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Onex Corporation Report on the Second Quarter Ended June 30, 2004

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Onex Corporation is a diversified company with annual revenues of approximately $16 billion, assets of $15 billion and 89,000 employees worldwide.

We operate through autonomous subsidiaries in a variety of industries, including: electronics manufacturing services, theatre exhibition, managed healthcare, customer management services, automotive products and communications infrastructure.

Onex' objective is to create long-term value by building industry-leading businesses and to have that value reflected in our share price.

To Our Shareholders

Onex, through Onex Partners, completed its previously announced $114 million investment in ResCare, a leading provider of residential, therapeutic, job training and educational support services for at-risk youth and persons with special needs. We like this business and the opportunities our participation provides. Our investment, which facilitates the next stage of growth for ResCare, is one that we believe will build long-term value for the company and for Onex shareholders.

We also announced our agreement to sell Loews Cineplex for $2 billion. Since our initial investment in Loews Cineplex in 2001, we have worked closely with Loews Cineplex' management to restructure the business, helping the company to emerge successfully from bankruptcy in March 2002 and to grow through three significant acquisitions. We are pleased to have built Loews Cineplex to be the third-largest motion picture exhibition company in the world, and believe that it is now an appropriate time to realize on the value we have built.

We also decided to initiate public offerings for two of our businesses – Commercial Vehicle Group, Inc., which represents the combined operations of Bostrom and Trim Systems, and Armtec Limited, an ONCAP operating company. These offerings will provide some liquidity to Onex and other shareholders in these companies and strengthen the financial position of the businesses.

Following the completion of these transactions, particularly the sale of Loews Cineplex, Onex, the parent company, will have substantial cash resources. We will exercise caution in the use of that cash as we seek out attractive acquisitions for Onex Partners and ONCAP. We will also continue to repurchase Onex shares under the Normal Course Issuer Bid. During the second quarter, Onex repurchased nearly five million of its Subordinate Voting Shares, reflecting our view that it is in the best interest of remaining shareholders that Onex buy back its stock when it is trading considerably below what we consider to be its intrinsic value.

Onex' financial results for the second quarter show the benefits our operating companies are gaining from tighter cost management, restructuring programs and improved market conditions.

Second Quarter Significant Events

This section provides a summary of the significant activities at Onex and its operating companies during the three months ended June 30, 2004. Readers interested in a descriptive listing of the Onex operating companies and Onex' ownership interest in each can find this information in the December 31, 2003 report and on Onex' website at **www.onex.com**.

Revenues and operating earnings in the following discussion have been presented in each operating company's functional currency, as indicated, since currency translations may distort the operating company's actual results. Otherwise, amounts are in Canadian dollars.

Investment in ResCare completed

In June 2004, Onex Partners LP completed the $114 million equity investment in Res-Care, Inc. ("ResCare") for an approximate 28 percent ownership in the company; this followed overwhelming approval of our participation from ResCare's shareholders. Onex' portion of the investment was approximately $27 million, with the balance funded by the other participants in Onex Partners LP. In addition to being a business where we see the opportunity for a meaningful increase in the value of our investment, we believe that ResCare has a terrific management team. Moreover, we like the valuable services that the company offers. ResCare provides residential, therapeutic, job training and educational support services to people with developmental or other disabilities, to youth with special needs and to adults who are experiencing barriers to employment.

Collectively, Onex and Onex Partners purchased approximately $69 million of ResCare's Series A convertible preferred shares, which are convertible into approximately 4.8 million shares of ResCare's common stock at $14.38 per share. In addition, Onex and Onex Partners together purchased 3.7 million shares of ResCare common stock for $45 million, or $12.16 per share, from certain ResCare shareholders, including the company's founder, James R. Fornear. The funds that ResCare has received will be used to further the growth programs for the business.

Sale of Loews Cineplex for $2 billion

In late June 2004, Onex announced that it and Oaktree Capital Management, LLC, its partner in Loews Cineplex Entertainment Corporation and Grupo Cinemex (collectively "Loews Cineplex"), had signed an agreement to sell Loews Cineplex to Bain Capital, the Carlyle Group and Spectrum Equity Investors for approximately $2 billion. This sale was completed in late July 2004. Onex' share of the cash proceeds from this transaction was approximately $739 million. In addition, Onex and Oaktree have retained Loews Cineplex' interest in Cineplex Galaxy, which operates theatres in Canada under the Cineplex Odeon and Galaxy brands.

Following our successful restructuring of the company in partnership with its management team, Loews Cineplex emerged from bankruptcy in March 2002 in a much stronger financial position. Our strategy to build the value of Loews Cineplex included three successful acquisitions: Star Theatres (United States), Grupo Cinemex (Mexico) and Megabox Cineplex (South Korea). In less than three years since its acquisition by Onex, Loews Cineplex has become the world's third-largest movie theatre chain with more than 200 theatres and 2,200 screens worldwide.

As a result of the agreement to sell Loews Cineplex as at June 30, 2004, Onex has presented Loews Cineplex' results as earnings from discontinued operations in the unaudited interim consolidated financial statements in the second quarter; the comparative 2003 second-quarter results of Loews Cineplex have also been reclassified and presented as discontinued.

The theatre exhibition segment, which now is represented by the Canadian operations, Cineplex Galaxy, reported a 27 percent increase in second-quarter revenues to $95 million from $75 million for the same quarter last year. Revenue growth in the second quarter of 2004 was due to new theatre openings and higher same-store attendance resulting from a strong slate of films such as *Shrek 2* and *Harry Potter and the Prisoner of Azkaban*. Operating earnings, which were up $1 million to $11 million in the second quarter of this year, rose on the higher revenues.

Electronics manufacturing services

In the second quarter of 2004, Celestica, a world leader in electronics manufacturing services, experienced better operating margins, improvement in demand in its end markets and increased demand from its core customers. This resulted in Celestica reporting a 45 percent increase in revenues to US$2.3 billion in the second quarter of 2004 from US$1.6 billion in the second quarter of 2003. Base business volumes drove a 28 percent increase in revenue. The MSL acquisition and the purchase of NEC Corporation's assets in the Philippines increased revenue by a further 17 percent. The company reported a US$43 million increase in operating earnings to US$30 million for the three months ended June 30, 2004, compared to an operating loss of US$13 million in the same period last year due to higher revenues, improved operating efficiency, the benefit of previously announced restructuring activities and the acquisitions completed in the first half of 2004.

In mid-June 2004, Celestica completed the offering of US$500 million of 7.875 percent senior subordinated notes due in 2011. The company expects to use the net proceeds from this sale for the repurchase of the company's Liquid Yield Option Notes ("LYONs") that are due in August 2020 and for general corporate purposes, including future acquisitions. At June 30, 2004, Celestica had spent approximately US$300 million to repurchase LYONs with a principal amount at maturity of US$540 million.

Managed healthcare

Magellan, the leading provider of managed behavioural healthcare in the United States, continued to roll out its performance improvement plan in the second quarter of 2004. During the second quarter, the company improved its service levels and efficiency through the closure of one call centre and the implementation of improved technology at other call centres. The company expects to achieve further savings with the closure of two additional centres by the end of the year. Magellan is also progressing on its initiatives to develop new complementary products and services in areas of the company's expertise such as disease management, pharmacy benefit management and other areas of healthcare that can provide value to Magellan's client base.

Since we acquired our ownership interest in Magellan in early January 2004, the company has exceeded our expectations on many counts. The company recorded second-quarter revenues of US$419 million and operating earnings of US$51 million.

Customer management services

ClientLogic, a leading international provider of customer care and fulfillment services, increased call centre capacity in the second quarter of 2004 by adding 575 seats in Moncton, New Brunswick, and approximately 800 seats in Baguio, the Philippines. These call centres provide technical support, customer service and sales support for telecom and technology customers. In addition, the company began building a new facility in Bathurst, New Brunswick that will add about 535 seats to the company's call centre capacity. This facility is expected to open late in the third quarter of 2004. These additional call centres strengthen ClientLogic's position as one of the leading providers of customer care services by expanding the company's delivery network of services to clients worldwide.

ClientLogic's second-quarter revenues increased approximately 30 percent to US$135 million from US$104 million in the second quarter of 2003. The inclusion of Service Zone, Inc., which was acquired in the fourth quarter of 2003, contributed approximately US$16 million of the increase in revenues in the quarter. In addition, new business wins added US$9 million in revenues in the second quarter of 2004. Operating earnings increased by US$14 million to US$11 million in the second quarter of 2004 from an operating loss of US$3 million in the same quarter last year due to the higher revenues and a US$6 million benefit from cost-reduction initiatives implemented in the fourth quarter of 2003.

Automotive products

North American car and light truck production of 4.2 million units was on par with that of the same quarter of 2003. J.L. French, a leading independent supplier of complex die-cast aluminum components for automotive original equipment manufacturers ("OEMs"), reported a five percent increase in revenues to US$140 million for the three months ended June 30, 2004, from US$133 million in the same period of 2003. Stronger production of specific Ford platforms and new business increased revenues by US$10 million. Partially offsetting these growth factors were lower sales on specific General Motors platforms. The company's operating earnings also grew in the second quarter of 2004 to US$16 million from US$13 million in the same quarter of 2003. The improvement was due primarily to the benefit of higher productivity, tighter cost management and expense reductions resulting from the May 2003 closure of the Grandville, Michigan facility.

In mid-July, J.L. French announced that it had initiated a tender offer for all of its outstanding 11.5 percent senior subordinated notes due in 2009. The tender offer is conditional upon, among other things, obtaining financing to fund the tender offer through a US$165 million preferred equity offering, as well as the refinancing of J.L. French's existing senior secured credit facility. As part of the refinancing, Onex and certain other shareholders may purchase up to US$50 million of the preferred equity securities. The net proceeds from the refinancing and the preferred equity offering will be used to fund the purchase of the tendered notes and to repay existing senior indebtedness.

During the second quarter, Performance Logistics Group ("PLG"), the second-largest North American provider of automotive transportation and logistics services for automotive OEMs, began integrating its operations with those of Leaseway Auto Carrier Group, which it acquired in March 2004. As a result of the acquisition, the company won new business of US$6 million, which will begin in the latter half of 2004. In addition, the company will gain synergies from lower overhead costs, better purchasing opportunities and consolidation of routes for improved delivery efficiencies.

Initial public offering by Commercial Vehicle Group

In May 2004, Commercial Vehicle Group, Inc. ("Commercial Vehicle Group"), the combined businesses of Bostrom Holding, Inc. and Trim Systems, Inc., filed a registration statement with the U.S. Securities and Exchange Commission for an initial public offering of common stock. Commercial Vehicle Group supplies interior systems, vision safety solutions and other cab-related products to the global commercial vehicle market, including the heavy-duty (Class 8) truck market, construction vehicle market and other specialized transportation markets. A $160 million offering of shares (NASDAQ: CVGI) was completed in early August. The offering included both a

primary and a secondary component. The primary sale of shares by Commercial Vehicle Group resulted in that company receiving net proceeds of approximately $48 million, which it will use to reduce outstanding indebtedness and for general corporate purposes.

The secondary sale of shares was by Onex and certain other shareholders, with Onex receiving approximately $55 million in net proceeds. In addition, Onex received approximately $25 million on the repayment of debt held by Onex. As a result of this offering and the sale of shares, Onex will hold approximately 4.3 million shares of Commercial Vehicle Group, which had a value of approximately $73 million at the offering price. Onex' investment in the equity and debt of Commercial Vehicle Group was at a cost of approximately $69 million. Onex will be the largest shareholder in Commercial Vehicle Group, with an approximate 25 percent ownership interest following this offering, but will cease to have a controlling ownership interest.

During the second quarter, Commercial Vehicle Group reported a 32 percent increase in revenues to US$94 million from US$71 million in the same quarter of 2003. The increase was due primarily to higher production volumes for heavy-duty trucks, which rose approximately 40 percent to an annual rate of approximately 250,000 units in the second quarter from about 180,000 units in the same quarter last year. While higher revenues boosted operating earnings in the quarter, the company's 2004 second-quarter operating earnings were nil compared to US$6 million reported in the same quarter last year due primarily to a US$10 million stock-based compensation non-cash charge in the second quarter of 2004. The Commercial Vehicle Group did not record any such expense or benefit in the second quarter of 2003.

As reported in the first quarter of 2004, Onex sold its remaining interest in Dura Automotive on April 1, 2004. Onex received approximately $23 million in proceeds, bringing total proceeds from Onex' ownership in Dura Automotive to $44 million compared to our $7 million investment in the company made since 1990.

Other business

ONCAP In April 2004, ONCAP invested $29 million to acquire a controlling interest in Canadian Securities Registration Systems Ltd. ("CSRS"). CSRS is a leading Canadian provider of registration and search services to financial institutions and auto acceptance and leasing companies. CSRS specializes in registering Personal Property Security Act ("PPSA") charges on assets, conducting PPSA searches and registering securities under the Bank Act. ONCAP management believes this acquisition, with the company's leading market position, proprietary technology, national infrastructure and experienced management team, will build long-term value for ONCAP's partners.

In June 2004, one of ONCAP's operating companies, CMC Electronics Inc. ("CMC Electronics"), a leader in the design, manufacture and marketing of electronics and communications products for commercial and military applications, signed an agreement with L-3

Communications Holdings Inc. (NYSE: LLL) to sell CMC Electronics' Cincinnati subsidiary ("CMC Cincinnati") for approximately US$172 million in cash. This transaction, which is subject to regulatory approval, is expected to close in the third quarter of 2004. The proceeds from this sale are intended to be used to repay senior debt of CMC Electronics and to make a cash distribution to all CMC Electronics shareholders, including Onex. As part of this transaction, CMC Electronics has entered into a 25-year supply agreement with CMC Cincinnati to support its Enhanced Vision Systems product offering in the commercial and military aviation markets. CMC Cincinnati's product offerings include military infrared imaging sensors and sub-systems and space launch electronic sub-systems.

Another of ONCAP's operating companies, Armtec Limited ("Armtec"), filed an initial public offering in Canada of units of Armtec Infrastructure Income Fund ("Armtec Fund") in mid-June 2004. The offering was completed in late July, with the proceeds used by the Armtec Fund to acquire all the securities and assets of Armtec from ONCAP and other shareholders and to repay certain existing indebtedness of Armtec. ONCAP sold all of its shares in Armtec in this offering, which resulted in ONCAP realizing $76 million in proceeds. ONCAP's investment in Armtec, made in August 2001, was $36 million. Armtec is a leading manufacturer and marketer of drainage products and engineered solutions for infrastructure applications in a diverse cross-section of industries, including the public infrastructure market and private sector markets such as natural resources, residential drainage and agricultural drainage in Canada.

ONCAP's operating companies – CMC Electronics, Armtec, Western Inventory Service Ltd. ("WIS"), Futuremed Health Care Products Inc. ("Futuremed") and CSRS – reported combined revenues of $115 million, an increase of approximately 18 percent from the $98 million reported during the second quarter of 2003. Operating earnings also grew to $17 million in the second quarter of 2004 from $10 million in the same quarter of last year. Second-quarter revenues and operating earnings were primarily boosted by the inclusion of a full quarter of results for Futuremed, acquired in February 2004.

Onex repurchases nearly five million shares under issuer bid

Onex repurchased 4,998,200 Subordinate Voting Shares under its Normal Course Issuer Bid in the second quarter of 2004. The repurchases were made at an average cost per share of $16.70, for a total cost of approximately $84 million. The year-to-date repurchases in 2004 total 8,725,600 Subordinate Voting Shares at a total cost of $143 million. We continue to believe that it is advantageous to Onex' remaining shareholders for Onex to repurchase its Subordinate Voting Shares for cancellation when the shares are trading at prices that reflect a significant discount to their intrinsic value.

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

Forward-Looking/Safe Harbour and Fair Disclosure Statement

This interim Management's Discussion and Analysis ("MD&A") may contain, without limitation, 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 may cause actual performance or results to be materially different from those anticipated in these forward-looking statements. Onex is under no obligation to update any forward-looking statements contained herein should material facts change due to new information, future events or other factors.

The MD&A and Onex Corporation's unaudited interim consolidated financial statements have been prepared to provide information about Onex Corporation on a consolidated basis and should not be considered as providing sufficient information to make an investment decision in regard to any particular Onex operating company.

The Financial Review that follows should be read in conjunction with the unaudited interim consolidated financial statements for the period ended June 30, 2004 and with the 2003 audited annual consolidated financial statements. Readers interested in a descriptive listing of the Onex operating companies and Onex' ownership interest in each can find this information in the December 31, 2003 report and on the Onex website at **www.onex.com**.

Onex' December 31, 2003 report conformed with the new regulations for MD&A disclosure. This interim MD&A is an update to that disclosure.

All amounts are in Canadian dollars unless otherwise indicated.

Financial Review

This section analyzes the significant changes in Onex' unaudited interim consolidated statements of earnings and unaudited interim consolidated statements of cash flows for the three and six months ended June 30, 2004 compared to those for the same periods ended June 30, 2003, and compares Onex' financial condition at June 30, 2004 to that at December 31, 2003.

Accounting policies and estimates

Onex prepares its financial statements in accordance with Canadian generally accepted accounting principles ("GAAP").

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities, and the reported amounts of revenues and expenses at the date of the unaudited interim consolidated financial statements. Significant accounting policies and methods used in preparation of the financial statements are described in note 1 to the unaudited interim consolidated financial statements and in note 1 to the December 31, 2003 audited annual consolidated financial statements. Onex and its operating companies evaluate their estimates and assumptions on a regular basis, based on historical experience and other relevant factors. Significant estimates are used in determining the allowance for doubtful accounts, inventory valuation, income tax valuation allowances, the fair value of reporting units for purposes of goodwill impairment tests, the useful lives and valuation of intangible assets, and restructuring costs and other matters. Actual results could differ materially from those estimates and assumptions.

New accounting policies in 2004

Generally accepted accounting principles

In the first quarter of 2004, Onex adopted *Canadian Institute of Chartered Accountants* ("CICA") *Handbook* Section 1100, "Generally Accepted Accounting Principles". This section establishes standards for financial reporting in accordance with GAAP and provides guidance on sources to consult when selecting accounting policies and determining the appropriate disclosure if a matter is not explicitly dealt with in the primary sources of GAAP. In addition, Onex has adopted *CICA Handbook* Section 1400, "General Standards of Financial Statement Presentation", which provides updated guidance on general concepts associated with financial statements. The adoption of these sections did not have a material impact on Onex' unaudited interim consolidated financial statements.

Hedging relationships

Effective January 1, 2004, Onex adopted Accounting Standards Board Accounting Guideline 13 ("AcG-13"), "Hedging Relationships", which addresses the identification, designation, documentation and effectiveness of hedging relationships for the purpose of applying hedge accounting. This Guideline also establishes certain conditions for applying hedge accounting and deals with the discontinuation of hedge accounting. Onex also adopted Emerging Issues Committee Abstract 128 ("EIC-128"), "Accounting for Trading, Speculative or Non-Hedging Derivative Financial Instruments", which requires that any derivative financial instrument that is not designated as a compliant hedge under AcG-13 be measured at fair value, with changes in fair value recorded in current year income. For the three and six months ended June 30, 2004, Onex recorded expense of $59 million and $79 million, respectively, as a result of adopting these new pronouncements, even though there was no economic or financial impact. This is due to the marking to market of the exchangeable debentures and forward sales contracts relative to certain Celestica shares held by Onex and allowing only the charge and not the offsetting benefit to be recognized. Further detail on these pronouncements appears in this MD&A under the heading "Derivative instruments", and is disclosed under the same heading in Onex' unaudited interim consolidated statements of earnings for the three and six months ended June 30, 2004.

Asset retirement obligations

Onex adopted the new *CICA Handbook* Section 3110, "Asset Retirement Obligations", in the first quarter of 2004. This Section establishes standards for the recognition, measurement and disclosure of liabilities for asset retirement obligations and the associated retirement costs. It applies to all legal obligations associated with the retirement of a tangible long-lived asset that result from its acquisition, construction, development or normal operation. The adoption of this Section did not have a material impact on Onex' unaudited interim consolidated financial statements.

Stock-based compensation and other stock-based payments

Effective January 1, 2004, Onex and its operating companies adopted the revised *CICA Handbook* Section 3870, "Stock-based Compensation and Other Stock-based Payments", which requires that a fair value-based method of accounting be applied to all stock-based compensation payments to both employees and non-employees. Previously, only awards that called for settlement with cash or other assets, or stock appreciation rights that called for settlement by the issuance of equity instruments, were required to be recorded as compensation expense. Onex has been recording the change in value of options on its shares and investment rights under the Management Investment Plan as a charge or credit to earnings since January 1, 2002. The current change affects the accounting for certain stock option plans at Onex' operating companies. The operating companies adopted this new requirement on January 1, 2004 on a retroactive basis for

awards made since January 1, 2002 that had not previously been recognized as compensation expense in the consolidated statements of earnings, with no restatement of prior periods. Accordingly, as at January 1, 2004, the adoption of this new requirement reduced retained earnings by $5 million and reduced non-controlling interests by $5 million. For the three and six months ended June 30, 2004, Onex' operating companies, excluding the parent company, recorded expense of $25 million and $46 million, respectively, related to this new requirement in Onex' unaudited interim consolidated statements of earnings. Note 10 to the unaudited interim consolidated financial statements provides pro forma net loss and loss per share for the three and six months ended June 30, 2003 adjusted for the effect of stock option plans of operating companies not recorded through the statements of earnings.

Revenue recognition

Onex and its operating companies adopted the new EIC-141, "Revenue Recognition", EIC-142, "Revenue Arrangements with Multiple Deliverables" and EIC-143, "Accounting for Separately Priced Extended Warranty and Product Maintenance Contracts". These sections provide more specific guidance on *CICA Handbook* Section 3400, "Revenue", and attempt to harmonize revenue standards between Canadian and U.S. GAAP. The adoption of these EIC standards did not have a material impact on Onex' unaudited interim consolidated financial statements.

Employee future benefits

In the second quarter of 2004, Onex adopted the amended *CICA Handbook* Section 3461, "Employee Future Benefits", which requires additional disclosures about the assets, cash flows and net periodic benefit costs of defined benefit pension plans and other post-retirement benefits plans. The new annual disclosures are effective for fiscal years ending on or after June 30, 2004, and the new interim disclosures are effective for quarters ending on or after that date. Note 11 to the unaudited interim consolidated financial statements provides the additional interim period disclosure of pension plans and other post-retirement benefits plans of Onex' operating companies.

CONSOLIDATED OPERATING RESULTS

This section should be read in conjunction with the unaudited interim consolidated statements of earnings for the three and six months ended June 30, 2004, the corresponding notes and the December 31, 2003 audited annual consolidated financial statements.

Variability of results

Onex' consolidated annual and quarterly operating results may vary substantially from period to period for a number of reasons, including some of the following: acquisitions or dispositions of businesses by Onex, the parent company; the volatility of the exchange rate between the

U.S. dollar and the Canadian dollar; the change in market value of stock-based compensation and derivative instruments; and activities at Onex' operating companies. These activities may include the purchase or sale of businesses; fluctuations in customer demand, materials and employee-related costs; and changes in the mix of products and services produced.

Significant events that affected reported results for the period ended June 30, 2004

The following significant events affected Onex' unaudited interim consolidated operating results in the first half of 2004 and their comparability to results for the same period of 2003.

Investment in Magellan

In January 2004, Onex and Onex Partners completed its investment in Magellan Health Services, Inc. ("Magellan"), the leading provider of managed behavioural healthcare in the United States. The operations of the company are included from that date on a consolidated basis. Magellan is a new reportable segment – Managed Healthcare – in Onex' unaudited interim consolidated financial statements. Note 3 to the unaudited interim consolidated financial statements provides additional information on this acquisition.

Sale of Dura Automotive

On April 1, 2004, Onex sold its remaining interest in Dura Automotive. Onex received proceeds of approximately $23 million and recorded a net pre-tax gain of $4 million. This brings total proceeds from Onex' ownership in Dura Automotive to $44 million compared to a $7 million investment in the company made since 1990. As a result of the sale, Dura Automotive's first quarter and year-to-date operating results for 2004 and the comparable periods of 2003 have been restated to be presented as earnings from discontinued operations in Onex' unaudited interim consolidated statements of earnings. Note 2 to the unaudited interim consolidated financial statements discloses those amounts in the December 31, 2003 balance sheet that have been restated to show the assets and liabilities as discontinued.

Performance Logistics Group Acquisition of Leaseway Auto Carrier Group

In late March 2004, Performance Logistics Group ("PLG") acquired Leaseway Auto Carrier Group ("Leaseway") from Penske Truck Leasing Co., L.P. in a share-exchange transaction. Due to the issuance of additional shares of PLG for this transaction, Onex' ownership in PLG was diluted to 26 percent from 50 percent and Onex ceased to have voting control of the company. As a result, PLG's operating results have been included on an equity accounting basis in 2004. This results in the presentation of the revenues and operating earnings being collapsed down to one line in the statements of earnings. In comparison, included in Onex' unaudited interim consolidated

statements of earnings for the three and six months ended June 30, 2003 were PLG's revenues of $71 million and $143 million, respectively, and operating earnings of $4 million and $7 million, respectively. In addition, in the first quarter of 2004, Onex recorded a $58 million non-cash gain relating to the Leaseway transaction, which has been included in the line "Gains (loss) on shares of operating companies" in Onex' unaudited interim consolidated statement of earnings for the six months ended June 30, 2004. The gain is comprised of a $22 million non-cash accounting dilution gain and $36 million of losses of PLG previously recognized by Onex that were in excess of other shareholders' equity in PLG.

Sale of Loews Cineplex Entertainment and Cinemex

In June 2004, Onex announced that it and Oaktree Capital Management, LLC ("Oaktree"), its partner in Loews Cineplex Entertainment Corporation and Grupo Cinemex (collectively "Loews Cineplex"), signed an agreement to sell Loews Cineplex to Bain Capital, the Carlyle Group and Spectrum Equity Investors for approximately $2 billion. This sale was subsequently completed in late July 2004. As a result of the agreement to sell Loews Cineplex as at June 30, 2004, Onex has presented Loews Cineplex' results as earnings from discontinued operations on the unaudited interim consolidated financial statements; the comparative 2003 second-quarter and year-to-date results of Loews Cineplex have also been reclassified to be presented as discontinued. Note 2 to the unaudited interim consolidated financial statements discloses those amounts in the December 31, 2003 balance sheet that have been restated to show the assets and liabilities as discontinued.

As part of the sale of Loews Cineplex, Onex and Oaktree retained the Loews interest in Cineplex Galaxy, which operates theatres in Canada under the Cineplex Odeon and Galaxy brands. Therefore, for the three and six months ended June 30, 2004, the theatre exhibition segment includes primarily the reported results of Cineplex Galaxy with the comparative results for the same periods of 2003.

Investment in ResCare

On June 23, 2004, Onex and Onex Partners completed its $114 million equity investment in Res-Care, Inc. ("ResCare") for an approximate 28 percent interest in the company. ResCare provides residential, therapeutic, job training and educational support to people with developmental or other disabilities, to youth with special needs and to adults who are experiencing barriers to employment. ResCare's operating results from the date of acquisition have been included on an equity accounting basis in the second quarter of 2004 in Onex' unaudited interim consolidated financial statements. ResCare's results did not have a significant effect on Onex' consolidated results in the second quarter due to the relatively short period of time following the investment.

New accounting policy for derivative instruments

Effective January 1, 2004, Onex adopted AcG-13, "Hedging Relationships" and EIC-128, "Accounting for Trading, Speculative or Non-Hedging Derivative Financial Instruments", which require those derivative instruments that do not qualify for hedge accounting to be marked-to-market. Onex, the parent company, has two derivative instruments – exchangeable debentures and forward sales contracts related to shares of Celestica held by Onex – that are now required to be marked-to-market, with the change in value being recorded to earnings. Even though there was no economic impact on Onex, in the second quarter of 2004, Onex recorded a $59 million charge on these derivative instruments as a result of the increase in the market value of the underlying Celestica shares since March 31, 2004. For the six months ended June 30, 2004, Onex recorded a $79 million charge for the change in market value of those instruments from December 31, 2003. Accounting rules do not permit Onex to record the offsetting benefit from the increase in market value of the Celestica shares held, which are pledged as the only security for those derivative instruments.

Weakening of the U.S. dollar relative to the Canadian dollar

As most of Onex' operating companies are based in the United States or report in U.S. dollars but Onex reports its consolidated financial results in Canadian dollars, the movement of the U.S. dollar to Canadian dollar exchange rate directly affects Onex' unaudited interim consolidated statements of earnings and unaudited interim consolidated balance sheet. On a year-to-date basis, the U.S. dollar's average value was 1.3386 Canadian dollars compared to 1.4541 Canadian dollars in the first six months of 2003. Thus, the lower U.S. dollar to Canadian dollar exchange rate used to convert Onex' U.S.-based operating companies' results was a contributing factor in the variance of the second-quarter and year-to-date results over the comparable periods last year.

Consolidated revenues

Consolidated revenues grew 53 percent to $4.5 billion in the second quarter of 2004 from $2.9 billion in the same quarter last year. The factors that contributed to the revenue growth in the quarter were: $569 million of revenue from the inclusion of Magellan, which was a new investment made in January 2004; $39 million primarily from ClientLogic's acquisition of Service Zone, Inc. in December 2003 and new business wins; $21 million from higher volumes at the Commercial Vehicle Group due to increased heavy-truck production in the quarter; and $929 million from improved revenues at Celestica due to a 28 percent increase in the company's base business volumes, as well as a 17 percent increase in revenues from its acquisitions of Manufacturers' Services Limited ("MSL") in mid-March 2004 and NEC Corporation's operations in the Philippines.

Partially offsetting the second-quarter revenue growth were the exclusion of PLG's revenues in 2004, which amounted to $71 million in the comparable quarter last year, and a three percent decline in the U.S. to Canadian dollar exchange rate used to translate the results of Onex' U.S.-based operating companies.

For the six months ended June 30, 2004, consolidated revenues were $8.4 billion, up 38 percent, or $2.3 billion, from $6.1 billion in the same period of 2003 due primarily to those factors cited above that impacted the second quarter, such as the inclusion of Magellan ($1.1 billion) and higher revenues at Celestica ($1.2 billion). Partially offsetting the revenue increase for the first six months of 2004 were lower revenues in the automotive segment due to PLG being accounted for on an equity basis in 2004 compared to on a consolidated basis as in 2003 ($143 million).

A detailed breakdown of revenues by industry segment for the three and six months ended June 30, 2004 and 2003 and the change in revenues from those periods is provided in Table 1 in both the Canadian dollar and the functional currency of the companies. This presentation is made to show the effect of currency translation rate changes. Note 15 to the unaudited interim consolidated financial statements also details revenues by industry segment.

Revenues by Industry Segment

TABLE 1 *(Unaudited) ($ millions) Three months ended June 30*	Canadian Dollars			Functional Currency		
	2004	2003	**Revenue increase/ (decrease)**	**2004**	2003	**Revenue increase/ (decrease)**
Electronics Manufacturing Services	**$ 3,148**	$ 2,219	**$ 929**	**US$ 2,314**	US$ 1,598	**US$ 716**
Theatre Exhibition	**95**	75	**20**	**C$ 95**	C$ 75	**C$ 20**
Managed Healthcare	**569**	–	**569**	**US$ 419**	–	**US$ 419**
Customer Management Services	**184**	145	**39**	**US$ 135**	US$ 104	**US$ 31**
Automotive Products	**319**	357	**(38)**	**US$ 235**	US$ 255	**US$ (20)**
Other[a]	**147**	127	**20**	**C$ 147**	C$ 127	**C$ 20**
Total	**$ 4,462**	$ 2,923	**$ 1,539**			

(Unaudited) ($ millions) Six months ended June 30	Canadian Dollars			Functional Currency		
	2004	2003	**Revenue increase/ (decrease)**	**2004**	2003	**Revenue increase/ (decrease)**
Electronics Manufacturing Services	**$ 5,806**	$ 4,615	**$ 1,191**	**US$ 4,331**	US$ 3,185	**US$ 1,146**
Theatre Exhibition	**173**	147	**26**	**C$ 173**	C$ 147	**C$ 26**
Managed Healthcare	**1,108**	–	**1,108**	**US$ 828**	–	**US$ 828**
Customer Management Services	**366**	304	**62**	**US$ 273**	US$ 209	**US$ 64**
Automotive Products	**626**	746	**(120)**	**US$ 468**	US$ 513	**US$ (45)**
Other[a]	**294**	241	**53**	**C$ 294**	C$ 241	**C$ 53**
Total	**$ 8,373**	$ 6,053	**$ 2,320**			

Results are reported in accordance with Canadian generally accepted accounting principles. These results may differ from those reported by the individual operating companies.

(a) Includes Radian, InsLogic, ONCAP and parent company.

Consolidated cost of sales

Consolidated cost of sales was up 48 percent to $3.9 billion in the second quarter of 2004 and up 36 percent to $7.3 billion for the first six months of 2004. This compares to consolidated cost of sales of $2.6 billion and $5.4 billion, respectively, for the three and six months ended June 30, 2003.

Table 2 provides a breakdown of cost of sales by industry segment for the three and six months ended June 30, 2004 and 2003 in both Canadian dollars and the companies' functional currency, as indicated. We have provided the cost of sales in the companies' functional currency to show the impact of foreign exchange translation on the cost of sales. Note 15 to the unaudited interim consolidated financial statements also provides cost of sales by industry segment in Canadian dollars.

Cost of Sales by Industry Segment

TABLE 2 *(Unaudited) ($ millions) Three months ended June 30*	Canadian Dollars 2004	2003	Cost of sales increase/ (decrease)	Functional Currency 2004	2003	Cost of sales increase/ (decrease)
Electronics Manufacturing Services	**$ 2,932**	$ 2,101	**$ 831**	**US$ 2,155**	US$ 1,515	**US$ 640**
Theatre Exhibition	**73**	60	**13**	**C$ 73**	C$ 60	**C$ 13**
Managed Healthcare	**432**	–	**432**	**US$ 318**	–	**US$ 318**
Customer Management Services	**114**	92	**22**	**US$ 84**	US$ 66	**US$ 18**
Automotive Products	**251**	271	**(20)**	**US$ 185**	US$ 195	**US$ (10)**
Other[a]	**96**	113	**(17)**	**C$ 96**	C$ 113	**C$ (17)**
Total	**$ 3,898**	$ 2,637	**$ 1,261**			

(Unaudited) ($ millions) Six months ended June 30	Canadian Dollars 2004	2003	Cost of sales increase/ (decrease)	Functional Currency 2004	2003	Cost of sales increase/ (decrease)
Electronics Manufacturing Services	**$ 5,432**	$ 4,334	**$ 1,098**	**US$ 4,052**	US$ 2,994	**US$ 1,058**
Theatre Exhibition	**134**	116	**18**	**C$ 134**	C$ 116	**C$ 18**
Managed Healthcare	**848**	–	**848**	**US$ 634**	–	**US$ 634**
Customer Management Services	**223**	194	**29**	**US$ 167**	US$ 133	**US$ 34**
Automotive Products	**493**	576	**(83)**	**US$ 369**	US$ 397	**US$ (28)**
Other[a]	**190**	177	**13**	**C$ 190**	C$ 177	**C$ 13**
Total	**$ 7,320**	$ 5,397	**$ 1,923**			

Results are reported in accordance with Canadian generally accepted accounting principles. These results may differ from those reported by the individual operating companies.

(a) Includes Radian, InsLogic, ONCAP and parent company.

Celestica's cost of sales increased 42 percent in its functional currency compared to a 45 percent increase in revenues in the second quarter of 2004. For the six months ended June 30, 2004, cost of sales for Celestica increased 35 percent compared to a 36 percent increase in revenues. The

improvement in gross profit of US$76 million in the quarter and US$88 million on a year-to-date basis was due primarily to increased base business volumes, improved operating efficiency, the benefits of previously announced restructuring activities and acquisitions, partially offset by ramp-up costs of new customer programs and product offerings.

ClientLogic reported cost of sales as a percentage of revenues at 62 percent during the second quarter of 2004 compared to 63 percent for the same quarter last year. For the six months ended June 30, 2004, cost of sales as a percentage of revenues was also lower at 61 percent compared to 64 percent in the first half of 2003. Lower cost of sales was due primarily to tighter cost management, as well as the benefit from a US$7 million settlement on previously reserved contingent liabilities.

Magellan, in which Onex and Onex Partners invested in January 2004 and which has been consolidated from that date, represented $432 million and $848 million, respectively, of the growth in cost of sales for the three and six months ended June 30, 2004.

The automotive products segment reported lower cost of sales for the three and six months ended June 30, 2004, due primarily to the exclusion of PLG, which began to be equity accounted in 2004, and for which cost of sales represented $48 million and $98 million in the three and six months ended June 30, 2003, respectively.

Table 3 provides cost of sales as a percentage of revenues for the three and six months ended June 30, 2004.

Cost of Sales as a Percentage of Revenues by Industry Segment

TABLE 3 *(Unaudited)*	Three months ended June 30		Six months ended June 30	
	2004	2003	**2004**	2003
Electronics Manufacturing Services	**93%**	95%	**94%**	94%
Theatre Exhibition	**77%**	80%	**77%**	79%
Managed Healthcare	**76%**	–	**77%**	–
Customer Management Services	**62%**	63%	**61%**	64%
Automotive Products	**79%**	76%	**79%**	77%
Other[a]	**65%**	89%	**65%**	73%
Total	**87%**	90%	**87%**	89%

Results are reported in Canadian dollars and in accordance with Canadian generally accepted accounting principles. These results may differ from those reported by the individual operating companies.

(a) Includes Radian, InsLogic, ONCAP and parent company.

Operating earnings

We define operating earnings as EBIAT, or earnings before interest expense, amortization of intangibles and deferred charges, acquisition and restructuring expenses and income taxes. Table 4 on page 18 provides a reconciliation of the unaudited interim consolidated statements of earnings to operating earnings for the three and six months ended June 30, 2004 and 2003.

Operating Earnings (Loss) Reconciliation

TABLE 4 — *(Unaudited) ($ millions)*	Three months ended June 30		Six months ended June 30	
	2004	2003	**2004**	2003
Earnings before the undernoted items	**$ 296**	$ 86	**$ 514**	$ 252
Amortization of property, plant and equipment	**(113)**	(104)	**(215)**	(213)
Interest and other income	**4**	14	**10**	42
Stock-based compensation	**(37)**	(31)	**(79)**	1
Foreign exchange gains (loss)	**13**	(48)	**15**	(103)
Operating earnings (loss)	**163**	(83)	**245**	(21)
Amortization of intangible assets and deferred charges	**(22)**	(22)	**(43)**	(47)
Interest expense of operating companies	**(49)**	(36)	**(104)**	(87)
Derivative instruments	**(59)**	–	**(79)**	–
Gains (loss) on shares of operating companies, net	**4**	(5)	**94**	14
Acquisition, restructuring and other expenses	**(75)**	(32)	**(101)**	(35)
Debt prepayment costs	**(2)**	1	**(2)**	(9)
Writedown of goodwill and intangible assets	**(5)**	–	**(5)**	–
Earnings (loss) before income taxes, non-controlling interests and discontinued operations	**$ (45)**	$(177)	**$ 5**	$(185)

Onex uses EBIAT to evaluate each operating company's performance because it eliminates interest charges, which are a function of the operating company's particular financing structure, as well as any unusual charges. Onex' method of determining operating earnings may differ from other companies' methods and, accordingly, EBIAT may not be comparable to measures used by other companies. EBIAT is not a performance measure under Canadian GAAP and should not be considered either in isolation or as a substitute for net earnings (loss) prepared in accordance with Canadian GAAP.

Consolidated operating earnings were $163 million in the second quarter of 2004, up $246 million from an operating loss of $83 million in the same quarter of 2003. The quarter-over-quarter change in operating earnings was due to several factors: the inclusion of Magellan, which contributed $69 million in operating earnings in the quarter; a $57 million improvement in operating earnings at Celestica due to the higher volumes and benefits from cost cutting; and a $19 million increase in ClientLogic's operating earnings driven primarily by the company cost reductions initiatives implemented in the fourth quarter of 2003. In addition, included in the second quarter of 2004 operating earnings was a $13 million foreign exchange gain compared to a $48 million exchange loss recorded in the second quarter of 2003. Approximately $12 million of the 2004 second-quarter foreign exchange gain and $51 million of the exchange loss booked in the second quarter of 2003 are reported in the "Other" line in Table 5. Partially offsetting these factors was an additional $6 million expense for stock-based compensation, and a $10 million decline in interest and other income in the three months ended June 30, 2004. The reporting of PLG on an equity accounting basis in 2004 results in the exclusion of PLG's operating earnings in 2004. PLG reported operating earnings of $4 million in the second quarter of 2003 (first six months of 2003 – $7 million).

For the six months ended June 30, 2004, operating earnings grew to $245 million from an operating loss of $21 million reported in the first half of 2003. All of the factors that drove the second-quarter operating earnings growth also contributed to the year-to-date growth of operating earnings in 2004.

A detailed breakdown of operating earnings by industry segment and the change in operating earnings for the three and six months ended June 30, 2004 and 2003 is provided in Table 5.

Operating Earnings (Loss) by Industry Segment

TABLE 5 *(Unaudited) ($ millions)*	Three months ended June 30			Six months ended June 30		
	2004	2003	**Operating earnings increase/ (decrease)**	**2004**	2003	**Operating earnings increase/ (decrease)**
Electronics Manufacturing Services	**$ 39**	$ (18)	**$ 57**	**$ 51**	$ 9	**$ 42**
Theatre Exhibition	**11**	10	**1**	**18**	21	**(3)**
Managed Healthcare	**69**	–	**69**	**109**	–	**109**
Customer Management Services	**15**	(4)	**19**	**28**	(8)	**36**
Automotive Products	**23**	30	**(7)**	**54**	64	**(10)**
Other [(a)]	**6**	(101)	**107**	**(15)**	(107)	**92**
Total	**$ 163**	$ (83)	**$ 246**	**$ 245**	$ (21)	**$ 266**

Results are reported in Canadian dollars and in accordance with Canadian generally accepted accounting principles. These results may differ from those reported by the individual operating companies.

(a) Includes Radian, InsLogic, ONCAP and parent company.

Stock-based compensation

Since January 2002, the change in the value of stock-based compensation at the parent company has been recorded through the statements of earnings. As a result, operating earnings may increase or decrease depending upon changes in the market value of the shares underlying the stock-based compensation.

Effective January 1, 2004, Onex' operating companies adopted new accounting rules for stock-based compensation, which required a fair value-based method to be applied to all stock-based compensation payments to both employees and non-employees. Previously, only those awards that called for settlement with cash or other assets, or stock appreciation rights that called for settlement by the issuance of equity instruments, were required to be recorded as compensation expense. While Onex' operating companies have adopted this policy change on a retroactive basis, prior year earnings have not been restated. Instead, retained earnings and non-controlling interests have been reduced by $5 million and $5 million, respectively. As a result of this new policy, Onex' operating companies, excluding the parent company, recorded stock compensation charges of $25 million and $46 million, respectively, for the three and six months ended June 30, 2004.

For the second quarter of 2004, the stock-based compensation expense of $37 million decreased operating earnings. Included in the stock-based compensation expense was a $12 million expense recorded by Onex as a result of the increase in value of Onex' stock options and investment rights from their value at March 31, 2004; a $14 million charge recorded by Commercial Vehicle Group; and a $6 million expense booked by Celestica. This compares to a $31 million charge to operating earnings recorded in the second quarter of 2003, which was due to the increase in value of Onex' stock options and investment rights from their value at March 31, 2003.

For the first six months of 2004, the stock-based compensation expense was a $79 million charge against operating earnings compared to a $1 million benefit recorded in operating earnings in the first half of 2003. The $79 million charge was contributed primarily by: the increase in value of Onex' stock options and investment rights from their value at December 31, 2003, which accounted for $33 million; a $14 million charge was recorded by Commercial Vehicle Group; Magellan recorded a $20 million stock-based compensation expense; and Celestica accounted for $11 million of the overall stock-based compensation expense for the first six months of 2004.

Foreign exchange gains (loss)

Foreign exchange gains (loss) reflect the impact of changes in foreign exchange rates, primarily on the U.S. dollar denominated cash held at Onex, the parent company, and foreign currency denominated cash held at the operating companies. While changes in foreign currency rates may apply to various currencies, the primary foreign currency translation impact on Onex' unaudited interim consolidated financial results is from the conversion of the U.S. dollar to the Canadian dollar. Note 15 to the unaudited interim consolidated financial statements provides a breakdown of foreign currency gains (loss) by industry segment.

At June 30, 2004, the U.S. to Canadian dollar exchange rate closed at 1.3338 Canadian dollars, up from 1.3113 Canadian dollars at March 31, 2004 and 1.2965 Canadian dollars at December 31, 2003. As Onex, the parent company, holds a significant portion of its cash in U.S. dollars, this exchange rate movement increased the value of the U.S. cash held and Onex recorded a foreign exchange gain of $11 million in the second quarter and $17 million for the six months ended June 30, 2004, which were both included in operating earnings. This compares to an exchange loss for the three and six months ended June 30, 2003 of $62 million and $110 million, respectively; during these periods the closing value of the U.S. dollar declined to 1.3475 Canadian dollars at June 30, 2003 from 1.4678 Canadian dollars at March 31, 2003 and 1.5776 Canadian dollars at December 31, 2002.

Interest and other income

Interest and other income decreased to $4 million in the second quarter of 2004 from $14 million in the same quarter last year. For the first six months of 2004, interest and other income was $10 million, down from $42 million in the same period of 2003 due primarily to lower cash balances at the parent company and Celestica and lower returns on those cash balances. Onex used cash of $143 million to repurchase 8,725,600 of its Subordinate Voting Shares in the first half of 2004, of which 4,998,200 Subordinate Voting Shares were repurchased in the second quarter of 2004 for a total cost of $84 million. In addition, Celestica used $83 million of cash in the first six months of 2004 for the purchase of MSL and NEC Corporation assets in the Philippines as described in note 3 to the unaudited interim consolidated financial statements.

Derivative instruments

Effective January 1, 2004, Onex adopted the new AcG-13, "Hedging Relationships", which addresses the identification, designation, documentation and effectiveness of hedging relationships for the purpose of applying hedge accounting. This Guideline also establishes certain conditions for applying hedge accounting and deals with the discontinuation of hedge accounting. Onex also adopted EIC-128, "Accounting for Trading, Speculative or Non-Hedging Derivative Financial Instruments", which requires those derivative instruments that do not qualify for hedge accounting to be marked-to-market. At December 31, 2003, Onex, the parent company, had two derivative instruments in place – exchangeable debentures and forward sales contracts related to shares of Celestica held by Onex – that were affected by these new pronouncements. Onex determined that these instruments did not qualify for hedge accounting based on the new guidance and accordingly Onex is required to mark-to-market these instruments to the value of the underlying securities, which are Celestica subordinate voting shares.

During the second quarter of 2004, Onex recorded a $59 million charge for the change in the market value of its exchangeable debentures and forward sales contracts as a result of the increase in market value of the underlying Celestica shares since March 31, 2004. For the six months ended June 30, 2004, Onex recorded a $79 million charge relating to these instruments to reflect the market value increase from December 31, 2003. While these accounting charges were required to be made in accordance with the new accounting guideline, they do not have an economic impact on Onex. Onex may settle these derivative instruments with the delivery of Celestica shares that it currently holds and that are pledged as security for these derivative instruments. Accounting rules do not permit Onex to record the offsetting benefit from the increase in the market value of those Celestica shares in the unaudited interim consolidated financial statements.

Gains (loss) on shares of operating companies, net

Onex recorded a gain of $4 million on shares of operating companies in the second quarter of 2004 compared to a loss of $5 million in the same quarter of 2003. For the six months ended June 30, 2004, Onex recorded gains of $94 million on shares of operating companies compared to $14 million for the same period of 2003. Included in the 2004 gains was a $58 million non-cash gain recorded in the first quarter by Onex resulting from PLG's issuance of shares for its purchase of Leaseway Auto Carrier Group, which was comprised of a $22 million non-cash accounting dilution gain and the reversal of $36 million of losses of PLG previously recognized by Onex that were in excess of other shareholders' equity in PLG. In addition, the issuance of shares by Celestica for the purchase of MSL in March 2004 resulted in a further $9 million accounting dilution gain recorded by Onex. Note 3 to the unaudited interim consolidated financial statements provides additional disclosure on this transaction. The $14 million of net gains reported in the first six months of 2003 was due primarily to a $16 million gain recorded by Vencap from the company's sale of its remaining operating company. Note 6 to the unaudited interim consolidated financial statements details the gains (loss) on shares of Onex' operating companies.

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 or obtain operating synergies critical to building the long-term value of Onex' operating companies. In the second quarter of 2004, acquisition, restructuring and other expenses totalled $75 million compared to $32 million in the same quarter last year. Approximately $69 million of the total acquisition, restructuring and other expenses recorded in the second quarter of 2004 was incurred by Celestica, relating to previously announced restructuring plans. Many of the costs to implement these plans can be recorded only as they are incurred and thus may be spread over several reporting periods. These plans, which include reducing workforce, consolidating facilities and repositioning the number and location of production facilities, were primarily intended to align Celestica's capacity and infrastructure to anticipated customer requirements for more capacity in low-cost geographies, as well as rationalize its manufacturing network to lower demand levels.

For the six months ended June 30, 2004, acquisition, restructuring and other expenses were $101 million compared to $35 million in the first six months of 2003. Celestica's restructuring plans described above accounted for $87 million of the total acquisition, restructuring and other expenses recorded in the first half of 2004 compared to $29 million of restructuring charges from Celestica in the first half of 2003. Note 7 to the unaudited interim consolidated financial statements details the nature of the acquisition, restructuring and other expenses,

such as employee termination costs, facility and exit costs and other charges, by the year in which the activity was initiated. In addition, note 15 to the unaudited interim consolidated financial statements provides a breakdown of acquisition, restructuring and other expenses by industry segment.

Non-controlling interests in losses (earnings) of operating companies

In the unaudited interim consolidated statements of earnings, the non-controlling interest amount, which represents the interests of shareholders other than Onex in the net earnings of the operating companies, was $25 million for the second quarter of 2004 (2003 second quarter – net losses of $30 million). For the first six months of 2004, the non-controlling interest amount in Onex' operating companies was $31 million of earnings compared to net losses of $22 million for the six months ended June 30, 2003. The change in the non-controlling interest amount was due primarily to improved results at Celestica compared to last year, and the inclusion of Magellan's earnings for the three and six months ended June 30, 2004.

Loss from continuing operations

Onex' consolidated loss from continuing operations was $79 million ($0.55 per share) in the second quarter of 2004 compared to a loss of $141 million ($0.92 per share) reported for the same period of 2003. For the six months ended June 30, 2004, the consolidated loss from continuing operations was $39 million ($0.27 per share) compared to a $156 million ($1.01 per share) loss for the first six months of 2003. Table 6 details the net earnings (loss) from continuing operations by industry segment for the three and six months ended June 30, 2004 and 2003.

Earnings (loss) from continuing operations

TABLE 6 *(Unaudited) ($ millions)*	Three months ended June 30		Six months ended June 30	
	2004	2003	**2004**	2003
Earnings (loss) before income taxes and non-controlling interests:				
Electronics Manufacturing Services	**$ (45)**	$ (66)	**$ (62)**	$ (60)
Theatre Exhibition	**12**	8	**14**	19
Managed Healthcare	**51**	–	**72**	–
Customer Management Services	**(1)**	(11)	**4**	(24)
Automotive Products	**(8)**	1	**(4)**	(15)
Other [(a)]	**(54)**	(109)	**(19)**	(105)
	(45)	(177)	**5**	(185)
Recovery of (provision for) income taxes	**(9)**	6	**(13)**	7
Non-controlling interests of operating companies	**(25)**	30	**(31)**	22
Loss from continuing operations	**$ (79)**	$(141)	**$ (39)**	$(156)

(a) Includes Radian, InsLogic, ONCAP and parent company.

Earnings (loss) from discontinued operations

Earnings from discontinued operations in the second quarter of 2004 were $10 million ($0.06 per share) compared to a loss of $21 million ($0.14 per share) in the same quarter of 2003. The second quarter of 2004 earnings from discontinued operations were primarily from the operations of Loews Cineplex and the gain from the sale of Dura Automotive. In June 2004, Onex and Oaktree, its partner in Loews Cineplex, signed an agreement to sell the company for approximately $2 billion, which resulted in Onex presenting its share of Loews Cineplex' second-quarter results of $5 million as earnings from discontinued operations on the unaudited interim consolidated financial statements. In addition, approximately $4 million of earnings from discontinued operations was related to the gain on the sale of Dura Automotive. The loss from discontinued operations in the second quarter of 2003 was essentially all associated with MAGNATRAX, which Onex ceased to control in the fourth quarter of 2003.

For the six months ended June 30, 2004, earnings from discontinued operations were $7 million ($0.05 per share) compared to a loss of $41 million ($0.26 per share) from discontinued operations reported in the first six months of 2003. Included in the year-to-date results for 2004 were $4 million in earnings from Loews Cineplex' operations. The net effect of the operations and sale of Dura Automotive, which Onex sold on April 1, 2004, was not significant. The comparative unaudited interim consolidated statements of earnings and statements of cash flows for the three and six months ended June 30, 2004 and 2003 have been reclassified to present the operations of Loews Cineplex, Dura Automotive, CMC Electronics' U.S. operations, Rogers Sugar and Lantic Sugar, and MAGNATRAX, which Onex ceased to control in the fourth quarter of 2003, as discontinued.

Consolidated net loss

The consolidated net loss for the second quarter of 2004, including the gains (loss) on shares and the earnings (loss) from discontinued operations, was $69 million ($0.49 per share); this compares to a net loss of $162 million ($1.06 per share) for the second quarter of 2003. For the six months ended June 30, 2004, Onex' consolidated net loss was $32 million ($0.22 per share) compared to a consolidated net loss of $197 million ($1.27 per share) in the first six months of 2003.

For the second quarter and for the six months ended June 30, 2004, Onex was required for accounting purposes to recognize 100 percent of the losses (earnings) of ClientLogic, InsLogic, J.L. French and Radian even though Onex does not own 100 percent of these businesses. Prior losses at these companies have eliminated the value contributed by other shareholders in these companies. Thus, for accounting purposes, the other shareholders' portion of these companies' current losses is required to be included in determining Onex' net earnings (loss). For consolidation accounting purposes, the cumulative interests of other shareholders in these companies cannot be recorded at a negative value. These losses of other shareholders included in Onex'

unaudited interim consolidated financial statements totalled $5 million in the second quarter of 2004 (second quarter of 2003 – $9 million) and $9 million in the first six months of 2004 (first six months of 2003 – $22 million). When these companies begin to record earnings, Onex will include 100 percent of any profits in these companies until Onex has recovered the amount of the losses of non-controlling shareholders that were previously booked.

Note 15 to the unaudited interim consolidated financial statements provides a detailed breakdown of earnings (loss) before taxes and non-controlling interests by industry segment for the three and six months ended June 30, 2004 and 2003.

CONSOLIDATED FINANCIAL POSITION

This section should be read in conjunction with the unaudited interim consolidated balance sheet as at June 30, 2004 and the corresponding notes thereto and the audited annual consolidated balance sheet as at December 31, 2003.

Consolidated assets

Consolidated assets were $14.5 billion at June 30, 2004, down from $14.6 billion at December 31, 2003. A breakdown of assets by industry segment is provided in note 15 to the unaudited interim consolidated financial statements. The net decline in consolidated assets in the first half of 2004 was due primarily to the elimination of assets of Dura Automotive, which were no longer consolidated at June 30, 2004, but represented $2.8 billion of the total consolidated assets at December 31, 2003. Substantially offsetting this decline were: the inclusion of $1.5 billion of assets from Magellan, which has been consolidated from January 2004; $0.7 billion of assets from MSL, acquired by Celestica in mid-March 2004; and the strength of the Canadian dollar as at June 30, 2004 compared to December 31, 2003. Note 3 to the unaudited interim consolidated financial statements provides additional details of the acquisitions completed in the first six months of 2004.

The December 31, 2003 assets have been restated to show the assets of Loews Cineplex, Dura Automotive and the U.S. assets of CMC Electronics as discontinued. Note 2 to the unaudited interim consolidated financial statements provides a breakdown of the June 30, 2004 and December 31, 2003 assets for each of the businesses that were discontinued in the first half of 2004.

Goodwill

Goodwill was $2.7 billion at June 30, 2004, up from $1.5 billion at December 31, 2003 due primarily to the inclusion of Magellan, which added $576 million in goodwill, and $338 million from Celestica's purchase of MSL. Since Dura Automotive, Loews Cineplex and a portion of CMC Electronics' operations were reported as discontinued operations at June 30, 2004, the

December 31, 2003 goodwill balance has been restated to reclassify the $1.4 billion of goodwill attributed to those companies. The goodwill amounts have been reclassified to the "Long-lived assets held by discontinued operations" line of the balance sheets. Note 2 to the unaudited interim consolidated financial statements details the amounts for discontinued operations that were included in the December 31, 2003 audited annual consolidated balance sheet and June 30, 2004 unaudited interim consolidated balance sheet by line item.

Long-term debt

Onex, the parent company, has no long-term debt. It has been Onex' policy to preserve a financially strong parent company. We strictly adhere to this policy, which means that all debt financing is within our operating companies and each company is required to support its own debt.

Total long-term debt (including the current portion) was $2.8 billion at June 30, 2004 compared to $1.6 billion at December 31, 2003. The change in long-term debt resulted primarily from the inclusion of debt of Magellan, which totalled $509 million at June 30, 2004 following Onex and Onex Partners' investment in that company in January 2004, and new subordinated debt issued by Celestica.

In June 2004, Celestica issued US$500 million of senior subordinated notes with a fixed interest rate of 7.875 percent that are due in 2011. Approximately US$300 million of the proceeds from this issue were used to repurchase a portion of Celestica's Liquid Yield Option Notes ("LYONs") having a principal amount at maturity of approximately US$540 million. LYONs are currently recorded as non-controlling interest on Onex' consolidated balance sheet. Under revised *CICA Handbook* Section 3860, "Financial Instruments – Disclosure and Presentation", which becomes effective January 1, 2005, these LYONs will be required to be reclassified as debt on a retroactive basis. At June 30, 2004, Celestica had LYONs outstanding of a principal amount at maturity of US$614 million.

In connection with the acquisition of Leaseway Auto Carrier Group, PLG entered into an amended and restated credit agreement in the first quarter of 2004. As a result, PLG achieved compliance with its debt covenants.

Non-controlling interests

The non-controlling interest amounts on Onex' unaudited interim consolidated balance sheet as at June 30, 2004 primarily represents the ownership interests of shareholders other than Onex in Onex' operating companies. At June 30, 2004, the non-controlling interest balance totalled $4.9 billion compared to $4.3 billion at December 31, 2003. The change in the non-controlling interest balance from December 31, 2003 was due primarily to the inclusion of other shareholders' interests in Magellan, which has been consolidated from January 2004, and to Celestica's issuance of 14.1 million shares for the purchase of MSL, completed in mid-March 2004.

Partially offsetting the increase in the non-controlling interest balance was Celestica's repurchase of LYONs in the quarter, which are recorded as non-controlling interest.

Shareholders' equity

Shareholders' equity was $189 million at June 30, 2004 compared to $293 million at December 31, 2003. The decrease in shareholders' equity was due primarily to repurchases of Subordinate Voting Shares by Onex under its Normal Course Issuer Bids (the "Bids") for $143 million, and the $32 million net loss reported for the first six months of 2004. The amount paid for the shares repurchased under the Bids that was in excess of the book value of the shares was charged to retained earnings. That amount totalled $108 million for the six months ended June 30, 2004. The unaudited interim consolidated statements of shareholders' equity show the changes to the components of shareholders' equity for the six months ended June 30, 2004 and 2003.

At June 30, 2004, Onex had 139,358,280 Subordinate Voting Shares issued and outstanding. Table 7 shows the change in the number of Subordinate Voting Shares outstanding from December 31, 2003.

Change in Subordinate Voting Shares Outstanding

TABLE 7 | *(Unaudited)*

Subordinate Voting Shares outstanding at December 31, 2003	**148,015,300**
Issue of shares – Dividend Reinvestment Plan	**68,580**
Shares repurchased and cancelled under Onex' Normal Course Issuer Bids	**(8,725,600)**
Subordinate Voting Shares outstanding at June 30, 2004	**139,358,280**

Onex had Bids in place during the first half of 2004 that enabled it to repurchase up to 10 percent of the public float of its Subordinate Voting Shares. Onex believes that it is advantageous to Onex and its shareholders to continue to repurchase Onex' Subordinate Voting Shares from time to time when the shares are trading at prices that reflect a significant discount to their intrinsic value. For the six months ended June 30, 2004, Onex repurchased 8,725,600 Subordinate Voting Shares at a total cost of $143 million. Under similar Bids, Onex repurchased 6,561,000 shares at a total cost of $91 million in the first half of 2003.

Onex' Dividend Reinvestment Plan (the "Plan") enables Canadian shareholders to reinvest cash dividends to acquire new Subordinate Voting Shares of Onex at a market-related price at the time of reinvestment. In early March, Onex amended its Plan to remove the discount to market so that future shares acquired would be determined based on a market value. Eliminating the discount brought the terms of the Plan in line with the dividend reinvestment plans of most other Toronto Stock Exchange-listed issuers. During the first six months of 2004, Onex issued 68,580 Subordinate Voting Shares under the Plan at an average cost of $14.99 per share, providing cash savings of approximately $1 million. During the six months ended

June 30, 2003, 164,530 Subordinate Voting Shares were issued under the Plan at an average cost of $14.05 per share, providing cash savings of approximately $2 million.

In February 2004, Onex issued 7,260,000 options to acquire Subordinate Voting Shares at an exercise price of $15.87, which was the market price of Onex shares at the time of issuance of the options. These options vest over five years and are not exercisable unless the market price is at least 25 percent above the option exercise price. At June 30, 2004, there were 11,498,100 options outstanding to acquire Subordinate Voting Shares.

LIQUIDITY AND CAPITAL RESOURCES

This section should be read in conjunction with the unaudited interim consolidated statements of cash flows for the three and six months ended June 30, 2004 and related notes to the unaudited interim consolidated financial statements.

Major Cash Flow Components

TABLE 8 *(Unaudited) ($ millions)*	Three months ended June 30		Six months ended June 30	
	2004	2003	**2004**	2003
Cash from operating activities, excluding changes in non-cash net working capital and other liabilities	**166**	88	**299**	132
Increase in non-cash net working capital and other liabilities	**(262)**	(201)	**(292)**	(143)
Cash from (used in) financing activities	**281**	(276)	**132**	(535)
Cash used in investing activities	**(308)**	(82)	**(310)**	(95)
Cash from (used in) discontinued operations	**72**	(80)	**(207)**	(116)
Consolidated cash[a]	**2,475**	3,324	**2,475**	3,324

(a) Includes cash from discontinued operations.

Cash from (used in) operating activities

Cash from operating activities, excluding changes in non-cash net working capital and other liabilities, totalled $166 million in the second quarter of 2004 compared to cash from operating activities of $88 million reported in the same quarter last year. For the first six months of 2004, cash from operations, excluding changes in non-cash net working capital and other liabilities, was $299 million compared to cash from operations of $132 million reported in the same period of 2003.

The increase in cash generated from operations for both the three and six months ended June 30, 2004 compared to the same periods last year was related primarily to the inclusion of Magellan for the three and six months ended June 30, 2004, which added approximately $67 million and $102 million, respectively. Improved operating results, primarily at Celestica and ClientLogic, also contributed to the growth in cash generated from operating activities. A detailed discussion of the consolidated operating results can be found under the heading "Consolidated Operating Results" beginning on page 11 of this MD&A.

For the three and six months ended June 30, 2004, non-cash net working capital related to operations and other liabilities used cash of $262 million and $292 million, respectively, compared to $201 million and $143 million of cash used for non-cash net working capital and other liabilities for the three and six months ended June 30, 2003. The increase in the use of cash was to pay down accounts payable and accrued liabilities, primarily at Celestica, due to the skew and timing of inventory purchases for the three and six months ended June 30, 2004.

Cash from (used in) financing activities

Cash from financing activities was $281 million in the second quarter of 2004 compared to cash used in financing activities of $276 million in the same quarter last year. For the six months ended June 30, 2004, cash from financing activities was $132 million compared to cash used of $535 million in the same period of 2003. Approximately $680 million of cash from financing activities was related to Celestica's 7.875 percent senior subordinated notes offering completed in the second quarter of 2004. In addition, for the second quarter and on a year-to-date basis, approximately $87 million of cash generated from financing activities was due to the cash received from other partners in Onex' fund, Onex Partners, for the $114 million investment in ResCare.

Partially offsetting these amounts were the uses of cash in financing activities, including: Onex' repurchase of shares under its Normal Course Issuer Bid, which used $84 million of cash in the second quarter (first six months of 2004 – $143 million) compared to $14 million in the second quarter of 2003 (first six months of 2003 – $91 million); and Celestica's repurchase of LYONs, which used cash of $405 million for the three and six months ended June 30, 2004 compared to $256 million in the same quarter last year ($486 million for the six months ended June 30, 2003) for the repurchase of that company's subordinate voting shares and LYONs.

Cash used in investing activities

Cash used in investing activities totalled $308 million for the second quarter of 2004 and $310 million for the six months ended June 30, 2004. This compares to cash used in investing activities of $82 million for the second quarter of 2003 and $95 million for the six months ended June 30, 2003. Acquisitions completed in the first half of 2004 used cash of $88 million, while $123 million was used in the second quarter of 2004. This compares to nil and $67 million of cash used for acquisitions for the three and six months ended June 30, 2003. Cash used in acquisitions was higher in the second quarter of 2004 than that for the first six months of 2004 due to an anomaly in the first quarter of 2004. This anomaly was associated with the consolidation of Magellan, which provided cash of $35 million in the first quarter of 2004 due to the cash balance in Magellan at the time of our investment exceeding the cash investment made by Onex and Onex Partners.

Acquisitions completed in the second quarter of 2004 were primarily related to purchases completed by ONCAP. Note 3 to the unaudited interim consolidated financial statements provides more details of acquisitions completed in the first half of 2004.

Also included in the cash used in investing activities was the $114 million investment in ResCare completed by Onex and Onex Partners in the second quarter of 2004, and an increase in expenditures for property, plant and equipment for the three and six months ended June 30, 2004 of $15 million and $55 million, respectively, compared to the same periods last year.

Cash from (used in) discontinued operations

Cash from (used in) discontinued operations represents the cash positions of those businesses that have been discontinued, primarily Loews Cineplex and Dura Automotive. Cash from discontinued operations for the second quarter of 2004 was $72 million compared to $80 million of cash used in the same quarter last year.

For the six months ended June 30, 2004, cash used in discontinued operations was $207 million compared to $116 million in the same period last year. Included in the cash from discontinued operations in the quarter and on a year-to-date basis was $23 million in proceeds received from the sale of Dura Automotive.

Consolidated cash resources

At June 30, 2004, consolidated cash from continuing operations was $2.3 billion compared to $2.4 billion as at December 31, 2003. Onex, the parent company, represented approximately $0.7 billion of cash on hand, Celestica approximately $1.1 billion of cash and Magellan approximately $0.4 billion of cash at June 30, 2004. In addition, there was approximately $0.3 billion of near-cash items at Onex, the parent company, at June 30, 2004.

Summary quarterly information

The following table summarizes Onex' key consolidated financial information for the last eight quarters.

TABLE 9 *($ millions except per share amounts)*

		2004		2003				2002	
		June	**March**	Dec.	Sept.	June	March	Dec.	Sept.
Revenues		**4,462**	**3,911**	3,272	2,863	2,923	3,130	3,719	3,700
Earnings (loss) from continuing operations		**(79)**	**40**	(124)	(290)	(141)	(15)	(190)	39
Net earnings (loss)		**(69)**	**37**	154	(289)	(162)	(35)	(250)	34
Earnings (loss) per Subordinate Voting Share									
Basic:	Continuing operations	**(0.55)**	**0.27**	(0.82)	(1.90)	(0.92)	(0.10)	(1.19)	0.24
	Net earnings (loss)	**(0.49)**	**0.25**	1.01	(1.88)	(1.06)	(0.23)	(1.56)	0.21
Diluted:	Continuing operations	**(0.55)**	**0.27**	(0.82)	(1.90)	(0.92)	(0.10)	(1.19)	0.24
	Net earnings (loss)	**(0.49)**	**0.25**	1.01	(1.88)	(1.06)	(0.23)	(1.56)	0.21

Outlook

The following provides an update to the outlooks that were included in the December 31, 2003 annual report and the report for the quarter ended March 31, 2004.

Sale of Loews Cineplex

In June 2004, Onex announced that it and Oaktree Capital Management, LLC, its partner in Loews Cineplex Entertainment Corporation and Grupo Cinemex (collectively, "Loews Cineplex"), signed an agreement to sell Loews Cineplex to Bain Capital, the Carlyle Group and Spectrum Equity Investors for approximately $2 billion. This transaction was completed toward the end of July 2004, and Onex' share of the cash proceeds from this transaction was approximately $739 million. Following the completion of this transaction, Onex, the parent company, will have substantial cash resources. In determining the appropriate use of that cash, Onex will evaluate various strategic opportunities to create value for Onex shareholders, including acquisitions completed through Onex Partners and ONCAP, additional investments in our existing operating companies, the repurchase of Onex shares under the Normal Course Issuer Bid and other opportunities.

As a result of the sale of Loews Cineplex, consolidated revenues and operating earnings going forward will be lower than those reported for this segment in the prior year.

J.L. French refinancing

In mid-July, J.L. French announced that it had commenced a tender offer for any and all of its outstanding 11.5 percent senior subordinated notes due in 2009. The tender offer is conditional upon, among other things, obtaining the requisite financing to fund the tender offer through a US$165 million preferred equity offering, as well as the refinancing of J.L. French's existing senior secured credit facility. As part of the refinancing, Onex and certain other shareholders may purchase up to US$50 million of the preferred equity securities. The net proceeds from the refinancing and the preferred equity offering will be used by J.L. French to fund the purchase of notes in the tender offer and to repay its existing senior indebtedness.

Initial public offering by Commercial Vehicle Group

In May 2004, Commercial Vehicle Group, Inc. ("Commercial Vehicle Group"), the combined businesses of Bostrom Holding, Inc. and Trim Systems, Inc., filed a registration statement with the U.S. Securities and Exchange Commission for an initial public offering of common stock. Commercial Vehicle Group supplies interior systems, vision safety solutions and other cab-related products for the global commercial vehicle market, including the heavy-duty (Class 8) truck market, construction market and other specialized transportation markets. A $160 million offering of shares (NASDAQ: CVGI) was completed in early August. The offering included both a primary and a secondary component. The primary sale of shares by Commercial Vehicle Group

resulted in that company receiving net proceeds of approximately $48 million, which it will use to reduce outstanding indebtedness and for general corporate purposes.

The secondary sale of shares was by Onex and certain other shareholders, with Onex receiving approximately $55 million in net proceeds. In addition, Onex received approximately $25 million on the repayment of debt held by Onex. As a result of this offering and the sale of shares, Onex will hold approximately 4.3 million shares of Commercial Vehicle Group, which had a value of approximately $73 million at the offering price. Onex' investment in the equity and debt of Commercial Vehicle Group was at a cost of approximately $69 million. Onex will be the largest shareholder in Commercial Vehicle Group, with an approximate 25 percent ownership interest following this offering, but will cease to have a controlling ownership interest.

Electronics manufacturing services

Celestica anticipates additional improvement in its operating margins as a result of cost savings from previously announced restructuring activities and better operational efficiencies due to a more stable demand environment.

Celestica's board of directors has approved the expenditure of up to an additional US$200 million to repurchase LYONs on the open market or in privately negotiated transactions, with the amount and timing of any such purchases occurring at Celestica management's discretion.

Celestica will continue to evaluate its operations and could propose future restructuring actions as a result of changes in the marketplace, including the possibility of exiting less profitable operations or service offerings no longer sought out by customers. In April 2004, Celestica announced further restructuring plans totalling between US$175 million and US$200 million to be recorded throughout 2004 and into the first quarter of 2005, of which US$64 million has been recorded in the first half of 2004.

Small-capitalization opportunities

In July 2004, ONCAP sold all of its shares of Armtec in that company's initial public offering. ONCAP received approximately $76 million of proceeds compared to its $36 million investment made in August 2001. Armtec is a leading manufacturer and marketer of drainage products and engineered solutions for infrastructure applications in a diverse cross-section of industries, including the public infrastructure market and private sector markets such as natural resources, residential drainage and agricultural drainage in Canada. A portion of proceeds from the sale of shares under Armtec's initial public offering will be distributed to ONCAP shareholders including Onex.

Consolidated Balance Sheets

(in millions of dollars)	*(Unaudited)* As at June 30 **2004**	As at December 31 2003
Assets		
Current assets		
Cash and short-term investments	**$ 2,269**	$ 2,364
Accounts receivable	**1,885**	1,394
Inventories	**1,794**	1,504
Other current assets	**625**	479
Current assets held by discontinued operations (note 2)	**325**	1,173
	6,898	6,914
Property, plant and equipment	**2,052**	1,801
Investments and other assets (note 4)	**968**	613
Goodwill	**2,668**	1,500
Intangible assets	**358**	304
Long-lived assets held by discontinued operations (note 2)	**1,592**	3,489
	$ 14,536	$ 14,621
Liabilities and Shareholders' Equity		
Current liabilities		
Bank indebtedness, without recourse to Onex	**$ 14**	$ 1
Accounts payable and accrued liabilities	**3,073**	2,532
Current portion of long-term debt and obligations under capital leases of operating companies, without recourse to Onex	**295**	308
Current liabilities held by discontinued operations (note 2)	**363**	920
	3,745	3,761
Long-term debt of operating companies, without recourse to Onex (note 5)	**2,544**	1,275
Obligations under capital leases of operating companies, without recourse to Onex	**28**	28
Exchangeable debentures	**246**	180
Future income taxes	**746**	726
Other liabilities	**1,113**	878
Long-term liabilities held by discontinued operations (note 2)	**1,016**	3,199
	9,438	10,047
Non-controlling interests	**4,909**	4,281
Shareholders' equity	**189**	293
	$ 14,536	$ 14,621

See accompanying notes to unaudited interim consolidated financial statements.

These unaudited interim consolidated financial statements should be read in conjunction with the 2003 audited annual consolidated financial statements.

The December 31, 2003 balance sheet is taken from the audited annual consolidated financial statements and has been restated for discontinued operations.

Consolidated Statements of Earnings

(Unaudited) *(in millions of dollars, except per share data)*	Three months ended June 30 2004	Three months ended June 30 2003	Six months ended June 30 2004	Six months ended June 30 2003
Revenues	**$ 4,462**	$ 2,923	**$ 8,373**	$ 6,053
Cost of sales	**(3,898)**	(2,637)	**(7,320)**	(5,397)
Selling, general and administrative expenses	**(268)**	(200)	**(539)**	(404)
Earnings before the undernoted items	**$ 296**	$ 86	**$ 514**	$ 252
Amortization of property, plant and equipment	**(113)**	(104)	**(215)**	(213)
Amortization of intangible assets and deferred charges	**(22)**	(22)	**(43)**	(47)
Interest expense of operating companies	**(49)**	(36)	**(104)**	(87)
Interest and other income	**4**	14	**10**	42
Foreign exchange gains (loss)	**13**	(48)	**15**	(103)
Stock-based compensation (note 10)	**(37)**	(31)	**(79)**	1
Derivative instruments	**(59)**	–	**(79)**	–
Gains (loss) on shares of operating companies, net (note 6)	**4**	(5)	**94**	14
Acquisition, restructuring and other expenses (note 7)	**(75)**	(32)	**(101)**	(35)
Debt prepayment costs	**(2)**	1	**(2)**	(9)
Writedown of goodwill and intangible assets	**(5)**	–	**(5)**	–
Earnings (loss) before income taxes, non-controlling interests and discontinued operations	**(45)**	(177)	**5**	(185)
Recovery of (provision for) income taxes	**(9)**	6	**(13)**	7
Non-controlling interests of operating companies	**(25)**	30	**(31)**	22
Loss from continuing operations	**(79)**	(141)	**(39)**	(156)
Earnings (loss) from discontinued operations (note 2)	**10**	(21)	**7**	(41)
Net Loss for the Period	**$ (69)**	$ (162)	**$ (32)**	$ (197)
Net Earnings (Loss) per Subordinate Voting Share (note 8)				
Basic:				
Continuing operations	**$ (0.55)**	$ (0.92)	**$ (0.27)**	$ (1.01)
Discontinued operations	**$ 0.06**	$ (0.14)	**$ 0.05**	$ (0.26)
Net loss	**$ (0.49)**	$ (1.06)	**$ (0.22)**	$ (1.27)
Diluted:				
Continuing operations	**$ (0.55)**	$ (0.92)	**$ (0.27)**	$ (1.01)
Discontinued operations	**$ 0.06**	$ (0.14)	**$ 0.05**	$ (0.26)
Net loss	**$ (0.49)**	$ (1.06)	**$ (0.22)**	$ (1.27)

See accompanying notes to unaudited interim consolidated financial statements.
These unaudited interim consolidated financial statements should be read in conjunction with the 2003 audited annual consolidated financial statements.
The June 30, 2003 unaudited interim consolidated statements of earnings have been restated for discontinued operations.

Consolidated Statements of Shareholders' Equity

(Unaudited) *(in millions of dollars, except per share data)* Six months ended June 30	Share Capital (note 9)	Retained Earnings	Cumulative Translation Adjustment	Total Shareholders' Equity
Balance – December 31, 2002	$ 658	$ 279	$ 107	$ 1,044
Dividends declared [a]	–	(8)	–	(8)
Issue of shares – dividend reinvestment plan and exercise of options	3	–	–	3
Purchase and cancellation of shares	(26)	(65)	–	(91)
Currency translation adjustment	–	–	(181)	(181)
Net loss for the period	–	(197)	–	(197)
Balance – June 30, 2003	$ 635	$ 9	$ (74)	$ 570
Balance – December 31, 2003	**$ 618**	**$ (190)**	**$ (135)**	**$ 293**
Change in stock-based compensation accounting policy [b]	**–**	**(5)**	**–**	**(5)**
Dividends declared [a]	**–**	**(8)**	**–**	**(8)**
Issue of shares – dividend reinvestment plan	**1**	**–**	**–**	**1**
Purchase and cancellation of shares	**(35)**	**(108)**	**–**	**(143)**
Currency translation adjustment	**–**	**–**	**83**	**83**
Net loss for the period	**–**	**(32)**	**–**	**(32)**
Balance – June 30, 2004	**$ 584**	**$ (343)**	**$ (52)**	**$ 189**

(a) Dividends declared per Subordinate Voting Share were $0.055 (2003 – $0.055) for the six months ended June 30, 2004.

(b) Adoption of the revised *CICA Handbook* Section 3870, "Stock-based Compensation and Other Stock-based Payments" (see note 1).

See accompanying notes to unaudited interim consolidated financial statements.

These unaudited interim consolidated financial statements should be read in conjunction with the 2003 audited annual consolidated financial statements.

Consolidated Statements of Cash Flows

(Unaudited) *(in millions of dollars)*	Three months ended June 30		Six months ended June 30	
	2004	2003	**2004**	2003
Operating Activities				
Net loss for the period from continuing operations	**$ (79)**	$ (141)	**$ (39)**	$ (156)
Items not affecting cash:				
Amortization of property, plant and equipment	**113**	104	**215**	213
Amortization of intangible assets and deferred charges	**22**	22	**43**	47
Writedown of goodwill and intangible assets	**5**	–	**5**	–
Non-controlling interests in results of operating companies	**25**	(30)	**31**	(22)
Future income taxes	**(5)**	(23)	**(11)**	(35)
Stock-based compensation	**37**	31	**79**	(1)
Derivative instruments	**59**	–	**79**	–
Gains (loss) on shares of operating companies, net (note 6)	**(4)**	5	**(94)**	(14)
Other	**(7)**	120	**(9)**	100
	166	88	**299**	132
Increase in other liabilities	**75**	5	**104**	10
Changes in non-cash working capital items:				
Accounts receivable	**(119)**	(4)	**(186)**	248
Inventories	**90**	(38)	**(37)**	(79)
Other current assets	**10**	(51)	**192**	(99)
Accounts payable and accrued liabilities	**(318)**	(113)	**(365)**	(223)
Increase in non-cash net working capital related to operations	**(337)**	(206)	**(396)**	(153)
	(96)	(113)	**7**	(11)
Financing Activities				
Issuance of long-term debt	**1,022**	100	**1,353**	307
Repayment of long-term debt	**(331)**	(53)	**(806)**	(252)
Cash dividends paid	**(4)**	(3)	**(7)**	(6)
Repurchase of share capital	**(84)**	(14)	**(143)**	(91)
Issuance of share capital by operating companies	**131**	8	**168**	32
Repurchase of share capital by operating companies	**(405)**	(256)	**(405)**	(486)
Decrease in other financing activities	**(48)**	(58)	**(28)**	(39)
	281	(276)	**132**	(535)
Investing Activities				
Acquisition of operating companies, net of cash in acquired companies[a] (note 3)	**(123)**	–	**(88)**	(67)
Purchase of property, plant and equipment	**(93)**	(78)	**(200)**	(145)
Proceeds from sales of shares of operating companies	**4**	2	**31**	26
Net decrease (increase) in investments and other investing activities	**(96)**	(6)	**(53)**	91
	(308)	(82)	**(310)**	(95)
Cash from (used in) discontinued operations	**72**	(80)	**(207)**	(116)
Decrease in Cash and Short-term Investments for the Period	**(51)**	(551)	**(378)**	(757)
Increase (decrease) in cash and short-term investments due to changes in foreign exchange rates	**27**	(275)	**53**	(561)
Cash and short-term investments – beginning of the period	**2,499**	4,150	**2,800**	4,642
Cash and Short-term Investments – End of the Period	**$ 2,475**	$ 3,324	**$ 2,475**	$ 3,324

(a) Cash in the acquired companies for the quarter was $4 (2003 – nil) and $313 (2003 – $6) for the six months ended June 30, 2004.

These unaudited interim consolidated financial statements should be read in conjunction with the 2003 audited annual consolidated financial statements.
The June 30, 2003 unaudited interim consolidated statement of cash flows has been restated for discontinued operations.

Notes to Interim Consolidated Financial Statements

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

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

1. BASIS OF PREPARATION

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles ("GAAP"). 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, 2003. Certain amounts presented in the comparative prior periods have been reclassified to conform to the presentation adopted in the current period for discontinued operations.

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 herein.

In the first quarter of 2004, the Company adopted Section 1100 of the *Canadian Institute of Chartered Accountants* ("CICA") *Handbook*, "Generally Accepted Accounting Principles", and Section 1400, "General Standards of Financial Statement Presentation". Section 1100 establishes standards for financial reporting in accordance with GAAP and provides guidance on sources to consult when selecting accounting policies and determining the appropriate disclosures when a matter is not explicitly dealt with in the primary sources of GAAP. Section 1400 provides updated guidance on general concepts associated with financial statements. Adoption did not have a material effect on these unaudited interim consolidated financial statements.

Effective January 1, 2004, the Company adopted Accounting Standards Board Accounting Guideline 13 ("AcG-13"), "Hedging Relationships", which addresses the identification, designation, documentation and effectiveness of hedging relationships for the purpose of applying hedge accounting. AcG-13 also establishes certain conditions for applying hedge accounting and deals with discontinuance of hedge accounting. The Company also adopted Emerging Issues Committee Abstract 128 ("EIC-128"), "Accounting for Trading, Speculative or Non-Hedging Derivative Financial Instruments". This EIC requires that any derivative financial instrument that is not designated as a compliant hedge under AcG-13 be measured at fair value, with changes in fair value recorded in current year income. Upon adoption of this standard, the Company's hedge relationships for its exchangeable debentures and forward sales contracts no longer qualify for hedge accounting and thus, on a prospective basis, the changes in fair values of these instruments from January 1, 2004 have been reflected in the statements of earnings under "Derivative Instruments". Previously deferred gains on these instruments, which at January 1, 2004 amounted to $730, will continue to be deferred. At the date of adoption, the fair value of the exchangeable debentures was a liability of $180 and for the forward sales contracts an asset of $181.

In the first quarter of 2004, the Company adopted *CICA Handbook* Section 3110, "Asset Retirement Obligations", which establishes standards for the recognition, measurement and disclosure of liabilities for asset retirement obligations and the associated retirement costs. This section applies to all legal obligations associated with the retirement of tangible long-lived assets that result from their acquisition, construction, development or normal operation. Adoption did not have a material impact on these unaudited interim consolidated financial statements.

Effective January 1, 2004, the Company adopted revised *CICA Handbook* Section 3870, "Stock-based Compensation and Other Stock-based Payments", which requires that a fair value-based method of accounting be applied to all stock-based compensation payments to both employees and non-employees. Previously, only awards that called for settlement in cash or other assets, or stock appreciation rights that called for settlement by the issuance of equity instruments, were required to be recorded as compensation expense. Onex has been recording the change in value of options on its shares and investment rights under the Management Investment Plan as a charge or credit to earnings since January 1, 2002. This change will affect the accounting for certain stock option plans at the operating companies. The adoption of this section by the operating companies will be on a retroactive basis for awards made since January 1, 2002 that have not been previously recognized as compensation expense in the consolidated statements of earnings, with no restatement of prior periods. Retained earnings as at January 1, 2004 was reduced by $5 and non-controlling interests was reduced by $5.

Effective January 1, 2004, the Company adopted EIC-141, "Revenue Recognition", EIC 142, "Revenue Arrangements with Multiple Deliverables" and EIC 143, "Accounting for Separately Priced Extended Warranty and Product Maintenance Contracts". These sections provide more detailed guidance on *CICA Handbook* Section 3400, "Revenue", and improve the harmonization of

revenue standards between Canadian and U.S. GAAP. Adoption did not have a material impact on these unaudited interim consolidated financial statements.

In January 2004, the CICA amended Section 3461, "Employee Future Benefits" ("CICA 3461R"), to require additional disclosures about the assets, cash flows and net periodic benefit cost of defined benefit pension plans and other post-retirement benefit plans. The new annual disclosures are effective for years ending on or after June 30, 2004, and the new interim disclosures are also effective for periods ending on or after that date. In the second quarter of 2004, we have implemented CICA 3461R and have provided additional interim period disclosures of our pension plans in note 11.

2. DISCONTINUED OPERATIONS

a) In April 2004, the Company sold its remaining interest in Dura Automotive Systems, Inc. ("Dura Automotive") for net proceeds of $23. The gain on the disposition amounted to $4 before a tax provision of $3. The revenue from these operations totalled $845 and $1,740 for the three and six months ended June 30, 2003.

b) In June 2004, the Company entered into an agreement to sell its interest in the Loews Cineplex Group, excluding the Canadian operations, Cineplex Galaxy. The results of Loews Cineplex Group, excluding the Canadian operations, have been reclassified in the unaudited interim consolidated financial statements as discontinued operations. The revenue from these operations totalled $377 (2003 – $365) for the three months ended June 30 and $702 (2003 – $713) for the six months ended June 30. Onex' share of the net earnings of the Loews Cineplex Group, excluding the Canadian operations, totalled $5 (2003 – $2) for the three months ended June 30 and $4 (2003 – $(1)) for the six months ended June 30. The sale transaction was completed in July 2004.

c) In June 2004, CMC Electronics Inc. entered into an agreement to divest its Cincinnati Electronics business unit. The results of Cincinnati Electronics have been reclassified in the unaudited interim consolidated financial statements as discontinued operations. The revenue from these operations totalled $16 (2003 – $27) for the three months ended June 30 and $38 (2003 – $51) for the six months ended June 30. Onex' share of the net earnings of CMC Electronics was $1 (2003 – nil) for the three months ended June 30 and $2 (2003 – $2) for the six months ended June 30.

The results of operations for the businesses described above have been reclassified in the unaudited interim consolidated statements of earnings and unaudited interim consolidated statements of cash flows for the three-month and six-month periods ended June 30, 2004 and 2003 as discontinued operations. The amounts for operations now discontinued that were included in the December 31, 2003 and June 30, 2004 consolidated balance sheets are as follows:

As at December 31, 2003	Dura Automotive	Loews Cineplex Group	CMC Electronics	Total discontinued
Cash and short-term investments	$ 236	$ 196	$ 4	$ 436
Accounts receivable	356	44	13	413
Inventories	165	6	2	173
Other current assets	123	23	5	151
Current assets held by discontinued operations	880	269	24	1,173
Property, plant and equipment	633	964	27	1,624
Other assets	158	61	11	230
Goodwill	1,114	278	45	1,437
Intangible assets	17	152	29	198
Long-lived assets held by discontinued operations	1,922	1,455	112	3,489
Accounts payable and accrued liabilities	560	271	37	868
Current portion of long-term debt, without recourse to Onex	7	45	–	52
Current liabilities held by discontinued operations	567	316	37	920
Long-term debt, without recourse to Onex	1,544	545	64	2,153
Obligations under capital leases, without recourse to Onex	3	29	–	32
Other liabilities	156	47	–	203
Future income taxes	85	–	13	98
Non-controlling interests and cumulative translation adjustment	428	285	–	713
Long-term liabilities held by discontinued operations	2,216	906	77	3,199
Net assets of discontinued operations	$ 19	$ 502	$ 22	$ 543

As at June 30, 2004	Loews Cineplex Group	CMC Electronics	Total discontinued
Cash and short-term investments	$ 206	$ –	$ 206
Accounts receivable	48	12	60
Inventories	6	4	10
Other current assets	43	6	49
Current assets held by discontinued operations	303	22	325
Property, plant and equipment	990	28	1,018
Other assets	60	12	72
Goodwill	275	47	322
Intangible assets	151	29	180
Long-lived assets held by discontinued operations	1,476	116	1,592
Accounts payable and accrued liabilities	271	42	313
Current portion of long-term debt, without recourse to Onex	49	1	50
Current liabilities held by discontinued operations	320	43	363
Long-term debt, without recourse to Onex	536	67	603
Obligations under capital leases, without recourse to Onex	29	–	29
Other liabilities	430	14	444
Future income taxes	–	–	–
Non-controlling interests and cumulative translation adjustment	(60)	–	(60)
Long-term liabilities held by discontinued operations	935	81	1,016
Net assets of discontinued operations	$ 524	$ 14	$ 538

3. CORPORATE INVESTMENTS

During the first six months of 2004 the following acquisitions, which were accounted for as purchases, were completed through subsidiaries of Onex. Any third-party borrowings in respect of the acquisitions are without recourse to Onex. The significant acquisitions were:

a) In January 2004, the Company and Onex Partners LP completed the acquisition of Magellan Health Services, Inc. ("Magellan"). Magellan, headquartered in Connecticut, United States, is a behavioural managed healthcare organization in the United States. The Company and Onex Partners LP invested a total of $131 financed with cash on hand. Onex' net investment in this acquisition was $30 for a 6% equity ownership at the time of the acquisition. Onex has effective voting control of Magellan, through Onex Partners LP.

b) In March 2004, Celestica Inc. ("Celestica") acquired Manufacturers' Services Limited ("MSL"), a full-service global electronics manufacturing and supply chain services company headquartered in Massachusetts, United States. The purchase price was financed with the issuance of 14.1 million subordinate voting shares of Celestica, the issuance of options to purchase 2.1 million subordinate voting shares of Celestica, the issuance of warrants to purchase 1.1 million subordinate voting shares of Celestica and $69 of cash provided by Celestica. The value of the shares was determined based on the average market price of the shares for a reasonable period before and after the date on which the terms of the acquisition were agreed to and announced. In April 2004, Celestica paid approximately $14 in cash to acquire certain assets located in the Philippines from NEC Corporation.

The purchase prices of the acquisitions were allocated to the net assets acquired based on their relative fair values at the date of acquisition. The companies are obtaining third-party valuations of certain assets, which could result in further refinement of the fair-value allocation of the purchase price. The results of operations for all acquired operations are included in the consolidated statements of earnings of the Company from their respective dates of acquisition.

Details of the 2004 acquisitions, which were accounted for as purchases, are as follows:

	Magellan[a]	Celestica[b]	Other
Cash	$ 282	$ 27	$ 4
Current assets	511	378	89
Goodwill	576	338	179
Intangible assets	74	13	3
Property, plant and equipment and other long-term assets	186	61	4
	1,629	817	279
Current liabilities	(508)	(299)	(70)
Acquisition financing	(617)	–	(133)
Long-term liabilities	(7)	(77)	–
	497	441	76
Non-controlling interests in net assets	(366)	(358)	(22)
Increase in net assets acquired	$ 131	$ 83	$ 54

4. INVESTMENTS AND OTHER ASSETS

In June 2004, the Company and Onex Partners LP completed the $114 equity investment in Res-Care, Inc. ("ResCare") for an approximate 28% ownership in ResCare. Onex' portion of the investment was approximately $27, representing 7% of ResCare. ResCare provides residential, therapeutic, job training and educational support to people with developmental or other disabilities, to youth with special needs and to adults who are experiencing barriers to employment. Onex does not control this investment and will account for its interest using the equity method.

5. LONG-TERM DEBT OF OPERATING COMPANIES, WITHOUT RECOURSE TO ONEX

The following describes the significant changes to Onex' consolidated long-term debt compared to the information provided in the December 31, 2003 audited annual consolidated financial statements.

a) Magellan

The January 2004 acquisition of Magellan resulted in additional debt recorded in the unaudited interim consolidated financial statements. Magellan has a credit agreement which provides for a term loan facility in an original aggregate principal amount of US$100, a revolving loan facility providing for loans of up to US$50 and a credit-linked facility for the issuance of letters of credit to Magellan in an aggregate principal amount of US$80. Borrowings under the credit agreement will mature on August 15, 2008 and certain quarterly principal payments on the term loan facility are also required. As of June 30, 2004, Magellan had outstanding US$93 under the term loan facility, had not drawn on the revolving loan facility and had issued letters of credit in the amount of US$49.

Magellan also has US$233 outstanding of Series A Notes, which mature on November 15, 2008, and are general senior unsecured obligations of the company. Interest on the Series A notes is payable semi-annually on each May 15 and November 15, commencing on May 15, 2004.

Through June 30, 2004, the company has issued US$7 of Series B notes, which mature on November 15, 2008. The Series B notes were issued to the holders of the general unsecured claims and to others for services rendered during the financial restructuring of Magellan. Interest on the Series B notes is payable semi-annually on each May 15 and November 15, commencing on May 15, 2004.

Magellan also has outstanding an interest-bearing note for US$49 to Aetna, Inc. ("Aetna"), which will mature on December 31, 2005 as part of a renewed behavioural health services contract. Under this agreement, the company will manage the behavioural healthcare of members of Aetna's healthcare programs through December 31, 2005, with an option for Aetna at that time to either extend the agreement or to purchase certain assets of the company used solely in the management of the behavioural healthcare of Aetna members (the "Aetna-dedicated assets"). The Aetna note is guaranteed by Magellan and is secured by a second lien on substantially all of the assets of Magellan. Additionally, if the behavioural health services contract is extended by Aetna, at its option, through at least December 31, 2006, one-half of the Aetna note would be payable on December 31, 2005 and the remainder would be payable on December 31, 2006. If Aetna opts to purchase the Aetna-dedicated assets, the purchase price could be offset against any amounts owing under the Aetna note.

b) Celestica

In June 2004, Celestica amended its existing 364-day revolving term credit facility from US$250 to US$600 and extended the maturity from October 2004 to June 2007. Concurrent with this amendment and extension, Celestica elected to terminate its US$500 four-year revolving facility, which would have otherwise matured in June 2005.

In June 2004, Celestica also issued senior subordinated notes with an aggregate principal amount of US$500 and a fixed interest rate of 7.875% that are due in 2011. The proceeds were used to repurchase US$300 of Liquid Yield Option Notes ("LYONs") with a principal amount at maturity of US$540. The LYONs are recorded as non-controlling interests in these unaudited interim consolidated financial statements. In connection with the notes offering, Celestica entered into interest rate swap agreements that swap the fixed interest rate on the notes with a variable interest rate based on LIBOR plus a margin.

c) ONCAP Companies – CMC Electronics

In May 2004, CMC Electronics repaid the subordinated term credit facilities in the amounts of $29 and US$12, and signed new senior secured credit facilities of US$34 due April 2007, bearing interest at LIBOR plus a margin.

6. GAINS (LOSS) ON SHARES OF OPERATING COMPANIES, NET

The major transactions and the resulting pre-tax gains are summarized and described as follows:

	Three months ended June 30		Six months ended June 30	
	2004	2003	**2004**	2003
Gains (loss) on:				
Performance Logistics Group [a]	**$ –**	$ –	**$ 58**	$ –
Issue of shares by Celestica [b]	**–**	–	**9**	–
Sale of Tower Automotive [c]	**–**	–	**6**	–
Vencap sale of operating company [d]	**–**	–	**–**	16
Other, net	**4**	(5)	**21**	(2)
	$ 4	$ (5)	**$ 94**	$ 14

a) In March 2004, Performance Logistics Group ("PLG") acquired Leaseway Auto Carrier Group, a subsidiary of Penske Truck Leasing Co., L.P. Onex did not sell or purchase any shares of PLG in this offering and Onex' ownership interest in PLG was diluted from a controlling 50% interest to a non-controlling 26% interest as a result of the additional shares issued. Since the Company ceased to control PLG after the issuance of the additional PLG shares, the investment was no longer consolidated but was accounted for using the equity method. As a result of the dilution of Onex' investment in PLG, the Company has recorded a non-cash gain of $58, reflecting the net liabilities of PLG, which are now accounted for under the equity method. This gain is comprised of a non-cash dilution gain of $22 and includes the reversal of $36 of losses of PLG previously recognized by Onex that were in excess of the other shareholders' equity in PLG.

b) In March 2004, Celestica acquired MSL by issuing approximately 14.1 million Celestica subordinate voting shares. Onex recorded a dilution gain of $9 as a result of the reduction in Onex' ownership through the share issuance. Onex' ownership after the dilution was approximately 18% and it retained voting control of Celestica.

c) In February 2004, Onex completed the sale of its remaining interest in Tower Automotive, Inc. for net cash proceeds of $8.

d) During the first quarter of 2003, Vencap received proceeds of $20 on the disposition of its remaining investment.

7. ACQUISITION, RESTRUCTURING AND OTHER EXPENSES

Restructuring charges are typically to provide for the costs of facility consolidations and workforce reductions. Restructuring expenses incurred in the three- and six-month periods ended June 30, 2004 are set out in the table below. The charges at Celestica relate primarily to the MSL acquisition.

	Three months ended June 30		Six months ended June 30	
	2004	2003	**2004**	2003
Celestica	**$ 69**	$ 29	**$ 87**	$ 29
Magellan	**–**	–	**3**	–
ClientLogic	**2**	–	**3**	–
J.L. French	**3**	–	**3**	–
Other	**1**	3	**5**	6
	$ 75	$ 32	**$ 101**	$ 35

The tables below provide a summary of restructuring activities undertaken by the operating companies detailing the components of the charges and movement in accrued liabilities. This summary is presented by the year in which the restructuring activities were first initiated.

Years prior to 2003	Employee termination costs	Lease and other contractual obligations	Facility exit costs and other	Non-cash charge	Total
Total estimated expected costs	$ 309	$ 170	$ 37	$ 382	$ 898[a]
Cumulative costs expensed to date	$ 308	$ 168	$ 37	$ 382	$ 895[b]
Expense for the six months ended June 30, 2004	$ 3	$ –	$ 1	$ 3	$ 7
Reconciliation of accrued liability					
Closing balance – December 31, 2003	$ 16	$ 86	$ 5		$ 107
Cash payments	(12)	(29)	(2)		(43)
Charges	3	–	1		4
Closing balance – June 30, 2004	$ 7	$ 57	$ 4		$ 68

(a) Celestica $883, J.L. French $9 and Radian $4.
(b) Celestica $883, J.L. French $8 and Radian $2.

Initiated in 2003	Employee termination costs	Lease and other contractual obligations	Facility exit costs and other	Non-cash charge	Total
Total estimated expected costs	$ 95	$ 7	$ 6	$ 12	$ 120[a]
Cumulative costs expensed to date	$ 95	$ 2	$ 6	$ 12	$ 115[b]
Expense for the six months ended June 30, 2004	$ 7	$ 1	$ –	$ –	$ 8
Reconciliation of accrued liability					
Closing balance – December 31, 2003	$ 54	$ –	$ 4		$ 58
Cash payments	(21)	(1)	(2)		(24)
Charges	7	1	–		8
Closing balance – June 30, 2004	$ 40	$ –	$ 2		$ 42

(a) Celestica $99, J.L. French $8 and Magellan $3.
(b) Celestica $99, J.L. French $3 and ClientLogic $8.

Initiated in 2004	Employee termination costs	Lease and other contractual obligations	Facility exit costs and other	Non-cash charge	Total
Total estimated expected costs	$ 169	$ 15	$ 20	$ 61	$ 265[a]
Cumulative costs expensed to date	$ 79	$ –	$ 4	$ 1	$ 84[b]
Expense for the six months ended June 30, 2004	$ 79	$ 1	$ 5	$ 1	$ 86
Reconciliation of accrued liability					
Cash payments	$ (34)	$ –	$ (2)		$ (36)
Charges	79	1	5		85
Closing balance – June 30, 2004	$ 45	$ 1	$ 3		$ 49

(a) Celestica $253, ClientLogic $6 and Radian $3.

(b) Celestica $78, ClientLogic $3 and Radian $2.

Total	Employee termination costs	Lease and other contractual obligations	Facility exit costs and other	Non-cash charge	Total
Total estimated expected costs[a]	$ 573	$ 192	$ 63	$ 455	$ 1,283
Cumulative costs expensed to date	$ 482	$ 170	$ 47	$ 395	$ 1,094
Expense for the six months ended June 30, 2004	$ 89	$ 2	$ 6	$ 4	$ 101
Reconciliation of accrued liability					
Closing balance – December 31, 2003	$ 70	$ 86	$ 9		$ 165
Cash payments	(67)	(30)	(6)		(103)
Charges	89	2	6		97
Closing balance – June 30, 2004	$ 92	$ 58	$ 9		$ 159

a) In April 2004, Celestica announced further restructuring plans totalling between US$175 and US$200 to be recorded throughout 2004 and into the first quarter of 2005, of which US$64 has been recorded in the first half of 2004.

8. EARNINGS PER SHARE

The weighted average numbers 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	
	2004	2003	**2004**	2003
Weighted average number of shares outstanding				
Basic	**142,562,000**	152,882,000	**144,724,000**	155,230,000
Diluted	**142,562,000**	152,882,000	**144,724,000**	155,230,000

9. SHARE CAPITAL

As at June 30, 2004, Onex' issued and outstanding share capital consisted of 139,358,280 (2003 – 152,887,331) Subordinate Voting Shares, 100,000 Multiple Voting Shares and 176,078 Series 1 Senior Preferred Shares.

During the first six months of 2004, under the Dividend Reinvestment Plan, the Company issued 68,580 (2003 – 164,530) Subordinate Voting Shares at a total value of $1 (2003 – $2). In the first six months of 2003, 55,000 Subordinate Voting Shares were issued upon the exercise of stock options of the Company at a value of $1. During the first six months of 2004, the total cash consideration paid on 7,886,400 options surrendered was $66 (2003 – $2). This amount represents the difference between the market value of the Subordinate Voting Shares at the time of surrender and the exercise price, both as determined under Onex' Stock Option Plan as described in note 13 of the audited annual consolidated financial statements.

The Company repurchased and cancelled under a Normal Course Issuer Bid during the first six months of 2004 8,725,600 (2003 – 6,561,000) of its Subordinate Voting Shares at a cost of $143 (2003 – $91). During the second quarter, Onex repurchased and cancelled 4,998,200 (2003 – 1,069,900) of its Subordinate Voting Shares at a cost of $84 (2003 – $14).

Onex renewed its Normal Course Issuer Bid in April 2004 for one year, permitting the Company to purchase on the Toronto Stock Exchange up to 10% of the public float of its Subordinate Voting Shares. The 10% limit represents approximately 11 million shares.

During the first quarter of 2004, 7,260,000 options to acquire Subordinate Voting Shares were issued under the Company's Stock Option Plan with an exercise price of $15.87, which was the market price of the shares at the time of the issuance of the options. At June 30, 2004, the Company had 11,498,100 options outstanding to acquire Subordinate Voting Shares.

10. STOCK-BASED COMPENSATION

Effective January 1, 2004, the Company adopted revised *CICA Handbook* Section 3870, "Stock-based Compensation and Other Stock-based Payments", as described in note 1.

For the operating companies that did not record the effect of stock options through the consolidated statements of earnings in 2003, the table below shows pro forma net loss and loss per share adjusted for the effect of stock option plans at those operating companies.

Pro forma after the effect of operating companies' stock option plans	Three months ended June 30, 2003	Six months ended June 30, 2003
Pro forma net loss for continuing operations	$ (142)	$ (158)
Basic loss per share for continuing operations	$ (0.93)	$ (1.02)
Diluted loss per share for continuing operations	$ (0.93)	$ (1.02)

11. PENSION

The Company has recorded the following pension expense related to defined benefit pension plans at certain of its operating companies.

	Three months ended June 30		Six months ended June 30	
	2004	2003	**2004**	2003
Defined benefit expense	**$ 7**	$ 6	**$ 13**	$ 13

12. SUPPLEMENTAL CASH FLOW INFORMATION

Paid during the period:

	Three months ended June 30		Six months ended June 30	
	2004	2003	**2004**	2003
Interest	**$ 57**	$ 92	**$ 104**	$ 159
Taxes	**$ 5**	$ 24	**$ 17**	$ 16

13. COMMITMENTS AND GUARANTEES

Contingent liabilities in the form of letters of credit, letters of guarantee, surety and performance bonds are provided by certain operating companies to various third parties and include certain bank guarantees. At June 30, 2004, the amounts potentially payable in respect of these guarantees amounted to $110. In addition, certain operating companies have guarantees of $5 with respect to employee share purchase loans as at June 30, 2004. These guarantees are without recourse to Onex. The Company has commitments in the total amount of approximately $112 in respect of corporate investments.

The Company and its operating companies have also provided certain indemnifications, including those related to businesses that have been sold. The maximum amounts from many of these indemnifications cannot be reasonably estimated at this time. However, in certain circumstances, the Company and its operating companies have recourse against other parties to mitigate the risk of loss from these guarantees.

Onex' operating companies have aggregate capital commitments of $45 as at June 30, 2004.

14. SUBSEQUENT EVENTS

Onex and certain operating companies have entered into agreements to acquire or make investments in other businesses. These transactions are subject to a number of conditions, many of which are beyond the control of Onex or the operating companies. The effect of these planned transactions, if completed, may be significant to the consolidated financial position of Onex.

In May 2004, Commercial Vehicle Group, Inc. ("CVG"), formed from the combination of Bostrom Holding, Inc. and Trim Systems, Inc., filed a registration statement with the U.S. Securities and Exchange Commission for an initial public offering of common stock. A $160 offering of shares (NASDAQ: CVGI) was completed in early August. The offering included both a primary and a secondary component. The primary sale of shares by Commercial Vehicle Group resulted in that company receiving net proceeds of approximately $48, which it will use to reduce outstanding indebtedness and for general corporate purposes.

The secondary sale of shares was by Onex and certain other shareholders, with Onex receiving approximately $55 in net proceeds. In addition, Onex received approximately $25 on the repayment of debt held by Onex. As a result of this offering and the sale of shares, Onex will hold approximately 4.3 million shares of Commercial Vehicle Group. Onex will be the largest shareholder in Commercial Vehicle Group, with an approximate 25% ownership interest following this offering, but will cease to have a controlling ownership interest.

In July 2004, ONCAP's operating company, Armtec Limited ("Armtec"), completed an initial public offering in Canada of units of Armtec Infrastructure Income Fund ("Armtec Fund"). The proceeds from the Armtec Fund were used to acquire all the securities and assets of Armtec from ONCAP and other shareholders and to repay certain existing indebtedness of Armtec. ONCAP sold all of its shares in Armtec in this offering.

J.L. French announced in July 2004 a tender offer for any and all of its outstanding 11.5% senior subordinated notes due in 2009. The offer will expire August 10, 2004. The tender offer is being made in connection with a proposed refinancing of J.L. French's current credit facilities, as well as a proposed offering of US$165 in preferred equity securities. In support of the refinancing, the Company and certain of J.L. French's other shareholders may purchase up to US$50 of the preferred equity securities. J.L. French expects to use the net proceeds from the refinancing and the preferred equity offering to fund the purchase of notes in the tender offer and to repay existing senior indebtedness.

15. INFORMATION BY INDUSTRY SEGMENT

(Unaudited) *(in millions of dollars)* ***Three months ended June 30, 2004***	**Electronics Manufacturing Services**	**Theatre Exhibition[a]**	**Managed Healthcare**	**Customer Management Services**	**Automotive Products**	**Other[b]**	**Consolidated Total**
Revenues	$ 3,148	$ 95	$ 569	$ 184	$ 319	$ 147	$ 4,462
Cost of sales	(2,932)	(73)	(432)	(114)	(251)	(96)	(3,898)
Selling, general and administrative expenses	(104)	(5)	(55)	(50)	(13)	(41)	(268)
Earnings before the undernoted items	112	17	82	20	55	10	296
Amortization of property, plant and equipment	(62)	(6)	(10)	(11)	(18)	(6)	(113)
Amortization of intangible assets and deferred charges	(10)	(1)	(5)	(4)	–	(2)	(22)
Interest expense of operating companies	(3)	2	(13)	(5)	(28)	(2)	(49)
Interest and other income	(1)	–	2	1	–	2	4
Foreign exchange gains (loss)	(4)	–	–	5	–	12	13
Stock-based compensation	(6)	–	(5)	–	(14)	(12)	(37)
Derivative instruments	–	–	–	–	–	(59)	(59)
Gains on shares of operating companies, net	–	–	–	–	–	4	4
Acquisition, restructuring and other expenses	(69)	–	–	(2)	(3)	(1)	(75)
Debt prepayment costs	(2)	–	–	–	–	–	(2)
Writedown of goodwill and intangible assets	–	–	–	(5)	–	–	(5)
Earnings (loss) before income taxes, non-controlling interests and discontinued operations	$ (45)	$ 12	$ 51	$ (1)	$ (8)	$ (54)	(45)
Provision for income taxes							(9)
Non-controlling interests of operating companies							(25)
Loss from continuing operations							(79)
Earnings from discontinued operations							10
Net loss							$ (69)

(a) Represents the operations of Cineplex Galaxy LP and Cineplex Odeon Canada Corporation.
(b) Includes Radian, InsLogic, ONCAP and parent company.

15. INFORMATION BY INDUSTRY SEGMENT (cont'd)

(Unaudited) *(in millions of dollars)* *Three months ended June 30, 2003*	Electronics Manufacturing Services	Theatre Exhibition[a]	Customer Management Services	Automotive Products	Other[b]	Consolidated Total
Revenues	$ 2,219	$ 75	$ 145	$ 357	$ 127	$ 2,923
Cost of sales	(2,101)	(60)	(92)	(271)	(113)	(2,637)
Selling, general and administrative expenses	(82)	(3)	(45)	(33)	(37)	(200)
Earnings (loss) before the undernoted items	36	12	8	53	(23)	86
Amortization of property, plant and equipment	(62)	(4)	(11)	(22)	(5)	(104)
Amortization of intangible assets and deferred charges	(17)	–	(4)	–	(1)	(22)
Interest expense of operating companies	(2)	(2)	(3)	(29)	–	(36)
Interest and other income	4	–	–	1	9	14
Foreign exchange gains (loss)	4	2	(1)	(2)	(51)	(48)
Stock-based compensation	–	–	–	–	(31)	(31)
Loss on shares of operating companies, net	–	–	–	–	(5)	(5)
Acquisition, restructuring and other expenses	(29)	–	–	(1)	(2)	(32)
Debt prepayment costs	–	–	–	1	–	1
Earnings (loss) before income taxes, non-controlling interests and discontinued operations	$ (66)	$ 8	$ (11)	$ 1	$ (109)	(177)
Recovery of income taxes						6
Non-controlling interests of operating companies						30
Loss from continuing operations						(141)
Loss from discontinued operations						(21)
Net loss						$ (162)

(a) Represents the operations of Cineplex Galaxy LP, Cineplex Odeon Canada Corporation and Galaxy Entertainment, Inc.
(b) Includes Radian, InsLogic, ONCAP and parent company.

15. INFORMATION BY INDUSTRY SEGMENT (cont'd)

(Unaudited) *(in millions of dollars)* ***Six months ended June 30, 2004***	Electronics Manufacturing Services	Theatre Exhibition[(a)]	Managed Healthcare	Customer Management Services	Automotive Products	Other[(b)]	Consolidated Total
Revenues	$ 5,806	$ 173	$ 1,108	$ 366	$ 626	$ 294	$ 8,373
Cost of sales	(5,432)	(134)	(848)	(223)	(493)	(190)	(7,320)
Selling, general and administrative expenses	(186)	(9)	(115)	(100)	(29)	(100)	(539)
Earnings before the undernoted items	188	30	145	43	104	4	514
Amortization of property, plant and equipment	(117)	(12)	(19)	(20)	(36)	(11)	(215)
Amortization of intangible assets and deferred charges	(20)	(1)	(9)	(8)	–	(5)	(43)
Interest expense of operating companies	(4)	(3)	(25)	(8)	(55)	(9)	(104)
Interest and other income	(1)	–	3	1	–	7	10
Foreign exchange gains (loss)	(8)	–	–	5	–	18	15
Stock-based compensation	(11)	–	(20)	(1)	(14)	(33)	(79)
Derivative instruments	–	–	–	–	–	(79)	(79)
Gains on shares of operating companies, net	–	–	–	–	–	94	94
Acquisition, restructuring and other expenses	(87)	–	(3)	(3)	(3)	(5)	(101)
Debt prepayment costs	(2)	–	–	–	–	–	(2)
Writedown of goodwill and intangible assets	–	–	–	(5)	–	–	(5)
Earnings (loss) before income taxes, non-controlling interests and discontinued operations	$ (62)	$ 14	$ 72	$ 4	$ (4)	$ (19)	5
Provision for income taxes							(13)
Non-controlling interests of operating companies							(31)
Loss from continuing operations							(39)
Earnings from discontinued operations							7
Net loss							$ (32)
Total assets[(c)]	$ 7,594	$ 2,130	$ 1,543	$ 319	$ 768	$ 2,182	$ 14,536
Long-term debt[(d)]	$ 667	$ 119	$ 509	$ 261	$ 1,024	$ 234	$ 2,814

(a) Represents the operations of Cineplex Galaxy LP and Cineplex Odeon Canada Corporation.
(b) Includes Radian, InsLogic, ONCAP and parent company.
(c) Assets relating to discontinued operations are included totalling $1,779 in Theatre Exhibition and $138 in Other.
(d) Long-term debt includes current portion and excludes capital leases.

15. INFORMATION BY INDUSTRY SEGMENT (cont'd)

(Unaudited) *(in millions of dollars)* *Six months ended June 30, 2003*	Electronics Manufacturing Services	Theatre Exhibition[a]	Customer Management Services	Automotive Products	Other[b]	Consolidated Total
Revenues	$ 4,615	$ 147	$ 304	$ 746	$ 241	$ 6,053
Cost of sales	(4,334)	(116)	(194)	(576)	(177)	(5,397)
Selling, general and administrative expenses	(161)	(5)	(93)	(63)	(82)	(404)
Earnings (loss) before the undernoted items	120	26	17	107	(18)	252
Amortization of property, plant and equipment	(127)	(9)	(23)	(44)	(10)	(213)
Amortization of intangible assets and deferred charges	(36)	–	(9)	–	(2)	(47)
Interest expense of operating companies	(4)	(2)	(7)	(69)	(5)	(87)
Interest and other income	11	–	–	1	30	42
Foreign exchange gains (loss)	5	4	(2)	–	(110)	(103)
Stock-based compensation	–	–	–	–	1	1
Gains on shares of operating companies, net	–	–	–	–	14	14
Acquisition, restructuring and other expenses	(29)	–	–	(1)	(5)	(35)
Debt prepayment costs	–	–	–	(9)	–	(9)
Earnings (loss) before income taxes, non-controlling interests and discontinued operations	$ (60)	$ 19	$ (24)	$ (15)	$ (105)	(185)
Recovery of income taxes						7
Non-controlling interests of operating companies						22
Loss from continuing operations						(156)
Loss from discontinued operations						(41)
Net loss						$ (197)
Total assets as at December 31, 2003[c]	$ 6,645	$ 2,112	$ 338	$ 3,581	$ 1,945	$ 14,621
Long-term debt as at December 31, 2003[d]	$ –	$ 114	$ 206	$ 1,026	$ 215	$ 1,561

(a) Represents the operations of Cineplex Galaxy LP, Cineplex Odeon Canada Corporation and Galaxy Entertainment, Inc.
(b) Includes Radian, InsLogic, ONCAP and parent company.
(c) Assets relating to discontinued operations are included totalling $1,724 in Theatre Exhibition, $2,802 in Automotive Products and $136 in Other.
(d) Long-term debt includes current portion and excludes capital leases.

Shareholder Information

Second Quarter Dividend

A dividend of $0.0275 per Subordinate Voting Share was paid on July 30, 2004 to shareholders of record as of July 9, 2004.

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 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
(416) 643-5500
or call toll free throughout
Canada and the United States
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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