuing operations for 2002 compared to 2001 is as follows:

	Three months ended June 30		Six months ended June 30	
	2002	2001	**2002**	2001
Net earnings (loss) from continuing operations	**$ 49**	$ (163)	**$ 71**	$ (176)
Add back: goodwill amortization	**–**	$ 35	**–**	$ 61
Net earnings (loss) from continuing operations before goodwill amortization	**$ 49**	$ (128)	**$ 71**	$ (115)
Basic net earnings (loss) per Subordinate Voting Share:				
Continuing operations	**$ 0.31**	$ (1.00)	**$ 0.44**	$ (1.09)
Continuing operations before goodwill amortization	**$ 0.31**	$ (0.80)	**$ 0.44**	$ (0.71)
Diluted net earnings (loss) per Subordinate Voting Share:				
Continuing operations	**$ 0.29**	$ (1.00)	**$ 0.42**	$ (1.09)
Continuing operations before goodwill amortization	**$ 0.29**	$ (0.80)	**$ 0.42**	$ (0.71)

4. LONG-TERM DEBT OF SUBSIDIARIES, WITHOUT RECOURSE TO ONEX

The following describes the significant changes to Onex' consolidated long-term debt from the information provided in the December 31, 2001 Audited Annual Consolidated Financial Statements.

J.L. French was in compliance with its debt covenants as of June 30, 2002, however, accounting principles necessitate the evaluation of the company's ability to meet debt requirements over the next 12 months under its existing debt agreements for the debt to remain classified as long-term. J.L. French is not certain that it will be able to achieve compliance with its debt requirements through to June 30, 2003. Accordingly, $819 of J.L. French's long-term debt has been classified as current debt on the Unaudited Interim Consolidated Balance Sheet as at June 30, 2002. The company is in discussions with its lenders and other parties on alternatives that would improve J.L. French's financial structure. While management of J.L. French believes that alternative financing can be completed, accounting rules require the debt be classified as current until such time that the financing is consummated. The debt of J.L. French is non-recourse to Onex. No adjustment has been made in the Unaudited Interim Consolidated Financial Statements to the carrying value of J.L. French. The net book value of the investment in J.L. French in the Unaudited Interim Consolidated Financial Statements at June 30, 2002 is $75.

The acquisition of Loews Cineplex resulted in additional debt on the Unaudited Interim Consolidated Financial Statements of US$430 from a term loan agreement entered into in March 2002. The term loan bears interest at a rate of either the base rate or an adjusted Eurodollar rate plus a margin, and matures in February 2008 with quarterly repayments commencing May 2003. Outstanding borrowings under the term loan facility at June 30, 2002 were US$429.

Loews Cineplex also entered into a Priority Secured Credit Agreement, which is comprised of a US$85 Exit Revolving Credit Facility and a US$55 Exit Term Loan including US$20 available in Canada. The Exit Term Loan bears interest at either the base rate plus 2.75% or the adjusted Eurodollar rate plus 3.75% for U.S. loans, and the Canadian prime rate plus 2.75% or the Bankers Acceptance rate plus 3.75% for Canadian loans. At June 30, 2002 there were no borrowings against the Exit Revolving Credit Facility and US$55 was outstanding on the Exit Term Loan. The Exit Term Loan matures in February 2007 with quarterly repayments commencing May 2003.

Borrowings under both the term loan and the Priority Secured credit facility are secured by substantially all of the assets of Loews Cineplex and are without recourse to Onex.

The June 2002 acquisition of Cinemex resulted in additional debt on the Unaudited Interim Consolidated Financial Statements of US$71. Cinemex has a senior secured term loan facility of US$71, all of which is outstanding. The term loan matures in October 2006 with semi-annual repayments beginning in October 2003. The term loan facility bears interest at LIBOR plus a margin and is secured by certain assets of the company.

As a result of the exchange of the shares of Lantic Sugar for RSIF trust units as described in note 2(d), the debt of Rogers Sugar is now included in the Unaudited Interim Consolidated Financial Statements of the Company. Rogers Sugar has $100 in debentures that bear interest at 8.173%. Interest is payable on a quarterly basis. The debentures mature in August 2005, at which point repayment of the principal is due in full.

Rogers Sugar also has subordinated notes payable of $278. All of the notes are held by RSIF and bear a variable interest rate based on Rogers Sugar's earnings before interest, taxes, depreciation and amortization and working capital requirements, subject to a ceiling of 11.5% and a floor of 6% per annum. The subordinated notes are due in October 2027.

Rogers Sugar also has a revolving credit facility that extends to August 2004. The revolving credit facility is for Rogers Sugar's operations and drawdowns are subject to certain restrictions. The long-term debt is secured by all of the assets of Rogers Sugar except accounts receivable and inventory, which serve as security for the revolving credit facility.

As part of the Lantic Sugar transaction, Lantic Sugar issued $155 of subordinated notes to RSIF. These notes bear interest at 13.25% per annum and are due in October 2027.

In April 2002 Dura Automotive completed a US$350 offering of senior notes. The senior notes bear interest at 8 5/8%, payable semi-annually, and are due in April 2012. The net proceeds from the senior notes offering were used to repay a portion of the outstanding term loans. The company then replaced the existing term loan with a new US$150 term loan due in 2008.

During the second quarter certain of the operating companies negotiated amended lending covenants that provide greater financial flexibility in the second quarter and going forward.

5. ACQUISITION, RESTRUCTURING AND OTHER EXPENSES

	Three months ended June 30		Six months ended June 30	
	2002	2001	**2002**	2001
Celestica	**$ 16**	$ 93	**$ 22**	$ 103
Dura Automotive	**33**	–	**33**	4
ClientLogic	**–**	13	**–**	13
Other	**4**	1	**5**	2
	$ 53	$ 107	**$ 60**	$ 122

Acquisition costs incurred relate to the implementation of business processes, infrastructure and information systems for operations acquired.

Dura Automotive recorded a non-recurring charge of $33 relating to the divestiture of its Steering Gear business.

6. EARNINGS PER SHARE

The weighted average number of Subordinate Voting Shares for the purpose of the earnings per share calculations are as follows:

	Three months ended June 30		Six months ended June 30	
	2002	2001	**2002**	2001
Weighted average number of shares outstanding				
Basic	**160,703,000**	160,869,000	**160,675,000**	161,565,000
Diluted	**160,880,000**	160,869,000	**160,765,000**	161,565,000

Due to the implementation of the stock-based compensation accounting policy as described in note 1, the Onex options are no longer considered for dilutive calculation purposes as the effect of the Onex options is charged or credited to income. The effect of all dilutive factors would reduce consolidated net earnings for the three- and six-month periods ended June 30, 2002 by $2 (2001 – nil) and $3 (2001 – nil), respectively.

7. SHARE CAPITAL

As at June 30, 2002, Onex' issued and outstanding share capital consisted of 160,718,230 (2001 – 160,879,396) Subordinate Voting Shares, 100,000 Multiple Voting Shares and 176,078 Series 1 Senior Preferred Shares.

During the first half of 2002, under the Dividend Reinvestment Plan the Company issued 101,610 (2001 – 60,340) Subordinate Voting Shares at a total value of $2 (2001 – $2). As well, 40,000 Subordinate Voting Shares were issued upon the exercise of stock options of the Company at a value of $1.

8. STOCK-BASED COMPENSATION

Included in the Unaudited Interim Consolidated Statements of Earnings for the three- and six-month periods ended June 30, 2002 is a stock-based compensation recovery of $60 and $73, respectively, resulting from the change in the fair-market value of the underlying shares with respect to the stock-based compensation arrangements of the parent company, as described in note 1.

The table below shows pro forma net earnings and earnings per share adjusted for the effect of stock option plans at the subsidiary companies.

Pro forma after the effect of subsidiary companies' stock option plans	Three months ended June 30 **2002**	Six months ended June 30 **2002**
Pro forma net earnings	**$ 47**	**$ 69**
Basic earnings per share	**$ 0.29**	**$ 0.43**
Diluted earnings per share	**$ 0.28**	**$ 0.41**

9. SUPPLEMENTAL CASH FLOW INFORMATION

Paid during the period:

	Three months ended June 30		Six months ended June 30	
	2002	2001	**2002**	2001
Interest	**$ 126**	$ 96	**$ 196**	$ 198
Taxes	**$ 5**	$ 53	**$ 20**	$ 64

10. COMMITMENTS AND SUBSEQUENT EVENTS

A subsidiary of Onex may be required to purchase from Oaktree Capital its approximate 40% interest in Loews Cineplex on or about the first, third or fifth anniversary of the acquisition of Loews Cineplex. The cost of such purchase on the first anniversary would be the original cost to Oaktree Capital of approximately $150, and on the third or fifth anniversary would be based on a defined calculation referenced to operating earnings of Loews Cineplex with no minimum purchase price commitment.

Onex intends to enter into commitments to invest up to a total of approximately $90 in certain of its operating companies.

Onex renewed its Normal Course Issuer Bid in April 2002 for one year, permitting the Company to purchase on the Toronto Stock Exchange up to 10 percent of the public float of its Subordinate Voting Shares, which represents approximately 12.7 million shares.

In July 2002, Celestica announced it would incur a pre-tax restructuring charge of between approximately $465 and $680, to be recorded in the third and fourth quarters of 2002 with a cash cost of approximately $235. The restructuring plans are in response to current end-market conditions Celestica's customers are currently experiencing.

11. INFORMATION BY INDUSTRY SEGMENT

(Unaudited) *(in millions of dollars)*	Revenues		Operating Earnings (Loss)[1]		Earnings (Loss) before Income Taxes and Non-controlling Interests	
Three months ended June 30	**2002**	2001	**2002**	2001	**2002**	2001
Electronics manufacturing services	**$ 3,486**	$ 4,094	**$ 133**	$ 174	**$ 74**	$ 29
Customer management services	**148**	159	**(2)**	(17)	**(10)**	(193)[2]
Automotive products	**1,482**	1,468	**134**	117	**29**	(203)[3]
Engineered building products	**275**	349	**7**	30	**(7)**	11
Theatre exhibition[4]	**397**	6	**40**	(1)	**25**	(1)
Parent company and other	**317**	248	**45**	5	**26**	51
Total	**$ 6,105**	$ 6,324	**$ 357**	$ 308	**$ 137**	$ (306)

(Unaudited) *(in millions of dollars)*	Revenues		Operating Earnings (Loss)[1]		Earnings (Loss) before Income Taxes and Non-controlling Interests		Total Assets	
Six months ended June 30 *(except as otherwise noted)*	**2002**	2001	**2002**	2001	**2002**	2001	(Unaudited) As at June 30 **2002**	(Audited) As at Dec. 31 2001
Electronics manufacturing services	**$ 6,920**	$ 8,291	**$ 259**	$ 349	**$ 150**	$ 141	**$ 10,341**	$ 10,563
Customer management services	**299**	287	**(4)**	(30)	**(21)**	(226)[2]	**322**	361
Automotive products	**2,866**	2,894	**241**	228	**69**	(194)[3]	**5,437**	5,431
Engineered building products	**497**	596	**5**	29	**(22)**	(11)	**1,049**	1,081
Theatre exhibition[4]	**407**	11	**42**	(3)	**26**	(4)	**2,308**	53
Parent company and other	**596**	402	**79**	22	**53**	63	**3,246**	3,381
Total	**$11,585**	$ 12,481	**$ 622**	$ 595	**$ 255**	$ (231)	**$ 22,703**	$ 20,870

Notes:

(1) Operating earnings (loss) represents Earnings Before the Undernoted Items (as shown in the Unaudited Interim Consolidated Statements of Earnings) less amortization of property, plant and equipment plus interest and other income and stock-based compensation.

(2) Includes the writedown of goodwill and intangible assets of $140.

(3) Includes the writedown of goodwill of $225.

(4) Includes Loews Cineplex, Loeks-Star, Cinemex and Galaxy in 2002 and only Galaxy in 2001.

Shareholder Information

Second Quarter Dividend

A dividend of $0.0275 per Subordinate Voting Share was paid on July 31, 2002 to shareholders of record on July 10, 2002.

Dividend Reinvestment Plan

Onex has a Dividend Reinvestment Plan that provides a means for resident Canadian holders of Onex' Subordinate Voting Shares to reinvest cash dividends into new Subordinate Voting Shares issued by Onex at a five percent discount to a market-related value and without payment of brokerage commissions. To participate, registered shareholders should contact Onex' share registrar, CIBC Mellon Trust Company, at the address below. Non-registered shareholders should contact their investment dealer or broker and indicate their desire to participate.

Stock Listing

The Toronto Stock Exchange
Symbol: OCX

Registrar and Transfer Agent

CIBC Mellon Trust Company
P.O. Box 7010
Adelaide Street Postal Station
Toronto, Ontario M5C 2W9
Telephone (Canada and U.S.): 1-800-387-0825

All questions about accounts, stock certificates or dividend cheques should be directed to the Registrar and Transfer Agent.

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