

ONEX

Onex Corporation is a diversified company with 2002 annual revenues of \$23 billion, assets of \$20 billion and 98,000 employees worldwide. We operate through autonomous subsidiaries in a variety of industries, including: electronics manufacturing services, customer management services, theatre exhibition, automotive products, engineered building products, communications infrastructure, and sugar refining and marketing.

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

www.onex.com

Our primary communication medium with our shareholders continues to be our website, www.onex.com. We strongly encourage you to visit the site regularly for the most current information on Onex. You will also find additional information about Onex and its operating companies on the website.

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To Our Shareholders

2002 was a tough year. The financial results provided in this report clearly show that. Sluggish economic activity presented continuing challenges for many of Onex' companies, especially those businesses related to technology, telecommunications and commercial construction. Much of our focus during the year was on helping these companies adjust the scale of their operations to the decline in business activity. At the end of 2002, we believed that we were through the worst part and were beginning to see stabilization and the result of our efforts.

There were also some bright spots in the year – in particular, our creation, in Loews Cineplex, of what we believe is one of the best theatre exhibition companies in the world. Significant growth was achieved with the purchase of a leading theatre exhibition company in Mexico, Cinemex, and exhibitors in North America and internationally. While we are still in the early stages of value creation in the theatre exhibition business, we have already created a strong platform for growth.

A tough year

Celestica management has been exemplary in improving the efficiency of its operations and strengthening its balance sheet in the face of the deepest downturn ever in the EMS industry. We may be criticized for not monetizing more value sooner on our interest in Celestica, but it is worth noting that Onex has achieved a four-fold return to date on its total investment, and we retain the economies of about 70 percent of our original holding. We are long-term owners, and our enthusiasm for Celestica's management, strategies and prospects over the long term extends well beyond the current trough in business conditions.

When we purchased MAGNATRAX in 1999, we structured the acquisition for what we believed to be the normal cyclicity of the metal buildings industry. The past two years have proven to be anything but normal with an unprecedented 44 percent drop in industrial construction, a 30 percent contraction in metal building sales and drought conditions that depressed agricultural markets. Compounding this since early 2002, the company has also been challenged by tariff-driven price increases for steel that cannot be passed on to price-sensitive customers.

The new senior management we put in place at MAGNATRAX in January 2002 has done a good job of conserving cash, reducing costs and improving productivity. But the severity of the industry decline and its impact on MAGNATRAX' revenues and operating earnings resulted in the company being unable to meet its debt obligations in 2002. At this writing, MAGNATRAX and Onex are in constructive discussions with lenders to restructure the company's balance sheet so that its debt load is more appropriate for an industry passing through the nadir of its business cycle.

J.L. French Automotive Castings is an example of the best possible outcome of such discussions. In late 1999, the company took on too much debt for an acquisition that ultimately provided too little value. Good revenue growth and substantial cost savings over the past two years were not sufficient to keep J.L. French in compliance with its considerable debt repayment schedule during 2002.

After extensive negotiations with lenders, a US\$190 million financing transaction was completed at the end of 2002 and bank debt was prepaid. J.L. French now has increased financial flexibility and can pursue new business awards on the strength of its industry-leading technologies and market position.

The future for Onex

While global acquisition activity was down substantially during 2002, the pool of private equity capital pursuing attractive businesses has kept valuations relatively high. Bidding continues to be very competitive, particularly for the large-scale transactions that are our primary interest. It is partially for this reason that Onex remains focused on creating proprietary transactions.

This acquisition environment is unlikely to change much in the near future. In order to pursue a broader range of acquisitions, we have been evaluating opportunities and structures that will make Onex more competitive and efficient in the private equity markets. We intend to maintain the strong relationships we've built with partners and co-investors over the years and will seek to strengthen or formalize them even further as we pursue new opportunities for value creation.

We're feeling cautiously optimistic about the prospects for most of our existing businesses. Though some will be challenged if economies remain sluggish, most are not only well-regarded leaders in their industries but are also well positioned businesses on key issues of quality, cost and service.

We're also optimistic about the future of Onex. We experienced a similar trough in value creation and business activity a decade ago and acquired some of our most successful businesses during that time. Today, we have far more extensive financial resources and 10 more years of intellectual capital to employ in our pursuit of new opportunities to build value for Onex shareholders.

A handwritten signature in black ink, appearing to read "G. Schwartz".

Gerald W. Schwartz
Chairman and Chief Executive Officer
March 2003

2002 Review of Onex Operating Companies

This is an introduction to Onex' significant operating companies as at December 31, 2002 and is presented by industry segment. Onex has major operating companies in nine industries, which are reviewed in the pages that follow. As a preface to these discussions, the table below provides a brief description of each operating company, Onex' ownership and voting interest in that company, and 2002 revenue and asset information.

		2002 Ownership/ Voting	2001 Ownership/ Voting
	Electronics Manufacturing Services		
	<p>Celestica One of the largest electronics manufacturing services companies in the world. Publicly traded on the NYSE and TSX under the symbol CLS.</p> <p>2002 Revenues – \$13 billion 2002 Assets – \$9.2 billion</p>	18%/84%	18%/84%
	Customer Management Services		
	<p>ClientLogic A leading business process outsourcer in the contact centre and fulfillment industries that provides services for telecommunications, consumer goods, retail, technology, transportation, finance and utility companies.</p> <p>2002 Revenues – \$627 million 2002 Assets – \$338 million</p>	69%/88%	70%/87%
	Automotive Products		
	<p>Hidden Creek Industries Onex' acquisition partnership in the automotive and commercial vehicle sectors.</p>		
	<p>Dura Automotive The world's largest independent designer and manufacturer of driver control systems and a leading global supplier of seating control systems, engineered assemblies, structural door modules and integrated glass systems for automakers worldwide. Publicly traded on Nasdaq under the symbol DRRA.</p> <p>2002 Revenues – \$3.9 billion 2002 Assets – \$3.1 billion</p>	8%/52%	8%/68%
	<p>J.L. French Automotive Castings A leading manufacturer of aluminum die-cast components for automotive OEMs in North America and Europe.</p> <p>2002 Revenues – \$865 million 2002 Assets – \$833 million</p>	56%/100%	37%/81%
	<p>Performance Logistics Group A leading North American provider of automotive transportation and logistics services for light vehicle OEMs.</p> <p>2002 Revenues – \$314 million 2002 Assets – \$228 million</p>	50%/100%	49%/100%
	<p>Commercial Vehicle Systems A leading manufacturer and supplier of wiper, mirror and control systems for the North American medium and heavy truck markets.</p> <p>2002 Revenues – \$104 million 2002 Assets – \$128 million</p>	45%/100%	45%/100%
	<p>Bostrom A leading North American and European producer of seats for the heavy truck, bus, construction and agricultural markets.</p> <p>2002 Revenues – \$236 million 2002 Assets – \$125 million</p>	52%/100%	52%/100%
	<p>Trim Systems A leading interior trim supplier to heavy truck OEMs.</p> <p>2002 Revenues – \$150 million 2002 Assets – \$46 million</p>	78%/100%	77%/100%

		2002 Ownership/ Voting	2001 Ownership/ Voting
	Engineered Building Products		
	MAGNATRAX A major manufacturer and marketer of engineered steel building and roofing systems, steel components, entry systems and painted steel coils for industrial, agricultural, commercial, institutional and residential markets. 2002 Revenues – \$1.1 billion 2002 Assets – \$529 million	92%/100%	53%/80%
	Theatre Exhibition		
	Loews Cineplex Group Includes <i>Loews Cineplex</i> , one of the world's largest theatre exhibition companies, with over 2,400 screens at over 260 locations in North America and joint ventures in Spain and South Korea; <i>Cinemex</i> , a leading theatre exhibition company in Mexico, with 32 theatres and 361 screens; and <i>Loeks-Star Partners</i> , the leading theatre exhibition company in Michigan, United States. 2002 Revenues – \$1.4 billion 2002 Assets – \$2.5 billion	51%/97%	–
	Galaxy Entertainment A chain of modern megaplex theatres in small- and medium-sized markets in Canada. 2002 Revenues – \$45 million 2002 Assets – \$61 million	73%/79%	67%/73%
	Other industries include:		
	Communications Infrastructure		
	Radian Communication Services A leading North American wireless communications infrastructure and network services company. 2002 Revenues – \$120 million 2002 Assets – \$80 million	71%/80%	73%/81%
	Sugar Refining and Marketing		
	Lantic Sugar/Rogers Sugar The leading refiner and marketer of sugar in Canada. 2002 Revenues – \$377 million 2002 Assets – \$628 million	28%/60% ^(a)	61%/75% ^(b)
	(a) The ownership interest represents Onex' interest in Rogers Sugar Income Fund. Onex controls Rogers Sugar and Lantic Sugar, the operating companies owned by the Fund. The voting interest represents Onex' direct voting control of Rogers Sugar and Lantic Sugar. (b) The ownership and voting interests for 2001 represent Onex' interest in Lantic Sugar only.		
	Online Insurance Brokerage		
	InsLogic A technology-enabled private-label insurance brokerage service. 2002 Revenues – \$7 million 2002 Assets – \$11 million	51%/58%	55%/65%
	Small-Capitalization Opportunities		
	ONCAP Investment Partners A \$400 million fund focused on acquiring and building the value of small-capitalization companies based in North America. Actively manages investments in <i>CMC Electronics</i> and <i>Armtec</i> and has a minority ownership interest in <i>Enerflex Systems</i> . 2002 Revenues – \$468 million 2002 Assets – \$641 million	25%/100%	25%/100%

The logos in this table are the property of the particular companies listed.

Additional information on the industry segments in which the Onex companies operate is provided in the Management's Discussion and Analysis and in note 28 to the consolidated financial statements.

During 2002, many of Onex' operating companies faced challenging market conditions due to decreased economic activity. The following presents the major factors influencing each company's financial results and discusses the actions taken by company managements to improve operations and position their businesses for future value growth. Our 2003 outlook for each company begins on page 39 of this report.

ELECTRONICS MANUFACTURING SERVICES

Celestica

For the past two years, the electronics manufacturing services ("EMS") industry has seen an unprecedented decline in its key end-markets, information technology and telecommunications infrastructure. While limited visibility and volatile demand have created a challenging environment for both Celestica and its customers, this environment has also helped reinforce why the long-term prospects for outsourcing remain strong. More and more, leading global electronics OEMs are turning to financially strong manufacturing partners to provide them with highly flexible manufacturing solutions that optimize manufacturing efficiency regardless of the environment.

During this period, in which it has become very difficult to predict demand, Celestica has responded by focusing its operations on driving operating efficiency, enhancing its strong financial position, and rebalancing its manufacturing footprint to increase its low-cost presence. This focus positions the company to respond to future outsourcing opportunities.

Revenues were \$13 billion in 2002, down 17 percent compared to \$15.6 billion for last year. The net loss was \$695 million, or \$3.09 per share, compared to a net loss of \$64 million, or \$0.42 per share, last year. Included in the full year net loss were \$601 million of restructuring charges and \$458 million of other charges, primarily for non-cash impairment of goodwill and other intangible assets. The restructuring was in response to the weakened end-markets and was focused on consolidating facilities and increasing capacity in lower-cost geographies; the impairment charges were in connection with the

company's annual impairment tests of goodwill and long-lived assets. When completed, Celestica expects that its restructuring actions will result in a better-balanced manufacturing footprint, with 70 percent of its facilities in lower-cost geographies such as Asia, Eastern Europe, and Mexico.

EMS is a working-capital intensive industry. With billions of dollars tied up in inventory, accounts receivable and accounts payable at any given time, Celestica has invested significant resources in establishing disciplined business processes and information technology systems to manage these critical areas of operations.

The benefits from this focus have been considerable. The company's cash cycle – defined as inventory days plus receivable days less days of trade payable including accruals – improved from 49 days at the end of 2001 to 18 days at the end of 2002. The benefit of this major improvement was reflected in cash flow from operations, which for the year totalled \$1.5 billion.

Celestica entered 2002 with an already strong balance sheet and improved it further during 2002. The company ended the year with more than \$2.9 billion in cash and a debt-to-capital ratio of 19 percent, giving Celestica one of the strongest balance sheets in its industry.

The strong balance sheet was put to work throughout the year to reduce debt and repurchase stock. During 2002, Celestica redeemed all of its US\$130 million of senior subordinated notes, which were due in 2006. The company also spent US\$100 million to repurchase US\$222.9 million in principal amount at maturity of its outstanding Liquid Yield Option Notes ("LYONs"). Celestica repurchased two million of its shares at an average price of US\$16.23 per share for cancellation as part of a normal course issuer bid that allows the company to repurchase up to

9.6 million subordinate voting shares for cancellation over the period of August 1, 2002 to July 30, 2003. Since the share and debt repurchase activities commenced in the third quarter of 2002, Celestica has spent approximately \$429 million to repurchase senior subordinated notes, subordinate voting shares and LYONs.

Expanding the customer base

Though end-markets were very challenging in 2002, the company continued to pursue selective growth opportunities.

During the second quarter of the year, Celestica began a strategic outsourcing agreement with NEC Corporation valued at more than \$3.5 billion over the five-year term. As part of the transaction, Celestica expanded its operations in Japan with the acquisition of NEC's advanced manufacturing facilities. The acquisition broadens Celestica's capabilities in Asia, an area that management expects will continue to grow in importance as customers seek lower-cost options for their manufacturing.

Celestica also added 40 new customers in 2002 in a variety of end-markets, including its traditional markets of information technology and telecommunications infrastructure, as well as other sectors such as automotive, industrial, medical, military and aerospace.

CUSTOMER MANAGEMENT SERVICES

ClientLogic

ClientLogic made solid financial and operating gains during 2002 despite very challenging conditions in the customer management services industry. Revenues of \$627 million increased about 5 percent over 2001 due to growth in Europe, offset slightly by a small decline in North America. Despite being under considerable competitive pressure throughout the year, gross margin as a percentage of revenue improved relative to the prior year and ClientLogic's peer group. Management reduced spending on selling, general and administrative costs for the second consecutive year.

The company reported operating earnings of \$4 million in 2002, a \$24 million improvement from the \$20 million operating loss reported in 2001.

Becoming Best in Class

During 2002, ClientLogic formally launched a new strategic thrust named "Best in Class" ("BIC"). BIC is a multi-year initiative intended to deliver substantial gains in profitability and value creation. The company is focusing on significant improvements through four key initiatives:

- higher-margin revenue growth;
- quality consistency and client retention through measurement;
- cost reduction through operating efficiencies and fixed-cost re-engineering; and
- system and organization reconfiguration for Best in Class quality and cost.

ClientLogic made solid progress on its BIC initiatives in 2002. Under the revenue initiative, the company succeeded in identifying target markets and increasing the effectiveness of its client management team. A new contract with ABN AMRO, a major Netherlands-based financial services corporation, represents an important entry by ClientLogic into call centre support for branch banking operations. The company won net new business with major clients valued at approximately \$100 million.

Under the quality initiative, new operating technologies and procedures were deployed to ensure continuous high performance. Among the technologies rolled out were enhanced scheduling tools, digital call recording, and a national operations centre.

The centrepiece of the operations centre is workforce management software that enables agents and managers to continuously see how they are performing against key areas of measurement. This real-time "scorecard" shows agents where they stand compared to BIC standards and enables managers to provide incentives for improvement. In addition, new training programs were initiated, which are expected to enhance performance and reduce agent turnover.

Under the cost initiative, the new scheduling tools, combined with enhanced agent training, have begun to yield improvements in direct labour utilization. In addition, the costs associated with agent turnover are expected to be reduced dramatically with a renewed focus on hiring practices and training programs. In addition, fixed-cost reductions were

initiated, focusing on excess capacity of facilities, software applications, telecom and discretionary areas.

The infrastructure initiative resulted in the creation of a global data warehouse, which will enable client, operations, and corporate reporting on a scheduled and ad hoc basis. Additionally, single points of weakness within the company's information technology infrastructure were identified and a comprehensive plan to eliminate them was initiated.

ClientLogic also expanded its capabilities outside of the United States with the opening of two new facilities. A contact centre in Saint John, New Brunswick will enhance the company's ability to provide high-quality outsourced solutions to customers. ClientLogic also established a new contact centre in Bangalore, India through a joint venture with one of India's leading public companies. When fully operational, with ClientLogic's workforce management tool, the facility will give the company substantial flexibility in matching quality, cost and time zones to customer needs.

THEATRE EXHIBITION

In just two years, Onex has made substantial progress toward becoming a global leader in theatre exhibition. We now own Loews Cineplex, Grupo Cinemex, Star Theatres, Magic Johnson Theatres and Galaxy Entertainment. Loews Cineplex also has partnerships with Yelmo Cineplex and Megabox Cineplex. This high-quality platform includes more than 290 theatres and over 2,900 screens in five countries – 150 theatres and 1,536 screens in the United States; 87 theatres and 745 screens in Canada; 32 theatres and 361 screens in Mexico; 24 theatres and 263 screens in Spain; and five theatres and 48 screens in South Korea.

We believe theatre exhibition is a very attractive industry for long-term value creation. The fundamentals are strong, and the industry is undergoing a healthy restructuring and consolidation following years of overbuilding in the 1990s. Box-office revenue has shown steady long-term growth, most notably even during periods of weakness in the overall economy. Film production and marketing spending by studios continue to increase; so do opportunities

for ancillary revenues such as alternative concession offerings and advertising. Expanding seasons for major film openings, a compelling value proposition for patrons and attractive demographics in major markets – all of these trends suggest a significant opportunity for Onex to create value in the coming years.

Loews Cineplex Entertainment

During 2001, Onex invested \$289 million in the debt of Loews Cineplex Entertainment Corporation ("Loews Cineplex"), a major theatre exhibitor that was reorganizing under Chapter 11 bankruptcy protection. We worked throughout that year to develop a plan that would see the conversion of our debt holding into the equity of a newly restructured Loews Cineplex.

Loews Cineplex emerged from bankruptcy in March 2002, which resulted in Onex and its partner, Oaktree Capital Management, LLC ("Oaktree Capital"), buying the company. Onex converted \$277 million of its interest in Loews Cineplex' bank debt into an initial 60 percent ownership interest in the restructured company and invested an additional \$33 million in equity, bringing our total investment in the equity to \$310 million at closing. Onex continues to hold \$40 million of the restructured bank debt of Loews Cineplex.

Loews Cineplex was successful in restructuring its theatre portfolio during the bankruptcy process. The company narrowed its scope of operations by closing down non-strategic theatres and development plans in five European countries. Approximately one-third of its theatres in North America – 119 locations – were closed and 86 leases were renegotiated; these theatres were primarily non-producing locations. The resulting improvements in cash flow, capital efficiency and balance sheet leverage have given Loews Cineplex substantial flexibility for prudent strategic growth in the years ahead.

Focus on major markets

Loews Cineplex is the pre-eminent theatre exhibitor in many of the major urban markets in which it competes. Onex added to the company's strength in metropolitan Detroit with the April 2002 purchase of the remaining 50 percent of Loeks-Star Partners that Loews Cineplex did not own.

In the United States, Loews Cineplex now operates 150 theatres comprising more than 1,500 screens. Over 90 percent of these theatres are located in the top 25 demographic metropolitan areas of the country. Moreover, Loews Cineplex is a market leader in seven of the top 10 markets, including metropolitan New York, Washington, D.C., Chicago, Detroit, Boston and San Francisco. In Canada, the company operates 72 modern theatres and 620 screens, 80 percent of which are located in the country's six leading markets. The quality of Loews Cineplex' theatre circuit in these major markets offers significant value to both studios and advertisers wanting to reach sophisticated, affluent patrons.

New opportunities for growth

Loews Cineplex also has several attractive opportunities for growth in international markets. A joint venture, Yelmo Cineplex, is Spain's largest exhibitor, with 263 screens in 24 theatres. Yelmo Cineplex opened six multiplex theatres in commercial complexes during 2002.

South Korea is experiencing rapidly growing interest in domestic and international cinema. In August 2002, Onex and Oaktree Capital invested an additional \$32 million in Loews Cineplex; Onex invested a total of \$17 million as part of this transaction. In turn, Loews Cineplex used these proceeds to increase its ownership in Megabox Cineplex to 50 percent. Megabox Cineplex, a South Korean theatre exhibition partnership that it formed with Orion Group in 1999, operates five theatres containing 48 screens, including a 16-screen complex in Seoul that has by far the highest attendance of any theatre in the world, with approximately six million patrons annually.

In mid-2002, we made a major commitment that will enable us to capture growth opportunities in Mexico. Onex and Oaktree Capital acquired Grupo Cinemex, S.A. de C.V. ("Cinemex") in a transaction valued at \$440 million. As part of this transaction, Onex initially invested \$190 million for a 58 percent ownership interest in Cinemex. After completing the investment in Loews Cineplex, Loeks-Star Partners and Cinemex, Onex' net cash investment was \$517 million as at December 31, 2002.

Cinemex is a leading theatre exhibition company in Mexico, operating the newest and highest-quality circuit in the country – 32 theatres with a total of 361 screens. The majority of its theatres are located in the metropolitan area of Mexico City, where the company operates 27 theatres with 301 screens and holds a market share of almost 50 percent. Cinemex adds high-quality assets in a growing market and positions Onex as having the only theatre exhibition business with a significant presence in the best film markets throughout the North American continent.

Solid operating performance

It is difficult to make a comparison of revenues and operating earnings for 2002 against 2001, as Onex owned Loews Cineplex for only part of 2002 and the business is different from that of 2001 due to the restructuring. As well, Cinemex and the additional interest in Loeks-Star Partners were acquired partway through 2002. However, in general terms, a strong slate of films during 2002 boosted attendance and box-office revenues at all of Onex' theatre exhibition companies. Higher concession sales per patron and higher average ticket prices also contributed to improved revenues.

Revenues for Loews Cineplex, Cinemex and Loeks-Star Partners for the period of Onex' ownership in 2002 totalled approximately \$1.4 billion. Operating earnings for these companies over the same period totalled \$140 million.

Galaxy Entertainment

Galaxy Entertainment is a circuit of modern megaplex theatres in small- and medium-sized markets in Canada. Its theatres provide customers with the modern theatre experience usually found only in major urban centres – stadium seating, digital surround sound, attractive amenities and a broad choice of first-run films.

Galaxy Entertainment opened new theatres during 2002 in the Ontario cities of Cornwall, North Bay and Owen Sound, bringing total screens to 125 in 15 theatres across the country. Driven by more movies, new theatres and effective marketing, the company's attendance and box-office revenues were up sharply, outpacing industry growth. Total revenues advanced

by approximately 59 percent to \$45 million, theatre-level cash flow was excellent, corporate overhead declined modestly and operating income increased threefold to \$5 million.

AUTOMOTIVE PRODUCTS

From its beginnings in 1989, Onex' partnership with Hidden Creek Industries ("HCI") has been focused on segments of the supply industry for automotive and commercial vehicle original equipment manufacturers ("OEMs"), where we believe we can achieve leadership positions that build value. For the most part, this strategy has been very successful.

Finding the right equation for value creation in these industries has been more difficult in recent years. Faced with declining returns on investment, automotive and heavy truck OEMs transferred costs to suppliers, increased pricing pressure and demanded greater depth and breadth of services, preferably on a global basis. This has forced suppliers to continually drive efficiencies in their operations in order to make a reasonable profit. These challenges remained prominent features of the industry landscape throughout 2002.

For the past two years, Onex and HCI have responded to these issues with disciplined day-to-day management of our operating companies. Our three overarching initiatives focus on:

- reducing cost structures to maintain profitability despite market fluctuations;
- strengthening operating teams in each organization; and
- exceeding customer expectations for quality, service and new product development.

During 2002, we made further gains in our overall objective of positioning Onex' automotive and commercial vehicle sector companies for value creation as market conditions improve in the coming years.

Automotive sector

Onex and HCI own three leading companies in the automotive sector:

- **Dura Automotive:** The world's largest independent designer and manufacturer of driver control systems and engineered mechanisms for automakers worldwide;

- **J.L. French Automotive Castings:** The leading manufacturer of high-pressure die-cast aluminum parts for North American and European OEMs; and
- **Performance Logistics Group:** A leading transporter of new automobiles in North America.

North American car and light truck production increased to 16.4 million units in 2002 from 15.3 million units in 2001. Domestic automakers again used purchase incentives to promote retail sales, which increased 3.4 percent for the year. OEMs also continued their pressure on suppliers to reduce costs and improve quality. Each of the HCI companies responded with the initiatives noted earlier, lowering costs, strengthening management and exceeding customer expectations. HCI believes the results will enable our companies to grow as competitors are unable to meet these market challenges and conditions improve in the future.

Dura Automotive

Dura Automotive has built industry-leading positions in many of its product segments, as well as relationships with every major North American, Japanese and European automaker. This leadership translated into higher volumes and revenues during 2002 from existing contracts and new business awards in North America and Europe; revenues totalled \$3.9 billion in 2002, up slightly from 2001. These revenue gains were partially offset by the effect of the first-quarter divestiture of the company's Plastics Products business, the second-quarter divestiture of the company's Steering Gear business, and by weaker auto sales in Europe.

Dura Automotive's management took significant steps to improve operations. A particular focus was certain European operations that were not achieving adequate profits and, in some instances, posting continuing cash losses. In the second quarter of 2002, the Steering Gear business was divested and, in the third quarter, the European Pedal Product line exited. In the fourth quarter, Dura Automotive adopted a plan to divest its non-core European Mechanical Assemblies business, which comprised five facilities in France and the United Kingdom, which it plans to complete in early 2003. Non-recurring costs of approximately \$30 million related to retirement programs at these businesses were implemented prior to the planned sale. This had

a negative impact on operating earnings, which were down 11 percent to \$246 million in 2002.

Dura Automotive also improved its capital structure by completing a US\$350 million note offering that enabled the company to substantially reduce its bank debt. Net debt was reduced by approximately US\$125 million, before the effects of foreign currency exchange rates, due to continued controls and improved working capital management. These initiatives provide Dura Automotive with additional flexibility and liquidity for future growth.

J.L. French Automotive Castings

J.L. French is the world's leading independent supplier of complex die-cast aluminum components, and one of the few suppliers with full-service design and engineering capabilities. The company enjoys strong relationships with its OEM customers and supplies parts for 13 of the 20 highest-volume vehicles in the world. Bolstered by J.L. French's extensive involvement in initial design and engineering, and continuous improvements in overall quality, these relationships enabled the company to win net new business in 2002 of US\$190 million over the next three model years.

Higher production by North American and European OEMs drove a 10 percent increase in J.L. French's revenues to \$865 million in 2002. While operating earnings of \$86 million decreased 12 percent from 2001, operating cash flow, excluding the effects of reversals of non-cash reserves for loss contracts, improved nearly 25 percent. During 2002, the company introduced annual cost savings initiatives such as relocating production to the most cost-efficient facilities, minimizing scrap and downtime, and maximizing cycle times and product quality. These efforts partially offset the decline in operating earnings.

In early 2003, DaimlerChrysler awarded J.L. French a new worldwide engine block program. This program will launch in the fourth quarter of 2004 and will represent US\$65 million of annual business when in full production. The engine block will be used in DaimlerChrysler, Hyundai and Mitsubishi vehicles. This new award meets two of J.L. French's key strategic initiatives – substantial business with new customers and a complex new product line with significant value-added content.

Just prior to year-end, J.L. French completed a US\$190 million financing transaction. Onex contributed about US\$10 million. A portion of this amount was made as an investment in the company's equity, which increased Onex' ownership interest in J.L. French from 37 percent to approximately 56 percent.

Concurrent with the financing, J.L. French completed an amendment to its senior bank credit facility. As a result of the refinancing and the use of proceeds, amortization payments on the senior loans were eliminated until 2006.

More importantly, the new financing provides J.L. French with enhanced financial flexibility and increased liquidity. These improvements should enable the company not only to withstand industry fluctuations but also to accommodate the US\$190 million in new business awards and to pursue additional opportunities to build value from its very strong market position.

Performance Logistics Group

Higher North American production of light vehicles during 2002 helped increase revenues at Performance Logistics Group ("PLG") to \$314 million in 2002, 4 percent higher than those in the prior year. A full year of cost savings from the company's operational restructuring in 2001, and the continuing impact of the disciplined management of its delivery operations, led to a 4 percent increase in operating earnings to \$24 million in 2002.

HCI also worked with PLG to strengthen its capital structure. Overall leverage was reduced by 13 percent by the end of 2002 as cash generated from operations was used to reduce debt.

Commercial vehicle sector

Onex and HCI own three businesses in this sector:

- **Commercial Vehicle Systems: Commercial Vehicle Systems** ("CVS"), a manufacturer of wiper, mirror and control systems for medium-duty and heavy trucks; and **Bostrom**, a leading North American and European producer of seat systems for heavy truck, bus, construction and agriculture markets; and
- **Trim Systems:** A leading manufacturer of interior trim for heavy truck OEMs.

Class 8, or heavy truck, production in North America has been negatively affected by a variety of factors over the past two years. Poor economic growth in the United States has reduced tonnage and rates for trucking companies, prompting delays in capital expenditures for new equipment. Substantial overbuilding by OEMs in 1999 and 2000 led to excess inventory of new vehicles. This overhang was exacerbated by high levels of lease returns and a large inventory of good-quality used vehicles. By the end of 2001, production of heavy trucks was less than half of what it had been in 1999.

In this challenging environment, HCI and Onex have successfully implemented a variety of cost and debt reduction initiatives. We believe these strategies will enable our commercial vehicle companies to take full advantage of their market-leading positions when demand for heavy trucks resumes. These collective initiatives began in 2001 and were extended in 2002. They include:

- US\$10 million in additional cost reductions, and the implementation of “lean manufacturing” practices and new business systems to drive further savings;
- continuing reduction in working capital requirements;
- debt reduction of 10 percent to improve financial flexibility;
- improvements in quality and delivery of 25 percent; and
- focus on new business awards.

During 2002, production of heavy trucks by OEMs was, at best, erratic. Annualized production rates swung from 125,000 units in the first quarter to 215,000 units in the third quarter as OEMs and suppliers met increased demand for heavy trucks before the October 1 introduction of stringent new regulations for engine emissions. By year-end, production had fallen to 130,000 units per year, bringing total production for the year to 160,000 units.

Our heavy truck companies reported combined revenues of \$490 million, a 12 percent increase over 2001. The growth at Trim Systems accounted for most of the increase in the heavy truck companies' revenues and was due in part to improved revenues stemming from the increase in demand and in part to the inclusion of a full year of revenues for Trim Systems

in 2002. Trim Systems began to be consolidated in mid-2001 following Onex' purchase of another shareholder's interest, which increased Onex' ownership at that time from 34 percent to 77 percent. Higher revenues, better margins, improved productivity and a variety of cost reduction initiatives focused on labour, purchasing and lean manufacturing led to the increased combined operating earnings of \$40 million in 2002.

Commercial Vehicle Systems (CVS and Bostrom)

Like most suppliers to heavy truck OEMs, CVS and Bostrom were significantly affected by the rapid increase in OEM production volumes in the second and third quarters of 2002. Capacity constraints forced the expedited opening of assembly facilities that had previously been closed. Despite focused efforts to reduce costs and eliminate waste, higher production volumes did not lead to substantial increases in operating income before the facilities were again idled in response to sharp volume declines during the fourth quarter of the year.

For 2002, CVS and Bostrom reported combined revenues of \$340 million, up \$11 million from 2001. Combined operating earnings for those companies of \$28 million in 2002, however, were on par with those of 2001.

HCI put a new management team in place at Commercial Vehicle Systems midway through 2002 that has substantial experience in implementing lean manufacturing systems and short-run, low-volume applications. The new team implemented a plan to enhance quality, delivery and overall customer service that resulted in a 25 percent improvement on both measures.

These quality improvements were instrumental in helping the company increase its market share. Commercial Vehicle Systems won new business awards from PACCAR, International, Freightliner and other commercial/industrial OEMs valued at over US\$50 million. A large portion of this new business will launch in 2003 and 2004.

Trim Systems

In early 2001, HCI gave the new management at Trim Systems a mandate to “right-size” the company for the severe decline in heavy truck production. The team

consolidated facilities, introduced lean manufacturing, reduced raw material and operating costs, and developed new manufacturing technologies. The resulting improvements in cost, quality, delivery and products were instrumental in Trim Systems' success in winning additional business from heavy truck OEMs in 2001.

During 2002, Trim Systems' management focused on launching this new business and on extracting further efficiencies from its reduced manufacturing footprint. Revenues increased by more than 40 percent to \$150 million in 2002 over 2001 levels, driven in part by new business awards from OEMs such as Freightliner, International and Peterbilt and in part by the inclusion of a full year of revenues for Trim Systems in 2002. Higher revenues and the company's continuing focus on productivity led to the significant increase in operating earnings, to \$12 million, for 2002.

ENGINEERED BUILDING PRODUCTS

MAGNATRAX

To say that MAGNATRAX was challenged during 2002 is to understate the harsh conditions that affected almost every segment of the company's business. Industrial construction in the United States declined 44 percent from the beginning of 2001 through the end of 2002. Metal Building Association members' sales fell nearly 30 percent for the same period, making it the industry's worst performance in more than 30 years. MAGNATRAX, which derives 40 percent of its revenues from the commercial, retail and industrial segments of the industry, was particularly hard hit by the decline in activity.

In March 2002, the U.S. government imposed punitive tariffs on imports of hot- and cold-rolled coiled steel. Domestic steel companies quickly raised prices for this key raw material. MAGNATRAX and other manufacturers of steel buildings were unable to pass on these costs to customers in an environment of declining prices and increased competition from conventional construction. The resulting constraints on operating margins at MAGNATRAX' Building Group added to the challenge of the cyclical decline in revenues.

Westeel, MAGNATRAX' manufacturer of grain bins and petroleum storage tanks, was also

severely affected by extraordinary business conditions. Despite a relatively strong economy in Canada, crop yields were at drought-induced trough levels in 2002, reducing demand for new grain bins. A very mild winter also curtailed deliveries of petroleum storage tanks to customers in the far north, further contracting Westeel's revenue base.

Some of MAGNATRAX' operations performed relatively well during 2002. The company's Vicwest North America components business, which represents 32 percent of total sales, increased its revenue contribution and gained market share in the United States. The Canadian components business, however, declined during 2002 due to a weakening of the Ontario construction industry. MAGNATRAX' coil painting operation was also down marginally in sales and operating earnings.

Early in 2002, Onex put in place a new senior management team at MAGNATRAX, and they quickly implemented a variety of strategies to conserve cash and improve productivity. Staffing was reduced by approximately 20 percent and the organizational structure collapsed from nine layers to six. Management also managed limited capital and discretionary spending and streamlined its business infrastructure by centralizing key functions such as information technology, human resources and finance.

Lean manufacturing initiatives were rolled out across all MAGNATRAX divisions during 2002. These techniques proved to be very successful in reducing work-in-process inventory, shortening lead times and improving manufacturing efficiency. Moreover, these initiatives are expected to deliver even more substantial benefits in the second and third years of implementation.

The encouraging results of a few of MAGNATRAX' business lines and the aggressive efforts of management to reduce costs were not sufficient to overcome the cyclical pressures on the company's revenue base. Total revenues of \$1.1 billion fell 9 percent in 2002. Increased raw material costs and lower revenues combined to reduce operating income to an operating loss of \$13 million in 2002.

Given this financial performance, MAGNATRAX became non-compliant with its financial covenants during the second half of 2002 and subsequently incurred payment defaults on its senior and

consolidated subordinate indebtedness. At year-end, discussions were continuing with its lenders to achieve a solution to this situation. Virtually all of the company's debt – \$482 million – has been classified as current in Onex' consolidated balance sheet. Onex has not guaranteed the debt of MAGNATRAX. To meet the commitment we had made in 2001 to the company and its lenders, Onex invested an additional \$16 million in MAGNATRAX during the fourth quarter of 2002.

OTHER BUSINESSES

Communications Infrastructure

Radian Communication Services

The communications infrastructure segment of the telecommunications industry has been hit disproportionately hard by the economic downturn of the past two years. With investment capital for telecommunications difficult to raise, wireless carriers in particular have reduced capital expenditures in order to conserve cash. Nevertheless, these carriers are under pressure to add infrastructure that will accommodate more subscribers using more minutes on cellular telephones and other wireless devices.

In this challenging business climate, the management of Radian Communication Services ("Radian") has aggressively cut expenses, reduced non-chargeable time and introduced process-control tools that enable it to more tightly manage manufacturing costs. Working capital management has been improved and capital expenditures reduced dramatically.

During the year, the company also opened a new sales and marketing office in Dallas to extend the reach of its brand and build customer relationships in the United States. While still in the early stages of development, this initiative has already led to new and attractive business in the United States.

Radian's newly modernized plant in Oakville, Ontario is one of just two manufacturing facilities of broadcast and communication towers in North America to be both ISO- and AISC-certified. These certifications have been an important factor in new business awards. Installation of an enterprise resource planning system that was initiated in 2001 is nearing completion. This advanced system gives Radian the capability not only to manage its operations more efficiently but also to

expand its customer base by offering a broader range of services, such as the management of consignment inventory.

Radian is the North American leader in the design, construction, installation and maintenance of tall broadcast towers. It was a record year in 2002 for the division, which completed contracts for major broadcasters such as PBS, ABC affiliates and CBS. In the wireless segment, Radian increased its market share and broadened its base of top-tier customers in the United States. During the year, the division won substantial contracts to engineer, manufacture and install wireless towers in Michigan and upgrade a microwave network in Florida.

This new business in the United States was not sufficient, however, to offset lower revenues from the wireless carrier segment in Canada. Consolidated revenues declined approximately 11 percent to \$120 million in 2002 compared to 2001. And while the company had considerable success in managing its costs, margins were under constant competitive pressure throughout the year. As a result, Radian recorded a \$20 million operating loss.

Sugar Refining and Marketing

Lantic Sugar/Rogers Sugar

During the first quarter of 2002, Rogers Sugar Income Fund ("RSIF") acquired the common shares of Lantic Sugar held by Onex and other Lantic Sugar shareholders in exchange for RSIF trust units. Onex exchanged its interest in Lantic Sugar for approximately 21 million trust units valued at \$101 million at March 8, 2002, the date the transaction was completed. The transaction gave Onex a 28 percent equity interest in RSIF as well as voting control of RSIF's operating companies, Rogers Sugar and Lantic Sugar.

The acquisition of Lantic Sugar by RSIF created the leading refiner and marketer of sugar in Canada. RSIF's operations are now national in scope, with major refineries in Montreal and Vancouver and a sugar beet processing plant in Taber, Alberta. Total annual capacity is approximately one million metric tonnes. More importantly, the combination provides greater stability of distributions for unitholders and creates a stronger platform for growth.

During 2002, Rogers Sugar's Vancouver refinery achieved record production levels. The refinery also met all of the additional production requirements necessitated by lower production at the Taber plant. While the Taber plant operated very efficiently, the sugar beet crop was severely reduced by poor weather on the Prairies during the growing season. Lantic Sugar's Montreal operation set production records as well, at production costs that were among the best in North America.

It is difficult to make a comparison of revenues and operating earnings for 2002 against 2001, as Onex has included the results of Rogers Sugar only from March 2002. Revenues were affected by a combination of lower raw sugar prices on world markets and lower beet by-products sales, offset by strong industrial demand at Lantic Sugar. Combined operating income from Rogers Sugar and Lantic Sugar rose year-over-year on a pro forma basis. RSIF paid out \$34.4 million in distributions in 2002. The per-unit payout was an increase of 14 percent over the fiscal 2001 amount.

During 2002, senior management updated RSIF's strategic direction, identifying four key pillars that will help ensure continuing growth and stability for the company and its unitholders. These are:

- a business plan to foster customer loyalty and to demonstrate RSIF's leadership through new-product initiatives and value-added services;
- an operational plan designed to deliver excellence and results;
- an organizational plan devised to deliver exceptional performance and implement the right management systems; and
- an acquisition plan that will generate new sources of cash flow and value creation for unitholders by the addition of complementary or non-traditional businesses to the core sugar business.

RSIF intends to launch a variety of initiatives during 2003 to meet the objectives of these new business plans.

Online Insurance Brokerage

InsLogic

InsLogic is a turnkey outsourced insurance agency that enables brand partners to easily enter the

insurance distribution marketplace without the cost of building and operating a multi-channel agency of their own. Brand partners such as automobile manufacturers, financial services companies, large insurance brokers and others are able to leverage all or part of InsLogic's complete, licensed agency platform and its product offering from several leading insurers. This high-quality solution enables partners to strengthen relationships with their customers.

InsLogic spent a good portion of 2002 initiating an important strategic alliance with Ford Motor Credit Company ("Ford"). InsLogic was selected by Ford as its exclusive distribution partner for personal automobile insurance in the United States. The platform developed for Ford, which includes a new Ford insurance website, is the first in the industry with fully automated motor vehicle records, claims history and credit scoring.

InsLogic has sold a substantial, and accelerating, volume of policies in the few months that the program has been fully operational. Working with Ford, InsLogic will add more insurance carriers and products, and extend the program to customers of Ford's Volvo, Land Rover, Jaguar and Mazda brands, beginning with Volvo in 2003.

InsLogic also gradually built its volume of private-label term life insurance business with brand partner Charles Schwab, a major consumer financial services firm. The Schwab program began in late 2001, and InsLogic has been acknowledged by Schwab for its service excellence.

With its technology platform in place, InsLogic has been able to focus more resources on productivity. Workflow enhancements are dramatically improving agent efficiency, and other key drivers such as close and cross-sell rates are also up substantially. Nevertheless, the company remains in the investment stage of value creation, incurring an operating loss during 2002.

Small-Capitalization Opportunities

ONCAP

ONCAP's mandate is to build value by investing up to US\$65 million in individual small- and mid-cap companies. It was a challenging investment environment for that mandate during 2002. Higher acquisition prices,

influenced in part by the income trust market, and banks' reluctance to lend to smaller businesses in an uncertain economic environment frequently prevented the acquisition of otherwise attractive businesses.

ONCAP follows the same disciplined principles of acquisition and ownership as those developed over the years at Onex. While the partnership made no new stand-alone acquisitions during 2002, it looked at several opportunities and did make add-on equity investments in its businesses, disposed of non-core operations and spent considerable time working with the management teams of both companies to improve operating results.

CMC Electronics, acquired in 2001, designs, manufactures, sells and supports leading high-technology electronic products and systems for military and commercial markets. During the year, CMC Electronics advanced its strategy of building a focused business concentrating on aviation electronics, infrared sensors and space electronics through acquiring complementary product lines, divesting non-core assets and developing partnerships with other market leaders. In addition, CMC Electronics continued to invest in its people, products and technology, and has entered the new year with a growing backlog as it continues to capture important military and commercial contracts.

The acquisition of Flight Visions, Inc., a U.S.-based aviation electronics company, in July 2002 provided CMC Electronics with a significantly expanded portfolio of products and capabilities, including heads-up displays and mission computers. The acquisition has transformed CMC Electronics into one of the few companies in the world that has the capability to provide fully integrated military cockpits. This acquisition has also expanded CMC Electronics' customer base and end-markets.

The divestitures of CMC Electronics' military communications business and its marine electronics business, Northstar Technologies, were important steps in focusing the company on its key markets. Proceeds of these sales were reinvested in CMC Electronics and used to reduce debt.

As part of its ongoing process of innovation, CMC Electronics has continued to invest significantly

in research and development. An example of this investment has been the development of an enhanced vision system called SureSight that improves a pilot's ability to see at night and in poor weather conditions. The success of this development led to a partnership with Thales Avionics, one of the world's largest avionics providers, and a substantial contract with Bombardier for the development and installation of CMC Electronics' SureSight system into Bombardier's long-range business jets, the Global Express and Global 5000.

Armtec Limited, also acquired by ONCAP in 2001, is a leading provider of products for drainage, water control and bridge/culvert construction to a variety of end-markets in Canada. It was another difficult year in 2002 for Armtec's lines of business. Government infrastructure spending was curtailed across most provinces, with Ontario, Armtec's biggest infrastructure market, being affected by an extended strike by government workers. In addition, infrastructure spending remained low in two of the primary industries the company serves. Expenditures on oil and gas exploration by Canadian producers were curtailed, and investment by the forestry sector was affected by the softwood lumber dispute between Canada and the United States.

ONCAP and Armtec management focused most of their efforts on adjusting operating levels to reflect reduced demand. They also managed working capital more effectively, particularly inventories. The resulting cash generation enabled the company to reduce total debt by more than 25 percent from prior year amounts.

Enerflex Systems In July 2002, ONCAP sold its operating company, EnSource Energy Services ("EnSource"), to Enerflex Systems ("Enerflex") in a share exchange. As a result, ONCAP owns 9.8 percent of the equity of Enerflex, a publicly traded company listed on the TSX. At year-end, ONCAP's holding in Enerflex was valued at approximately twice the original investment that had been made in EnSource. Enerflex is well positioned to grow in value as the gas cycle hopefully regains momentum over the next 18 to 24 months.

Management's Discussion and Analysis

Forward-Looking/Safe Harbour Statement

The Management's Discussion and Analysis 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 otherwise.

The Management's Discussion and Analysis and the Onex Corporation consolidated financial statements have been prepared to provide information on 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 Management's Discussion and Analysis is presented in the following three sections:

Financial Review

A review of Onex' consolidated operating results, financial condition and cash flow for the years ended December 31, 2002 and 2001. This section should be read in conjunction with the consolidated financial statements and notes for the years ended December 31, 2002 and 2001, which follow this discussion (pages 46 to 78).

Outlook

A discussion of the current commitments and strategic direction that may affect the results of Onex, the parent company, and its operating companies during the next 12 months.

Risk Management

A discussion of the business risks to which Onex and its operating companies are exposed and the means by which Onex, the parent company, and its operating companies address such risks.

2002 Financial Highlights

- Revenues were **\$22.7 billion** compared to \$23.8 billion in 2001.
- Operating earnings, as defined on page 24, were **\$1.1 billion**, down slightly from 2001.
- Net loss from continuing operations was **\$145 million (\$0.90 per share)** compared to a loss of \$141 million (\$0.88 per share) in 2001.
- Net loss was **\$145 million (\$0.90 per share)**, down from net earnings of \$798 million (\$4.95 per share) reported in 2001, which included a net after-tax gain of \$939 million on the sale of Sky Chefs.
- Cash flow from operations, excluding changes in working capital, was **\$752 million**, down 25 percent from \$1.0 billion in 2001.
- Assets at the end of the year totalled **\$19.9 billion**, down \$1.0 billion from 2001.
- Shareholders' equity was **\$1.0 billion**, down from \$2.2 billion reported in 2001.

Financial Review

This section compares Onex' consolidated financial results for the fiscal year ended December 31, 2002 to those for the year ended December 31, 2001. The discussion analyzes significant changes in the consolidated statements of earnings, consolidated balance sheets and consolidated statements of cash flows.

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 generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities, at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant accounting policies and methods used in preparation of the financial statements are described in note 1 to the 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 2002

Effective January 1, 2002, Onex and its operating companies adopted the new *CICA Handbook* accounting principle "Stock-based Compensation and Other Stock-based Payments" (Section 3870). This principle requires that a fair-value-based method of accounting be applied to all stock-based payments to employees and non-employees that are direct awards of stock or stock appreciation rights, or that call for settlement in

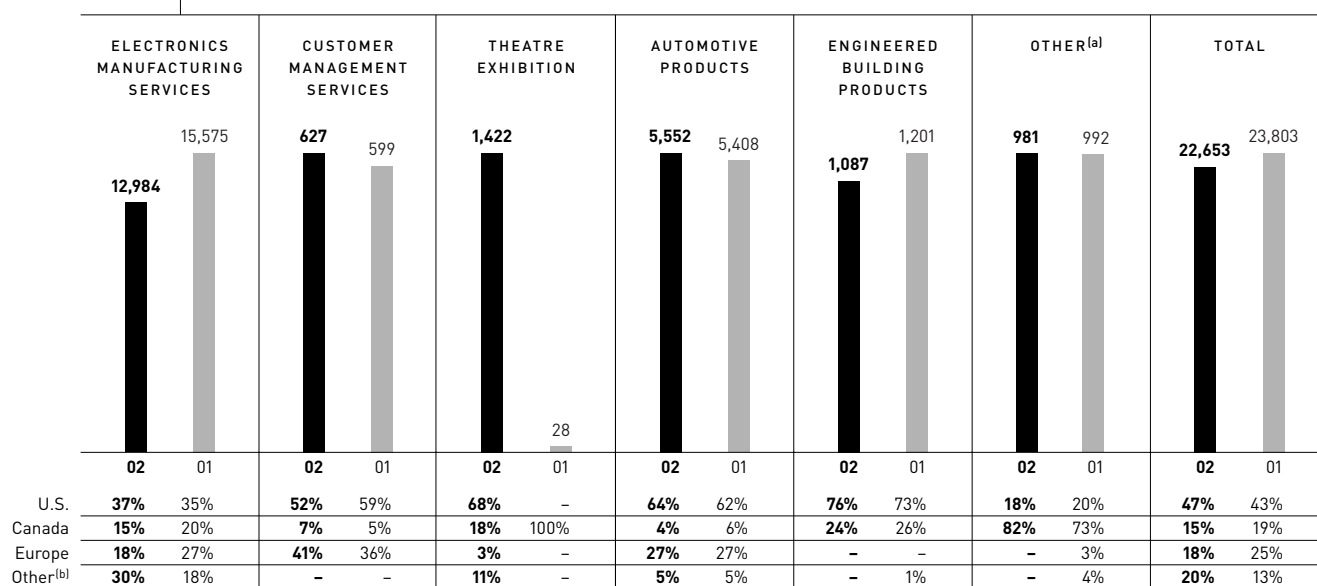
cash and other assets. As Onex has issued options on its shares and other investment rights that may be settled for cash, the value of those options and investment rights was determined as at January 1, 2002. The adoption of this principle resulted in a \$280 million charge to retained earnings, which represents the cumulative value of stock options and investment rights as at January 1, 2002. The offsetting part of that entry was the establishment of a liability for an equal amount. Subsequent to that date, the increase or decrease in the market value of the options is recorded in the consolidated statement of earnings. The Onex operating companies also have stock option plans; however, those plans do not provide for the settlement of options for cash. Note disclosure is made for the fair value of options that subsidiary companies may have issued that would not be settled for cash.

In addition, Onex and its operating companies adopted *CICA Handbook* Section 3062, "Goodwill and Other Intangible Assets". This new standard requires that goodwill and other intangible assets with indefinite lives be assessed as of January 1, 2002 under more stringent criteria and, if determined to be impaired, be written down and charged to retained earnings as at January 1, 2002. This new policy resulted in the discontinuation of amortization for all goodwill and intangible assets with indefinite useful lives. As a result, the amortization charge for 2002 is lower than the prior year. However, intangible assets with finite lives continue to be amortized. A detailed discussion of the new accounting policy and the writedowns booked by Onex' operating companies is provided in the shareholders' equity discussion that follows.

Additional details on these new accounting policies are provided in note 1 to the consolidated financial statements.

Revenue Diversification by Industry and Geographic Segments

CHART 1 | (\$ millions)



(a) 2002 includes Radian, Lantic Sugar/Rogers Sugar, InsLogic, ONCAP, Vencap and parent company. 2001 includes Radian, Lantic Sugar, InsLogic, ONCAP, Vencap and parent company.

(b) Other includes primarily operations in Asia, Central and South America, and Australia.

CONSOLIDATED OPERATING RESULTS

This section should be read in conjunction with the consolidated statements of earnings, found on page 49 of this report, and the corresponding notes to the consolidated financial statements.

Onex' consolidated operations will vary from period to period as a result of the changes in operations at the various operating companies that Onex controls, the acquisition of new businesses by Onex and add-on acquisitions by the operating companies, as well as the divestiture of businesses. This discussion will identify the effect of new businesses acquired in 2002 as well as the material factors that affected each existing Onex operating company.

Consolidated revenues

Consolidated revenues were \$22.7 billion in 2002 compared to \$23.8 billion in 2001. Chart 1 shows consolidated revenues by industry segment for 2002 compared to 2001. The percentage split of revenues by geography is also provided in the chart. To explain

the change in revenues year-over-year, the following discussion is provided by industry segment.

Electronics Manufacturing Services ("EMS")

Weak end-market demand began to emerge in early 2001 and demand has continued to weaken for the communications and information technology industries that Celestica serves. This resulted in customers rescheduling or cancelling orders, which negatively affected Celestica's results of operations. Celestica reported revenues of \$13 billion in 2002, a 17 percent decline from \$15.6 billion in 2001. Base revenue, defined as revenue excluding business from operations acquired during the past 12 months, was significantly lower due to the prolonged weakness in end-markets. In addition, pricing pressure due to excess capacity in the EMS industry also reduced revenues. Partially offsetting this year-over-year decline in base revenue was acquisition growth – defined as revenue from businesses acquired in the preceding 12 months – from acquisitions in the latter part of 2001 and during 2002, primarily in Asia.

Revenues from Celestica's Americas operations decreased 27 percent and European revenues were off 40 percent from 2001 amounts. Customers' demands for lower manufacturing costs have required Celestica to provide services in lower-cost geographies. As a result, revenues from Asian operations increased 113 percent over 2001.

Customer Management Services

ClientLogic increased revenues slightly to \$627 million in 2002 from \$599 million in 2001. New clients, primarily in the call-centre operations, contributed the majority of the revenue growth. There were very few customer disengagements to offset that growth. European operations, which accounted for 41 percent of total revenues, provided the majority of ClientLogic's revenue growth, much of which was due to additional business with British Telecom.

Theatre Exhibition

The theatre exhibition companies – Loews Cineplex, Loeks-Star Partners, Cinemex and Galaxy Entertainment – reported combined revenues of \$1.4 billion in 2002, up from \$28 million in 2001. Onex' acquisition of Loews Cineplex in March 2002, the remaining 50 percent interest in Loeks-Star Partners that Loews Cineplex did not own in April 2002, and the purchase of Cinemex in June 2002 provided essentially all the revenue growth in this segment. All the revenues for 2001 were from Galaxy Entertainment. Galaxy Entertainment reported a 59 percent increase in revenues in 2002, primarily due to the inclusion of revenues from three new theatres.

Automotive Products

North American and European automotive vehicle production was relatively strong during most of 2002, with slight production declines in the fourth quarter of 2002. European automotive production volumes, however, were down in 2002 over the prior year. North American and European heavy truck production, while at relatively low levels, was up 20 percent in 2002 over 2001. Onex' automotive products segment, which supplies automotive and heavy truck original equipment manufacturers ("OEMs"), collectively increased revenues by \$144 million or 3 percent to

\$5.6 billion in 2002. Table 1 provides comparative revenues by operating company in the automotive products segment for 2002 and 2001.

Automotive Products Revenues

TABLE 1	(\$ millions)	2002	2001
Automotive Sector			
	Dura Automotive	3,883	3,856
	J.L. French Automotive Castings	865	787
	Performance Logistics Group	314	302
	Subtotal	5,062	4,945
Commercial Vehicle Sector			
	Commercial Vehicle Systems ^(a)	340	329
	Trim Systems	150	107
	Subtotal	490	436
	Other	-	27
	Total	5,552	5,408

(a) Includes the operations of Commercial Vehicle Systems and Bostrom.

Dura Automotive revenues of \$3.9 billion in 2002 were slightly above those of 2001. The company supplies driver control systems, seating control systems, engineered assemblies, structural door modules and integrated glass systems to a wide variety of automotive platforms for 25 manufacturers in North America and Europe. Therefore, Dura Automotive's revenues are typically affected by the success of particular models for which it provides content as well as the effect of overall production levels. While production volumes were up in 2002 in North America, Dura Automotive's revenues did not show comparable growth due to the divestiture of its Plastics Products and Steering Gear divisions in the first and second quarters, respectively, of 2002. The divisions accounted for approximately \$150 million in annualized revenues. The company recorded higher European sales due to new business awards in 2002 and favourable exchange rates. In January 2003, Dura Automotive announced the planned divestiture of its European Mechanical Assemblies business. This business provided approximately \$175 million of revenues in 2002.

J.L. French Automotive Castings products are typically higher in individual unit value than Dura Automotive's and are focused on a narrower range of automotive models. Accordingly, J.L. French's revenues are affected by the success of the particular models in which it has content. The company supplies content in 13 of the 20 bestselling light vehicles in the world. J.L. French's revenues grew to \$865 million in 2002 from \$787 million in 2001 due to higher North American automotive production volumes, favourable exchange rates on its European operations and higher pricing to help recover increases in aluminum costs.

Performance Logistics Group provides transportation and logistics services to North American automotive and light truck OEMs. The company grew revenues by 4 percent to \$314 million in 2002 from \$302 million in 2001 due to the overall increase in production of automobiles and light trucks by its existing customers, principally Ford.

The commercial vehicle sector companies – **Commercial Vehicle Systems**, **Bostrom** and **Trim Systems** – increased combined revenues from \$436 million in 2001 to \$490 million in 2002. The increase was due primarily to the rise in heavy truck production in 2002 over 2001 and success in gaining market share for certain products.

Trim Systems reported a 40 percent increase in revenues over 2001. Approximately 16 percent of this growth was due to the company's improved volumes from existing customers. The balance of Trim Systems' growth was due to new business awards that resulted when OEMs shifted production from failing suppliers. The consolidation of a full year of results of Trim Systems began in mid-2001 following Onex' purchase of another shareholder's interest.

Commercial Vehicle Systems had most of its revenue increase in its sales of mirrors, HVAC systems and wiper systems, partially offset by lower service sales. **Bostrom** also had strong revenue growth in North American mirror sales, partially offset by lost revenues from the sale of the company's automotive stamping business, which was sold during the second quarter of 2001.

Engineered Building Products

MAGNATRAX reported revenues of \$1.1 billion in 2002, an overall 9 percent decline from 2001, due primarily to the unprecedented decline in demand experienced by the engineered building products industry. The industry overall was down 9 percent in 2002 and this decline followed a 21 percent reduction in 2001. Comparatively low levels of U.S. manufacturing capacity utilization had the effect of reducing demand in the industrial construction market. This lower demand has been significant to the metal buildings companies and has resulted in greater price competitiveness in the industry. These factors reduced MAGNATRAX' revenues in the metal buildings division by 14 percent from 2001 levels. Lower overall construction levels also weakened the walk door market in the United States that MAGNATRAX' Republic Door division serves. In addition, drought conditions and very poor crop yields in the 2002 growing season adversely affected the company's agricultural storage product sales in 2002 compared to 2001.

Other Businesses

Communications Infrastructure Radian's revenues of \$120 million were down from the \$135 million reported in 2001. Continuing capital spending reductions by North American wireless carriers decreased revenues in Radian's wireless operations in 2002. Certain operations which provided \$9 million of revenues in 2001 were discontinued in 2002. Partially offsetting this decline was revenue growth in the broadcast division and the inclusion of a full year of revenues from the U.S. branch operations, which were opened in late 2001. The broadcast division achieved record revenues for 2002 as broadcasters built out their high-definition television transmission capabilities.

Sugar Refining and Marketing The Lantic Sugar/Rogers Sugar combined operations reported revenues of \$377 million in 2002. A comparison to last year is not meaningful since Rogers Sugar's operations only began to be consolidated in the first quarter of 2002. This followed a transaction in which Onex exchanged its ownership interest in Lantic Sugar for units of the Rogers Sugar Income Fund. In 2001, only the revenues of Lantic Sugar were included. Both

Rogers Sugar's and Lantic Sugar's sales are focused in three specific segments: industrial, consumer and liquid products. The change in demand in these segments and raw sugar pricing on world markets are factors that affect revenues. Rogers Sugar has a larger percentage of business in the consumer segment, while Lantic Sugar's revenues are generated more from the industrial segment.

Small-Capitalization Opportunities ONCAP's companies – CMC Electronics and Armtec – contributed \$468 million to 2002 revenues, up \$176 million from the \$292 million reported in 2001. The revenue increase at CMC Electronics was driven primarily by organic growth and by the acquisition of Flight Visions, Inc. in July 2002. The inclusion of a full year of revenues for CMC Electronics, acquired in April 2001, and Armtec, acquired in August 2001, also contributed to 2002 revenues.

Online Insurance Brokerage InsLogic revenues of \$7 million grew from the \$3 million reported in 2001. InsLogic's contract to sell insurance with Ford Motor Credit Company, signed in late 2001, contributed most of the revenue growth in 2002.

Operating earnings

We define operating earnings as EBIAT, or earnings before interest expense, amortization of goodwill, intangibles and deferred charges, acquisition and restructuring expenses and income taxes. Table 2 provides a reconciliation to operating earnings. Onex uses this measure to evaluate its operating companies' performance because it eliminates interest charges, which are a function of the particular financing structure, and any unusual charges. Onex' method of determining operating earnings or EBIAT may differ from other companies' methods and, accordingly, EBIAT may not be comparable to measures used by other companies.

EBIAT does not have any standardized meaning prescribed by GAAP and is not necessarily comparable to similar measures presented by other companies. EBIAT is not a measure of performance under Canadian GAAP and should not be considered in isolation or as a substitute for net earnings (loss) prepared in accordance with Canadian GAAP.

Operating Earnings Reconciliation

Amounts as shown in consolidated statements of earnings

TABLE 2	(\$ millions)	2002	2001
Earnings before the undernoted items		1,675	1,650
Amortization of property, plant and equipment		(769)	(621)
Interest and other income		81	125
Stock-based compensation		143	-
Total operating earnings		1,130	1,154

Consolidated operating earnings totalled \$1.13 billion in 2002, down from \$1.15 billion in 2001. Table 3 provides a breakdown of operating earnings (loss) by industry segment. The impact on operating earnings (loss) is then discussed in detail for each industry segment.

Operating Earnings (Loss)

TABLE 3	(\$ millions)	2002	2001
Electronics Manufacturing Services		414	620
Customer Management Services		4	(20)
Theatre Exhibition		145	(3)
Automotive Products		399	424
Engineered Building Products		(13)	66
Other		181^(a)	67 ^(b)
Total operating earnings		1,130	1,154

(a) Other includes Radian, Lantic Sugar/Rogers Sugar, InsLogic, ONCAP, Vencap and parent company.

(b) Other includes Radian, Lantic Sugar, InsLogic, ONCAP, Vencap and parent company.

Electronics Manufacturing Services

Celestica's operating earnings were \$414 million in 2002, down from \$620 million in 2001 due primarily to the decline in the company's revenues. Celestica's European operations were most affected during 2002 as they were operating at lower levels of utilization and at higher fixed costs. In addition, manufacturing volume reductions tended to affect higher-value-added products disproportionately, further adversely affecting the European margins. However, Celestica's Americas operations improved operating efficiency, had a higher-value-added product mix and benefited

from the effects of restructuring in the Americas. Higher volumes and utilization rates in Asia also helped to offset a portion of the lower operating earnings from the company's European operations.

Customer Management Services

ClientLogic reported operating earnings of \$4 million in 2002, a significant improvement from the operating loss of \$20 million in 2001. Increased revenues in 2002 accounted for some of the improvement. Most of the company's improved operating performance for the year were derived from the Best in Class initiatives, which were focused on reducing the labour component of cost of sales and improving gross margins.

Theatre Exhibition

The inclusion of Loews Cineplex, Loeks-Star Partners and Cinemex during 2002 in the theatre exhibition segment added \$140 million in operating earnings for the segment. In addition, Galaxy Entertainment contributed \$5 million in operating earnings, a significant increase from the operating loss of \$3 million reported in 2001. The increased contribution from Galaxy Entertainment was due to higher revenues and new theatre openings in 2002.

Automotive Products

Consolidated operating earnings in the automotive products segment were \$399 million, down slightly from the \$424 million earned in 2001. A breakdown of operating earnings by company in the automotive products segment is shown in Table 4.

Automotive Products Operating Earnings

TABLE 4	(\$ millions)	2002	2001
Automotive Sector			
		246	276
Dura Automotive			
J.L. French Automotive Castings		86	98
Performance Logistics Group		24	23
Subtotal		356	397
Commercial Vehicle Sector			
		28	28
Commercial Vehicle Systems ^(a)			
Trim Systems		12	2
Subtotal		40	30
Other ^(b)		3	(3)
Total		399	424

(a) Includes the operations of Commercial Vehicle Systems and Bostrom.

(b) Includes the operations of Performance Marketing Global and Hidden Creek Industries.

Dura Automotive's operating earnings were \$246 million compared to \$276 million in 2001. Operating earnings declined primarily due to a non-recurring pension settlement charge of \$28 million associated with Dura Automotive's pension plan for its European Mechanical Assemblies business, which Dura Automotive intends to divest in 2003.

While operating earnings at J.L. French decreased 12 percent to \$86 million from \$98 million in 2001, operating cash flow, excluding the effects of reversals of non-cash reserves for loss contracts, improved nearly 25 percent.

Growth in Performance Logistics Group's operating earnings resulted from lower lease costs for revenue equipment vehicles, as well as from cost-reduction initiatives implemented in 2002 to reduce overhead expenses.

The increase in operating earnings at the commercial vehicle sector companies was primarily due to improvements at Trim Systems. This growth resulted from higher revenues in 2002, the effects of cost-reduction efforts undertaken in 2001 to realign

the business for lower sales levels, and the inclusion of a full year of results in 2002 for Trim Systems, which began to be consolidated by Onex in mid-2001.

The combination of Commercial Vehicle Systems and Bostrom reported operating earnings on par with those reported in 2001. Commercial Vehicle Systems increased its operating earnings through continuing efforts to reduce costs. These efforts included improvements in material flow, productivity and supplies management as well as tighter cost controls in selling, general and administrative expenses. Earnings growth was constrained, however, by a larger percentage of sales generated from lower-margin products. Bostrom had lower operating earnings in 2002 compared to 2001 due to significant ramp-up costs to accommodate a spike in production volumes in the second and third quarters of 2002. These included premium labour and freight costs associated with the opening of previously closed facilities. Bostrom's management put a team in place in the third quarter of the year to focus on improving earnings by reducing labour costs, enhancing quality and eliminating waste.

Engineered Building Products

MAGNATRAX reported an operating loss of \$13 million compared to operating earnings of \$66 million in 2001. Lower revenues, reduced pricing due to intense competitive pressure and higher steel costs resulting from the tariffs imposed in early 2002 on certain types of steel imported into the United States were the primary factors that resulted in significantly reduced operating earnings in 2002.

Other Businesses

Communications Infrastructure Radian reported an operating loss of \$20 million in 2002 compared to operating earnings of \$5 million in 2001. Operating earnings were affected by a number of factors, including highly competitive markets, lower capital spending by wireless carriers, higher general and administrative expenses, and higher depreciation costs primarily related to the company's expansion of its Oakville manufacturing operations and the implementation of

enterprise-wide reporting systems. Radian's management focused on cost reductions and implemented enhanced process control management to tightly manage its costs. These cost savings were largely reinvested in sales and marketing as Radian sought to differentiate itself from its competitors and win larger, higher-margin business.

Sugar Refining and Marketing The Lantic Sugar/Rogers Sugar combined operating earnings were \$42 million in 2002. A direct comparison to 2001 is not appropriate as Rogers Sugar's operations were included from March 2002. Increased competition from refined sugar importers led to lower selling margins in the consumer segment during 2002. This reduction was substantially offset by the success of efforts by Lantic Sugar/Rogers Sugar management to lower refining costs through process efficiencies.

Small-Capitalization Opportunities The ONCAP companies contributed \$46 million to operating earnings in 2002, a slight decrease over 2001. CMC Electronics added \$19 million in operating earnings in 2002; the balance was from the inclusion of a full year of operating earnings from Armtec, which was acquired in August 2001. Overall operating earnings declined due to the exclusion of EnSource Energy, which was sold during 2002 to Enerflex Systems in a share exchange transaction; as a result, EnSource is no longer consolidated by Onex. EnSource contributed \$16 million to operating earnings in 2001.

Online Insurance Brokerage InsLogic reported an operating loss of \$30 million in 2002, an improvement from the \$37 million operating loss reported last year. Changes in customer pricing and contract structures as well as ongoing improvements reduced the operating loss in 2002.

Amortization of goodwill, intangible assets and deferred charges

Amortization of goodwill, intangible assets and deferred charges represents a non-cash charge against Onex' earnings that arises primarily from the difference between the price paid when acquiring a business and the fair value of the identifiable assets and liabilities acquired. Effective January 1, 2002, Onex

and its operating companies adopted the new required Canadian accounting standards for business combinations and for goodwill and intangible assets. These new policies resulted in the discontinuation of amortization for all goodwill and intangible assets that have indefinite useful lives.

Intangible assets with finite useful lives, however, continue to be amortized. Note 1 to the consolidated financial statements discusses the accounting policy for goodwill and intangible assets in detail.

Amortization of goodwill, intangible assets and deferred charges was \$184 million in 2002 compared to \$361 million in 2001. The amortization expense was substantially lower in 2002 due to the above-noted change in accounting policy. Note 9 to the consolidated financial statements provides a reconciliation of amortization expense between 2002 and 2001.

Writedown of goodwill, intangible assets and long-lived assets

The management of each operating company undertakes an annual review of the value of its recorded goodwill, intangible assets and long-lived assets for permanent impairment. Impairment for goodwill and indefinite-lived intangibles is tested at the operating company by comparing the operating company's carrying amount to its fair value. The fair values of the operating companies are estimated using a combination of a market approach and discounted cash flows. The process of determining fair values is subjective and requires each operating company's management to exercise judgment in making assumptions about future results, including revenue and cash flow projections at the operating company and discount rates. In 2002, writedowns of goodwill, intangible assets and long-lived assets totalling \$453 million were recorded; this compares to \$427 million reported in the prior year. The write-offs in goodwill of \$317 million are in addition to those goodwill writedowns booked as of January 1, 2002, as required by the adoption of the new accounting policy for goodwill and intangible assets with indefinite useful lives described in note 20 to the consolidated financial statements. Table 5 presents these charges by operating company.

Writedown of Goodwill, Intangible Assets and Long-Lived Assets

	2002	2001
Celestica	425	57
ClientLogic	-	145
J.L. French Automotive Castings	-	225
MAGNATRAX	28	-
Total	453	427

In the fourth quarter of 2002, Celestica wrote off \$425 million in goodwill, intellectual property and intangible assets due to impairment resulting from the prolonged decline in information technology and communications end-markets. In 2001, Celestica recorded a \$57 million write-off in goodwill, intangible assets and long-lived assets attributable to certain long-lived assets that became impaired with the rationalization of facilities as part of its restructuring program.

In December 2002, MAGNATRAX recorded \$28 million in intangible asset writedowns related to software development costs for a terminated project and an idled manufacturing facility.

During the second quarter of 2001, ClientLogic and J.L. French completed a review of the recoverability of their companies' unamortized goodwill and intangible assets. The management teams of these companies determined that full recoverability of goodwill on their balance sheets was not achievable. As a result, ClientLogic recorded a non-cash charge of \$145 million while J.L. French recorded a \$225 million non-cash charge, both relating to writedowns of goodwill. The net effect of these non-cash charges on Onex' consolidated net earnings in the second quarter of 2001 was \$181 million or \$1.12 per share.

Interest expense of operating companies

It is our policy to structure each of our operating companies with sufficient equity in those companies to enable them to self-finance a significant portion of the acquisition cost with a prudent level of debt. The level of debt assumed is commensurate with the operating company's available cash flow, including consideration of funds required to pursue growth opportunities.

It is the responsibility of the acquired operating company to service the debt obligations. The debt of each operating company is without recourse to Onex or to any other Onex operating company.

Consolidated interest expense decreased to \$425 million in 2002 from \$440 million in 2001 due to debt repayments, in particular by Dura Automotive, and to lower interest rates. Partially offsetting these was the inclusion of debt of Loews Cineplex and Cinemex with the acquisition of those businesses. Table 6 details the change in consolidated interest expense from 2001 to 2002.

Change in Interest Expense

TABLE 6 | (\$ millions)

Reported interest expense for 2001	440
Additional interest expense in 2002 due to:	
Acquisition of Loews Cineplex Group	56
Other	10
Interest expense reduction due to:	
Repayment of debt	(57)
Decrease in interest rates	(24)
Reported interest expense for 2002	425

Interest and other income

Interest and other income decreased to \$81 million in 2002 from \$125 million in 2001. Interest income was earned on cash balances at Onex, the parent company, and certain Onex operating companies, primarily Celestica. Lower interest rates in 2002 than in 2001 were the main reason for the decline in interest and other income. As well, Onex had reduced cash balances due primarily to the additional investments in Loews Cineplex and Cinemex.

Stock-based compensation

Onex has adopted the new accounting policy of expensing its stock-based compensation at the parent company through its statements of earnings. This new policy requires that Onex record the effect of the

change in value of Onex' options and investment rights in the statements of earnings. As a result, earnings may increase or decrease depending upon the changes in the market value of the shares. In 2002, the revaluation of Onex' stock-based compensation liability to market value resulted in a \$143 million improvement in earnings due to the decrease in value of Onex stock options and investment rights primarily associated with Celestica from their value at January 1, 2002.

Accounting gains on shares of operating companies, net

Onex recorded \$21 million in gains on shares of operating companies, compared to \$164 million of such gains in 2001. In 2002, \$13 million of the gains recorded were due to Vencap's sale of a portion of its remaining operating company. The balance of the gains recorded in 2002 resulted from Onex' sale of certain non-controlled entities.

Included in 2001 gains on shares of operating companies was a \$218 million accounting dilution gain from Celestica's issuance of 12 million subordinate voting shares and the further issuance of shares as part of the consideration of its purchase of Primetech. The 2001 gains were reduced by \$54 million in provisions against the carrying value of a number of Onex' non-controlled entities, where Onex deemed the value reduction was permanent. Note 5 to the consolidated financial statements provides additional details on the gains on shares of operating companies.

Acquisition, restructuring and other expenses

Acquisition, restructuring and other expenses are considered non-recurring costs incurred to realign organizational structures, restructure manufacturing capacity and obtain operational synergies critical to building the long-term value of the particular operating company. In 2002, acquisition, restructuring and other expenses totalled \$851 million compared to \$474 million last year. Table 7 breaks out these costs by industry segment.

Acquisition, Restructuring and Other Expenses

TABLE 7	(\$ millions)	2002	2001
Electronics Manufacturing Services		636	406
Customer Management Services		-	11
Theatre Exhibition		17	-
Automotive Products		190	39
Engineered Building Products		3	-
Other		5 ^(a)	18 ^(b)
Total		851	474

(a) Other includes Radian, Lantic Sugar/Rogers Sugar, ONCAP and parent company.

(b) Other includes Radian, Lantic Sugar, ONCAP and parent company.

Celestica recorded \$636 million in acquisition, restructuring and other expenses. The majority of those expenses related to the company's restructuring plans, which included reducing its workforce, consolidating facilities and changing the strategic focus of the number and location of sites. These actions were necessary in order to align the company's capacity and infrastructure to anticipated customer demand as well as to rationalize Celestica's footprint worldwide. Also included in Celestica's costs were \$33 million in integration costs primarily related to the acquisition of Omni Industries and Celestica's acquisitions of certain manufacturing facilities under strategic partnerships with Lucent Technologies and NEC Corporation. The 2001 acquisition, restructuring and other expenses of \$406 million recorded by Celestica were part of the company's 2001 restructuring of its global manufacturing network to adjust operations for changing customer demand.

Dura Automotive recorded \$157 million in restructuring expenses, of which \$25 million were related to the facility consolidation and \$33 million were related to the divestiture of its Steering Gear business during the second quarter of 2002. The balance of the restructuring charges related to the divestiture of the European Mechanical Assemblies business, which the company expects to complete in 2003. These charges include severance costs, facility closures and other costs, asset writedowns, and settlement of contractual commitments and

transaction-related costs. In 2001, Dura Automotive incurred \$39 million in charges related to the sale of its Australian operations.

Debt prepayment costs

Certain of Onex' operating companies refinanced or prepaid debt to enhance financial flexibility or reduce future interest costs. Debt prepayment costs incurred were \$34 million in 2002. There were no debt prepayment costs in 2001. Table 8 details the debt prepayment costs by operating company.

Debt Prepayment Costs

TABLE 8	(\$ millions)	2002	2001
Celestica		15	-
Dura Automotive		9	-
J.L. French Automotive Castings		10	-
Total		34	-

In 2002, Celestica incurred \$15 million in costs for the redemption of US\$130 million of its 10.5 percent senior subordinated notes. Costs incurred by Dura Automotive and J.L. French were related to debt refinancings in 2002.

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

On the consolidated statements of earnings, the non-controlling interests amount of \$634 million in 2002 represents the interests of shareholders other than Onex in the net earnings or losses of the operating companies. Table 9 details the losses (earnings) by industry segment attributable to non-controlling shareholders in our operating companies. The non-controlling interest amount changed in 2002 over 2001 due primarily to a net loss at Celestica in 2002. Partially offsetting this loss was the inclusion of other shareholders' interests in the net earnings of Loews Cineplex, which was acquired in 2002; Loeks-Star Partners, acquired in April 2002; and Cinemex, acquired in June 2002.

Non-controlling Interests in Losses (Earnings) of Operating Companies

TABLE 9	(\$ millions)	2002	2001
Electronics Manufacturing Services		576	51
Customer Management Services		-	58
Theatre Exhibition		(19)	2
Automotive Products		108	137
Engineered Building Products		-	3
Other		(31) ^(a)	2 ^(b)
Total		634	253

(a) Other includes Radian, Lantic Sugar/Rogers Sugar, InsLogic, ONCAP, Vencap and parent company.

(b) Other includes Radian, Lantic Sugar, InsLogic, ONCAP, Vencap and parent company.

Consolidated net earnings (loss)

Onex reported a consolidated net loss of \$145 million compared to net earnings of \$798 million recorded in 2001. Table 10 identifies the net earnings (loss) by industry segment as well as the contribution from net after-tax gains on sales of shares of operating companies and discontinued operations.

Consolidated Net Earnings (Loss)

TABLE 10	(\$ millions)	2002	2001
Onex' share of net earnings (loss):			
Electronics Manufacturing Services		(119)	(13)
Customer Management Services		(35)	(187)
Theatre Exhibition		22	(3)
Automotive Products		(82)	(101)
Engineered Building Products		(61)	(4)
Other		111 ^(a)	4 ^(b)
Net after-tax gains on shares of operating companies		19	163
Loss from continuing operations		(145)	(141)
Earnings from discontinued operations		-	939
Consolidated net earnings (loss)		(145)	798

(a) Other includes Radian, Lantic Sugar/Rogers Sugar, InsLogic, ONCAP, Vencap and parent company.

(b) Other includes Radian, Lantic Sugar, InsLogic, ONCAP, Vencap and parent company.

In 2002 Onex was required for accounting purposes to recognize 100 percent of the losses of ClientLogic, InsLogic, J.L. French and MAGNATRAX. Prior losses at these companies eliminated the value contributed by other shareholders in these companies. Thus, for accounting purposes, the other shareholders' portion of these companies' current losses has been included in determining Onex' net earnings (loss), as the cumulative interests of other shareholders in those companies cannot be recorded at a negative value. These losses of other shareholders, which Onex includes for accounting purposes, totalled \$85 million in 2002 (2001 – \$28 million). In the future, when these companies begin to record earnings, Onex will include 100 percent of any profits in these companies until Onex has recovered the value of the losses of non-controlling shareholders that were previously booked.

Discontinued operations

Earnings from discontinued operations of \$939 million in 2001 represent the net after-tax gain of \$944 million on the sale of Onex' remaining 47 percent interest in Sky Chefs to LSG Lufthansa Services in June 2001, as well as Sky Chefs' \$5 million net loss on operations in 2001 up to the date of the sale.

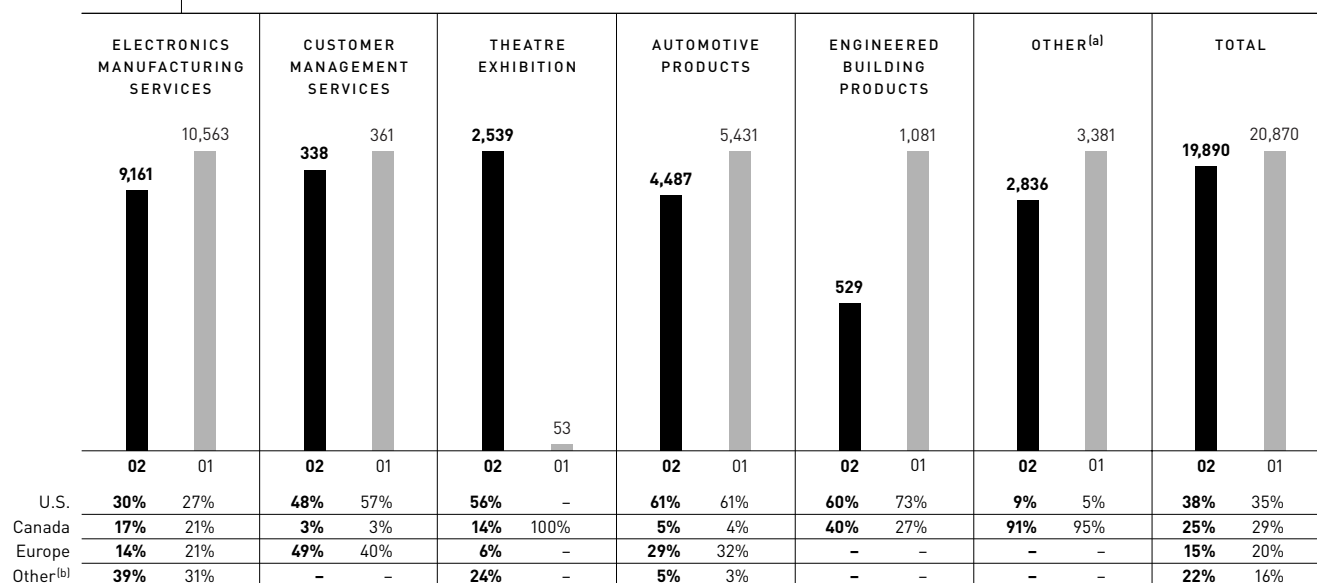
Table 11 presents earnings (loss) per share from continuing operations, discontinued operations and net earnings (loss).

Net Earnings (Loss) per Subordinate Voting Share

TABLE 11	(\$ per share)	2002	2001
Basic			
Continuing operations		(0.90)	(0.88)
Discontinued operations		-	5.83
Net earnings (loss)		(0.90)	4.95
Diluted			
Continuing operations		(0.90)	(0.88)
Discontinued operations		-	5.83
Net earnings (loss)		(0.90)	4.95

Asset Diversification by Industry and Geographic Segments

CHART 2 | (\$ millions)



(a) 2002 includes Radian, Lantic Sugar/Rogers Sugar, InsLogic, ONCAP, Vencap and parent company. 2001 includes Radian, Lantic Sugar, InsLogic, ONCAP, Vencap and parent company.

(b) Other includes primarily operations in Central and South America, Asia and Australia.

CONSOLIDATED FINANCIAL POSITION

This section should be read in conjunction with the consolidated balance sheets on page 48 and the corresponding notes to the consolidated financial statements.

Consolidated assets

As at December 31, 2002, consolidated assets amounted to \$19.9 billion, down from \$20.9 billion at December 31, 2001. Chart 2 shows Onex' consolidated assets by industry and geographic segments.

Total consolidated assets declined year-over-year due to the write-off of a significant portion of goodwill with the adoption of the new CICA accounting policy for goodwill and other intangible assets. This new policy required that Onex' operating companies assess, under a new, more conservative methodology, whether goodwill and other intangible assets were impaired as at January 1, 2002. The goodwill balance was reduced by \$1.3 billion with the adoption of this policy.

Table 12 provides a reconciliation of the change in the goodwill balance from December 31, 2001 to December 31, 2002.

Change in Goodwill

TABLE 12 | (\$ millions)

Reported goodwill balance as at December 31, 2001	5,218
Reduction in goodwill due to:	
Change in accounting policy -	
Charge to retained earnings	(698)
Charge to non-controlling interests balance sheet account	(616)
	(1,314)
Celestica's write-off associated with an annual impairment review	(318)
Increase in goodwill due to:	
Acquisitions made in 2002	587
Reported goodwill as at December 31, 2002	4,173

A further breakdown by industry segment of the goodwill reduction due to the change in accounting policy is provided in Table 13.

Goodwill Reduction by Industry Segment

Due to Change in Accounting Policy

TABLE 13 (\$ millions)	2002
Automotive Products	792
Engineered Building Products	472
Other	50 ^(a)
Total	1,314

(a) Other includes Radian, Lantic Sugar/Rogers Sugar, InsLogic, ONCAP and Vencap.

Reduction of working capital assets, primarily at Celestica, as well as other goodwill and intangible asset write-offs also reduced assets. Offsetting part of this decline was asset growth from acquisitions, which contributed \$2.2 billion, net of cash, to total consolidated assets. Most of this acquisition growth was in the theatre exhibition segment with the acquisitions of Loews Cineplex and Cinemex. This compares to \$4.6 billion in asset growth from acquisitions completed in 2001. Table 15 outlines the acquisitions completed by Onex and its operating companies in 2002 and 2001. Note 2 to the consolidated financial statements also details these acquisitions.

Property, plant and equipment expenditures

Onex' operating companies made capital expenditures relating to property, plant and equipment of \$518 million in 2002, down from \$651 million in 2001. Table 14 details the property, plant and equipment expenditures by industry segment.

Property, Plant and Equipment Expenditures

TABLE 14 (\$ millions)	2002	2001
Electronics Manufacturing Services	235	313
Customer Management Services	31	52
Theatre Exhibition	61	14
Automotive Products	140	166
Engineered Building Products	12	24
Other	39 ^(a)	82 ^(b)
Total	518	651

(a) Other includes Radian, Lantic Sugar/Rogers Sugar, InsLogic, ONCAP, Vencap and parent company.

(b) Other includes Radian, Lantic Sugar, InsLogic, ONCAP, Vencap and parent company.

Celestica incurred \$235 million in property, plant and equipment expenditures due to the expansion of the company's low-cost manufacturing facilities and its investments in supply chain information technology initiatives. ClientLogic's continued upgrade of its various North American contact facilities to enhance service and accommodate new business accounted for the property, plant and equipment expenditures in 2002. Loews Cineplex' expenditures for two newly built theatres in North America and the expansion of two other theatres accounted for most of the theatre exhibition segment's property, plant and equipment expenditures in 2002.

In the automotive products segment, Dura Automotive and J.L. French collectively invested \$130 million to upgrade their equipment in 2002 for existing business contracts and for new business awards that will begin in 2003.

Consolidated long-term debt, without recourse to Onex

Onex, the parent company, has no debt, with the exception of debentures that are exchangeable into shares of Celestica; these are discussed in greater detail under the heading "Exchangeable debentures" that follows. It has been Onex' policy to preserve a financially strong parent company that has funds available for new acquisitions and to support the growth of its operating companies. 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. There are no guarantees by Onex or cross-guarantees between the operating companies. As a result, there can be no calls on Onex or an operating company for the debt of another operating company.

As at December 31, 2002, total consolidated long-term debt (consisting of the current portion of long-term debt and long-term debt) was \$5.2 billion compared to \$4.4 billion at December 31, 2001. Table 16 summarizes consolidated long-term debt by industry segment.

2002 Acquisitions

TABLE 15 | *Operating company and total assets of acquisitions*

Celestica – \$269 million	<p>Two acquisitions in 2002:</p> <ul style="list-style-type: none"> • NEC Corporation facilities – acquired certain assets in Japan and signed a five-year supply agreement to provide a range of electronics manufacturing services for NEC • Corvis Corporation assets – acquired certain assets and signed a multi-year supply agreement to exclusively manufacture Corvis' terrestrial optical networking products and sub-sea terminating equipment
Loews Cineplex Group – \$2,374 million	<p>Three acquisitions in 2002:</p> <ul style="list-style-type: none"> • Onex' acquisition of Loews Cineplex Entertainment Corporation, one of the world's largest theatre exhibition companies • Onex' purchase of the 50 percent interest in Loeks-Star Partners not previously owned by Loews Cineplex; the company is a leading theatre exhibition company in Michigan, United States • Onex' acquisition of Grupo Cinemex, S.A. de C.V., a leading theatre exhibition company in Mexico
ONCAP – \$51 million	<p>CMC Electronics Inc.'s acquisition of Flight Visions, Inc., a U.S.-based aviation company that manufactures heads-up displays and mission computers</p>

2001 Acquisitions

Operating company and total assets of acquisitions

Celestica – \$3,531 million	<p>Eight acquisitions in 2001:</p> <ul style="list-style-type: none"> • Excel Electronics' Austin, Texas operation – a gateway facility that provides prototyping and new product introduction services • Motorola's facilities in Dublin, Ireland and Mt. Pleasant, Iowa – a manufacturer of a broad range of wireless telecommunications products, such as cellular phones, messaging devices, two-way radio products and related accessories • N.K. Techno Co., Ltd. – a repair facility located in Japan • Avaya Inc.'s manufacturing, repair and supply chain operations in Denver, Colorado, Little Rock, Arkansas and Saumur, France for communications equipment • Sagem CR s.r.o. – a manufacturing, repair and related supply chain services facility for mobile handsets and other communications products located in Kladno, Czech Republic • Primetech Electronics Inc. – an electronics manufacturing services provider based in Kirkland, Quebec • Lucent Technologies Inc.'s operations in Columbus, Ohio and Oklahoma City, Oklahoma – North American switching, access and wireless networking systems products • Omni Industries Limited – an Asian EMS company with operations in Singapore, Malaysia, China, Indonesia, Thailand, the United States and Mexico
Radian – \$142 million	<p>Onex' acquisition of Radian Communication Services, a leading provider of communications infrastructure and integrated network solutions</p>
ONCAP – \$940 million	<p>Two acquisitions in 2001:</p> <ul style="list-style-type: none"> • CMC Electronics Inc. – a designer, manufacturer and marketer of electronic and communications products for commercial and military applications • Armtec Limited – a leading provider of products and engineering solutions for the infrastructure, natural resources, agriculture and residential construction industries in Canada

Consolidated Long-term Debt, Without Recourse to Onex

TABLE 16	(\$ millions)	2002	2001
Electronics Manufacturing Services		-	228
Customer Management Services		237	215
Theatre Exhibition		1,048	-
Automotive Products		3,054	3,070
Engineered Building Products		482	476
Other		403 ^(a)	389 ^(b)
		5,224	4,378
Long-term debt of MAGNATRAX, reclassified as current		(482)	-
Current portion of long-term debt of operating companies, excluding MAGNATRAX		(216)	(340)
Total		4,526	4,038

(a) Other includes Radian, Lantic Sugar/Rogers Sugar, InsLogic, ONCAP and Vencap.

(b) Other includes Radian, Lantic Sugar, InsLogic, ONCAP and Vencap.

Most of the increase in long-term debt was in the theatre exhibition segment. This was the debt associated with the acquisitions of Loews Cineplex and Cinemex, which added approximately \$1 billion to the total outstanding. Additional details on these acquisitions are provided in Table 15 – 2002 Acquisitions and in note 2 to the consolidated financial statements.

Radian's long-term debt increased to \$29 million in 2002 from \$23 million as the company borrowed to finance its Oakville, Ontario plant expansion, which it started in 2001.

Partially offsetting the increases in long-term debt was the elimination of Celestica's \$228 million long-term debt balance reported as at December 31, 2001. This decline was primarily due to the company's early redemption of the remaining US\$130 million of outstanding 10.5 percent Senior Subordinated Notes, which were due in 2006.

In 2002, the reclassification of MAGNATRAX' debt resulted in a shift of \$482 million from long-term debt to current debt. The severe cyclical decline in the metal building products industry in which MAGNATRAX operates has caused the company's operating results

to be out of compliance with its bank covenants at December 31, 2002 and in payment default as well. As at December 31, 2002, MAGNATRAX was in negotiations with its lenders to achieve a solution that would enable the company to operate through the cyclical decline in its industry. The company's debt will continue to be classified as current until such time that a resolution is achieved.

Exchangeable debentures

A series of four debentures exchangeable into shares of Celestica were issued in 2000 for an aggregate carrying amount of \$729 million. Onex continued to hold these debentures at December 31, 2002. At the time of these transactions in 2000, Celestica's market value had significantly increased, resulting in Onex' ownership interest in Celestica representing, in our view, too large a portion of Onex' aggregate value. The exchangeable debentures were used as a vehicle to reduce the risk associated with holding too large a portion of Onex' total value in one operating company. The debentures are exchangeable into approximately 9.2 million Celestica subordinate voting shares, at fixed exchange rates, or at Onex' option into the cash equivalent based on the market price of Celestica shares at the time. The debentures mature in 2025. Onex has the option to repay the debentures at any time by delivering the cash equivalent based on the market price of Celestica shares at the time of exchange, the exchange number of Celestica shares or a combination of shares and cash. Onex' obligation upon the exercise of the holders' exchange right is secured by a pledge of approximately 9.2 million Celestica shares.

At the future point in time when the exchangeable debentures are closed out, there would be accounting recognition for a gain or loss by reference to the book value of the underlying Celestica shares if the obligation is settled with Celestica shares. As at December 31, 2002, that unrealized accounting pre-tax gain would have been \$524 million. In addition, if the forward sales contracts relating to Celestica shares were closed out at December 31, 2002, then there would have been a further accounting pre-tax gain of \$172 million.

At December 31, 2002, the market value of the exchangeable debentures was \$203 million, a decline from last year's market value of \$590 million due to the decline in the market price of Celestica shares. The debentures are adjusted to market value for accounting purposes, with the credit added to "Other liabilities" and, therefore, have no impact on current earnings.

Non-controlling interests

The non-controlling interests amount on Onex' consolidated balance sheets represents the ownership interests of shareholders, other than Onex, in Onex' operating companies. As at December 31, 2002, the non-controlling interest balance amounted to \$6.9 billion, compared to \$7.7 billion in 2001. Table 17 details the changes in the non-controlling interest balance from December 31, 2001 to December 31, 2002.

Change in Non-controlling Interests

TABLE 17 | (\$ millions)

Non-controlling interests as at December 31, 2001	7,746
Non-controlling interests in net losses of operating companies in 2002	(634)
Investments by shareholders other than Onex in:	
Loews Cineplex Group	441
Other, net	169
Non-controlling interests' portion of the goodwill write-offs	(616)
Celestica's repurchase of shares under its normal course issuer bid	(174)
Non-controlling interests as at December 31, 2002	6,932

Shareholders' equity

Shareholders' equity declined by \$1.2 billion to \$1.0 billion at December 31, 2002. Table 18 provides a reconciliation of the changes in shareholders' equity from December 31, 2001 to December 31, 2002. Further information on the components of shareholders' equity as at December 31, 2002 and 2001 are found in the consolidated statements of shareholders' equity on page 50 of this report.

Change in Shareholders' Equity

TABLE 18 | (\$ millions)

Shareholders' equity as at December 31, 2001	2,219
Change in accounting policies:	
Goodwill and other intangible assets	(698)
Stock-based compensation	(280)
Regular dividends declared	(18)
Issue of shares – Dividend reinvestment plan and stock options exercised	5
Shares repurchased and cancelled	(26)
Currency translation adjustment on self-sustaining foreign operations	(13)
Net loss for 2002	(145)
Shareholders' equity as at December 31, 2002	1,044

Change in accounting policies

The adoption of the two new accounting policies for stock-based compensation and goodwill and other intangible assets as previously discussed accounted for \$978 million of the decrease in shareholders' equity.

In connection with the adoption of the new accounting policy for goodwill and other intangible assets, Onex' operating companies are required to assess, under a new methodology, whether goodwill and other intangible assets were impaired as at January 1, 2002. All the goodwill and other intangible assets recorded on Onex' consolidated balance sheets represent the goodwill and other intangible assets recorded at the operating companies. Onex, the parent company, does not carry a goodwill balance. Any goodwill and other intangible assets that were determined to be impaired under this test at the time of adoption of this policy were charged, net of non-controlling interests, against retained earnings as at January 1, 2002. A charge of \$698 million was booked to opening retained earnings as at January 1, 2002. The reduction in the goodwill balance resulting from the adoption of this policy was \$1,314 million, of which \$616 million was recorded as a reduction in non-controlling interests. This amount represents the interests in the goodwill writedown of other shareholders in the Onex operating companies. Table 13 provides

a detailed breakdown by industry segment of the \$1.3 billion goodwill reduction resulting from the adoption of the new CICA accounting policy.

The adoption of the new stock-based compensation policy resulted in a \$280 million charge to retained earnings, which represents the cumulative value of stock options and investment rights of Onex as at January 1, 2002. Note 1 to the consolidated financial statements provides additional information on both these new accounting policies.

Dividend Reinvestment Plan

Onex' Dividend Reinvestment Plan (the "Plan") enables Canadian shareholders to reinvest cash dividends to acquire new Subordinate Voting Shares of Onex at a 5 percent discount to a market-related price at the time of reinvestment. In 2002, Onex issued 189,281 Subordinate Voting Shares under the Plan at an average cost of \$19.49 per share, creating cash savings of approximately \$4 million for investors. During 2001, 144,564 Subordinate Voting Shares were issued under the Plan at an average cost of \$19.92 per share, creating cash savings of approximately \$3 million in that year.

Normal Course Issuer Bid

Onex had a Normal Course Issuer Bid (the "Bid") in place during 2002, which enabled it to repurchase up to 10 percent of its public float of Subordinate Voting Shares. Onex repurchased 1,587,100 Subordinate Voting Shares during 2002 under the Bid at a total cost of \$26 million. In 2001, Onex repurchased 2,242,800 shares under a similar bid at a total cost of \$39 million. It is our view 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.

Currency translation adjustment

The currency translation adjustment component of shareholders' equity primarily represents the unrealized increase in the value of Onex' ownership in U.S.-based operating companies since the date of

their respective acquisitions due to changes in the U.S. dollar to the Canadian dollar exchange rate. The incremental balance of \$13 million was recorded as a decrease in shareholders' equity due to the decrease in the value of the U.S. dollar relative to the Canadian dollar in 2002.

CONSOLIDATED CASH FLOW

This section should be read in conjunction with the consolidated statements of cash flows (page 51 of this report) and related notes to the consolidated financial statements.

Operating activities

Cash flow from operations, excluding changes in working capital, was \$752 million in 2002 compared to \$1.0 billion reported in 2001.

Lower operating results in 2002 at many of Onex' operating companies, in particular at Celestica and MAGNATRAX, were the primary reason for the reduction in cash generated from operations. The consolidated operating results are discussed in detail by industry segment starting on page 21 of this report.

Non-cash net working capital related to operations was \$1 billion in 2002 compared to \$1.5 billion in 2001. The decline in non-cash working capital items was also due to reduced business activity in 2002 and to continued improvements in the management by Onex' operating companies of their accounts receivable collections, inventory volumes and accounts payable.

Financing activities

Cash flow used in financing activities was \$149 million in 2002. This compares to \$1.1 billion in cash flow from financing activities reported in 2001. Celestica's repayment of its subordinated debt, the repurchase of its LYONs and the repurchase of two million of its subordinate voting shares under Celestica's normal course issuer bid accounted for the majority of the cash used in financing activities in 2002. Included in the 2001 cash from financing activities was \$1 billion from Celestica's share offering in May 2001.

Investing activities

Cash used in investing activities totalled \$748 million compared to \$3.3 billion in 2001. Cash used for acquisitions of \$480 million in 2002 compared to \$2.5 billion in 2001 was the primary factor in the decline in cash used for investing activities. In 2002, cash used for the acquisitions in the theatre exhibition segment – Loews Cineplex, Cinemex and Loeks-Star Partners – was \$265 million. Although Loews Cineplex was a significant acquisition in March 2002, the purchase did not require a substantial amount of cash on closing because Onex converted the majority of its debt holdings in Loews Cineplex, acquired in 2001, into shares of the company. The balance of the cash used for acquisitions in 2002 was due to the purchases made by Celestica and ONCAP's subsidiary, CMC Electronics. Cash used for acquisitions in 2001 was primarily related to Celestica's acquisitions. Note 2 to the consolidated financial statements discloses the amount of

cash invested in each acquisition completed during 2002 and 2001. Table 15 on page 33 provides details on the acquisitions completed in 2002 and 2001.

Cash flow from discontinued operations

Cash flow from discontinued operations totalled \$1.3 billion in 2001. This amount represents the net proceeds from Onex' sale of Sky Chefs to LSG Lufthansa Service.

Consolidated cash resources

At December 31, 2002, consolidated cash had increased 23 percent to \$4.6 billion from \$3.8 billion in 2001. Onex, the parent company, had approximately \$1.2 billion of cash, and Celestica had more than \$2.9 billion of cash on hand.

Summary Quarterly Information

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

TABLE 19 (\$ millions except per share amounts)	2002				2001			
	Dec.	Sept.	June	Mar.	Dec.	Sept.	June	Mar.
Revenues	5,595	5,473	6,105	5,480	5,887	5,435	6,324	6,157
Earnings (loss) from continuing operations	(250)	34	49	22	12	23	(163)	(13)
Net earnings (loss)	(250)	34	49	22	12	23	747	16
Earnings (loss) per Subordinate Voting Share								
Basic:								
Continuing operations	(1.56)	0.21	0.31	0.14	0.07	0.14	(1.00)	(0.08)
Net earnings (loss)	(1.56)	0.21	0.31	0.14	0.07	0.14	4.65	0.10
Diluted:								
Continuing operations	(1.56)	0.20	0.29	0.13	0.07	0.13	(1.00)	(0.08)
Net earnings (loss)	(1.56)	0.20	0.29	0.13	0.07	0.13	4.65	0.10

RECENT ACCOUNTING DEVELOPMENTS

Hedging relationships In 2002, the CICA issued *Accounting Guideline* AcG-13, "Hedging Relationships", which establishes criteria for hedge accounting effective for the Company's 2003 fiscal year. The Company has reviewed the requirements of AcG-13 and expects that all of its current hedges will continue to qualify for hedge accounting.

Guarantees The CICA issued a draft guideline that would require additional disclosure on guarantees as follows: (1) the nature of the guarantee, including how it arose and the events or circumstances that would require the guarantor to perform under the guarantee; (2) the maximum amount of future payments the guarantor would be required to make; (3) the nature of any recourse provisions and the nature of assets held, either collateral or by third parties; and (4) the approximate extent to which the proceeds from collateral would be expected to cover the maximum potential for loss under the guarantee. We are currently evaluating the proposed accounting guideline, since the Company believes that this guideline may affect its financial disclosure. This guideline is applicable to interim and annual periods ending on or after March 31, 2003.

Impairment or disposal of long-lived assets In December 2002, the CICA issued *Handbook* Section 3063, "Impairment or Disposal of Long-lived Assets"

and revised Section 3475, "Disposal of Long-lived Assets and Discontinued Operations". These sections supersede the writedown and disposal provisions given in Section 3061, "Property, Plant and Equipment" and Section 3475, "Discontinued Operations".

Section 3063 establishes standards for recognizing, measuring and disclosing impairment of long-lived assets held for use. An impairment is recognized when the carrying amount of an asset to be held and used exceeds the projected future net cash flows expected from its use and disposal, and is measured as the amount by which the carrying amount of the asset exceeds its fair value. Section 3475 provides specific criteria for, and requires separate classification of, assets held for sale, and that these assets be measured at the lower of their carrying amounts or fair values, less costs to sell. Section 3475 also broadens the definition of discontinued operations to include all distinguishable components of an entity that will be eliminated from operations. Section 3063 is effective for Onex' 2003 fiscal year; however, early application is permitted. Revised Section 3475 is applicable to disposal activities committed to by the Company after May 1, 2003; however, early application is permitted. The Company expects that the adoption of these standards will have no material impact on its financial position, results of operations or cash flow.

Outlook

PARENT COMPANY OUTLOOK

While global acquisition activity was down substantially during 2002, the pool of private equity capital pursuing attractive businesses has kept valuations relatively high. This acquisition environment is unlikely to change much in the foreseeable future. In order to pursue a broader range of larger acquisitions, Onex is evaluating opportunities and structures that will make the Company more competitive and efficient in the private equity markets. We intend to maintain the strong relationships we have built with partners and co-investors and will seek to strengthen them even further as we pursue new opportunities for value creation.

We are cautiously optimistic about the prospects for Onex' operating companies. Many are likely to be challenged if business activity remains sluggish, but most are not only well-regarded leaders in their industries but are also well-positioned businesses on key issues of quality, cost and service. We are also optimistic about the future of Onex, the parent company. In the early 1990s we experienced a trough in value creation and business activity that is similar to the current business environment, and yet we acquired some of our most successful businesses during that time. Today, Onex has more extensive financial resources and 10 additional years of accumulated intellectual capital to employ in its pursuit of new opportunities to build value for Onex shareholders.

OPERATING COMPANIES

Electronics Manufacturing Services

Demand for Celestica's customers in key end-markets of information technology and communications infrastructure remains uncertain. To respond to this environment, Celestica will continue to focus on reducing costs and pursuing growth.

A key priority for the company will be implementing its restructuring plans announced in 2002. When completed, these plans should help reduce costs, improve overall utilization and better balance the company's geographic footprint to lower-cost geographies.

Celestica also remains committed to driving revenue growth through pursuing organic outsourcing as well as considering potential acquisitions or OEM divestitures. The focus of these growth objectives will be on opportunities that expand key customer relationships, diversify the customer base, broaden end-market exposure or add key service offerings. Though the company will consider acquisitions, it will continue with its highly disciplined approach and will focus only on those opportunities that allow for long-term, sustainable growth with the ability to generate solid returns.

From a financial perspective, Celestica is very strong and remains committed to keeping a strong balance sheet. A major area of focus for the company will be further improvements in working capital efficiency, particularly in the areas of improving inventory turns and reducing cash cycle.

Customer Management Services

ClientLogic's management expects continuing growth in outsourced customer management services in the coming year as clients seek cost-effective ways of supporting their customer bases. The company entered 2003 with a very strong pipeline of potential new business from clients drawn not only to its worldwide capabilities but also to its operating improvements.

We believe ClientLogic has an effective formula for long-term value creation. By bringing more consistency to its performance across regions and locations through its Best in Class initiative, the company should be able to increase quality and reduce costs. When fully completed, ClientLogic's global network and scorecard methodology will result in better service at lower cost, with real-time responsiveness to customer needs.

Theatre Exhibition

In 2002, the theatre exhibition industry recorded its strongest growth in box-office revenue since 1989, thanks largely to excellent film performance. Another strong slate of films has been announced for 2003 by the major studios, including several popular sequels that should lead to another good year for the industry.

Total revenues for the theatre exhibition group will advance due to new theatres opened in international markets in 2002 and the inclusion of a full year of results for acquisitions completed partway through 2002. We also expect ancillary revenue from high-margin in-theatre advertising to increase as this form of advertising continues to gain acceptance by North American advertisers and audiences.

Loews Cineplex Group

Productivity of existing assets will be a major focus in 2003. Loews Cineplex will continue to rationalize its overheads and seek cost reductions through economies of scale and the implementation of best practices throughout its circuit. New incentive plans for managers are also expected to drive further improvements in theatre-level profitability.

Longer term, we believe that Loews Cineplex will use its strong capital structure and its substantial liquidity and free cash flow to continue to grow its industry leadership through a combination of new builds, expansions and renovations in major markets around the world.

Cinemex expects to open three theatres with 31 screens in Mexico City during 2003, which will enable the company to maintain its market position as the leading theatre exhibitor in metropolitan Mexico City. By fiscal 2003 year-end, Cinemex expects to have a total of 392 screens and 35 theatres in operation.

Galaxy Entertainment

Galaxy has an aggressive plan of theatre openings in Canada for 2003. The company will open five new theatres with a total of 35 screens; one theatre will be expanded from nine to 12 screens. By year-end, Galaxy expects to have 163 screens in 20 locations, which will make it the third-largest film exhibitor in Canada after just three full years of operation. Combined with a strong slate of upcoming movies, these additional locations should help drive continuing gains in revenues, cash flow and operating earnings.

Automotive Products

Automotive Sector During 2003, HCI expects North American production of cars and light trucks to be in the range of 15.5 million to 16 million vehicles, a slight decrease from 2002 levels. Over the next three to four years, demand should be buoyed by newly licensed drivers, replacement of aging vehicles and continuing offers of affordable financing by automotive manufacturers.

Despite that relatively stable outlook, domestic OEMs are likely to continue their strategy of cost transfer and pricing pressure on suppliers. HCI and Onex will remain focused on initiatives to enhance cash flow, productivity and cost structures at our companies. We also intend to help them use their industry-leading positions for organic growth and to ensure that their capital structures can support their strategies for growth. Much of the groundwork for these more forward-looking initiatives was laid during 2001 and 2002.

HCI recruited a new chief executive officer at Dura Automotive in January 2003 and will be working with him and the management team to align the company's businesses for strategic long-term growth. Dura Automotive subsequently announced the divestiture of its European Mechanical Assemblies operations, its decision to exit the conventional window regulator business and the closure of two of its manufacturing facilities. While the divestiture of the mechanical assemblies and window regulator businesses will result in reduced revenues, operating profits should improve as a result of these actions. Production from the two closed plants will be transferred to other company facilities, with benefits beginning in 2004.

J.L. French has a significant opportunity to grow from its industry-leading, and now financially strong, position. More than US\$50 million in new business will be coming on-stream in 2003. Management's overarching objective will be to maintain the company's margins on its contracts through continuing emphasis on efficiency and quality.

During 2002, Performance Logistics Group embarked on the development of a logistics services business. HCI believes the new venture may add as much as US\$1 million to PLG's operating earnings by the end of 2003.

Commercial Vehicle Sector While heavy truck production is expected to be soft for the first half of 2003, HCI expects total production to increase to approximately 160,000 units for the full year. This improvement may be too little too late for many competitors in the heavy truck supply industry. Several have filed for bankruptcy protection and others are exiting the business completely. That uncertainty is prompting OEMs to expand their relationships with stable suppliers, like CVS, Bostrom and Trim Systems, that are able to offer better overall service and quality.

With the success of their operating initiatives over the past two years, HCI believes CVS, Bostrom and Trim Systems are well positioned to capitalize on opportunities to gain additional market share in their segments. Both companies have industry-leading quality and growing product offerings; Trim Systems, in particular, is experiencing increasing demand for products manufactured with its new Twin Shell Vacuum technology, for which it owns an exclusive licence in the heavy truck sector.

Importantly, both companies also have motivated operating teams who are committed to delivering results. They have developed lean cost structures and manufacturing systems that support financial stability in difficult market conditions. All of these strengths suggest that the Onex and HCI platform should perform well as the heavy truck industry resumes its growth in the coming years.

Engineered Building Products

Given present industry conditions, it is clear to Onex that MAGNATRAX will not produce a level of operating income sufficient to support scheduled amortization of its debt load. MAGNATRAX' first

priority, for which Onex is providing active support, is to restructure the company's balance sheet in early 2003 so that its debt load is appropriate to an industry in severe cyclical decline. It is likely that the outcome of such a restructuring could result in Onex no longer controlling MAGNATRAX and having a significantly reduced or no ownership interest. Onex' net investment in MAGNATRAX on a consolidated basis is a credit of \$163 million. Accordingly, if Onex lost its interest in MAGNATRAX, a gain would be recorded in the consolidated financial statements.

While these complex negotiations with lenders are underway, MAGNATRAX management is continuing to implement the strategies it identified as essential in 2002. Management is focused on reducing the internal costs of engineering buildings and roofs, strengthening the leadership of its business units, and revitalizing its sales and marketing efforts. Work is also underway to derive additional synergies from the company's common infrastructure without affecting the value of its brands in the marketplace or the distinctive value MAGNATRAX offers to its large base of builders and contractors. We are confident that when industry conditions improve, MAGNATRAX will be positioned to profit strongly from the trend.

Other Businesses

Communications Infrastructure Despite continuing growth in the use of wireless communication devices, capital expenditures are forecasted to fall for the second consecutive year in 2003 as carriers cope with limited free cash flow and a rising cost of capital. Radian believes that, in this environment, margins will continue to be under pressure during 2003. The company will be challenged to continue to build its revenue base in the United States and maintain it in Canada. Accordingly, Radian management intends to adjust its business to meet customer needs while it focuses on further cost reductions and working capital improvements.

Nevertheless, there are opportunities available for Radian to build on its market leadership in certain segments. In addition to an increasing

number of modifications to existing installations, demand for new tall towers will be strengthened by broadcasters' needs to comply with Federal Communications Commission requirements for digital transmission. Radian also expects increased business in the coming year from wireless carriers for build-to-suit installations, inspection and maintenance, and network service outsourcing.

We believe that the longer-term outlook remains good for Radian's core infrastructure business. Improved financial and operating performance by carriers should enable them to refocus on the build-out, quality and capacity of their networks, as well as on meeting increased demand for wireless data communications. Additionally, with reduced spending by carriers comes a reduced requirement for in-house capabilities. Radian's broad range of cost-effective services and strong value proposition make it an excellent outsourcing partner for carriers who wish to permanently reduce their fixed costs.

Sugar Refining and Marketing Lantic Sugar/Rogers Sugar expects demand from industrial customers to remain strong in eastern Canada in the coming year, and Lantic Sugar/Rogers Sugar intends to remain very competitive in this important market. Competition will be keener. A new sugar refinery is expected to open in mid-2003 on the east coast of Canada, and new imports of refined sugar may enter Canadian markets, both adding to competition in the marketplace. Lantic Sugar/Rogers Sugar will continue to seek out opportunities to improve its cost competitiveness by extracting additional operating efficiencies from Lantic Sugar's Montreal refinery.

Drought and poor growing conditions on the Prairies continue to reduce yields from the beet crop in fiscal 2003, necessitating another year of high production levels at Rogers Sugar's Vancouver refinery to make up for the shortfall. The Vancouver facility is also the sole producer of Rogers Sugar's new and well-received specialty products. Rogers Sugar intends to continue its introduction and repositioning of value-added products that can enhance sales and margins.

Online Insurance Brokerage Diversification of its customer base is a key priority for InsLogic in 2003, and it has a strong list of potential brand partners it is pursuing. The company is also completing a new operations centre in Oak Ridge (Knoxville), Tennessee that will give it sufficient capacity to handle the volume growth it anticipates through the end of 2004.

InsLogic expects a very substantial increase in volumes and revenues during 2003, driven primarily by its business with Ford. Reducing its cost of acquiring this business is another important priority for InsLogic. While currently declining, the company's acquisition cost remains higher than the insurance industry average, but is planned to fall below the industry average by the end of 2003, due to a combination of increased volume, technology enhancements and call-centre efficiency.

Small-Capitalization Opportunities With rising U.S. defence spending and continuing demand for avionics upgrades among U.S. and international military customers and commercial airlines, revenue outlook for CMC Electronics in 2003 is very good. Through its leading, proprietary technology, CMC Electronics has captured many single-source contracts that have positioned the company well for the future.

Armtec will likely continue to experience moderate demand, unless spending on oil and gas exploration and forestry increases from current levels. ONCAP will continue its work with Armtec's management to identify restructuring opportunities that can improve operating efficiencies and reduce costs.

ONCAP management is optimistic that 2003 will present attractive opportunities for new investment. Two experienced professionals were hired in early 2003, giving the fund the capability to identify and assess an increased number of investment opportunities and manage its operating companies for value creation.

Risk Management

As managers, it is our responsibility to identify and manage business risk. As shareholders, we require an appropriate return for the risk we accept.

Managing Risk

Onex' general approach to the management of risk is to apply common-sense business principles to the management of the Company and its operating companies as well as to the acquisition of new businesses. Each year we conduct detailed reviews of many opportunities to purchase either new businesses or add-on acquisitions for existing businesses. Our primary interest is in acquiring well-managed companies with a strong position in growing industries. In addition, we maintain diversification among Onex' operating companies, which enables us to participate in the growth of a number of high-potential industries with varying business cycles.

As a general rule, we attempt to arrange as many factors as possible to minimize risk without hampering our opportunity to maximize value. When a purchase candidate meets Onex' criteria, for example, we typically pay a fair price, though not necessarily the lowest price, for a high-quality business. We do not commit all of our capital to a single acquisition and will often seek equity partners with whom we can share the risk of ownership. We do not burden an acquired company with a potentially overwhelming amount of debt but seek to structure an acquisition so that it has the financial and operating leeway to create as much long-term growth in value as possible. Finally, we buy in financial partnership with management. This strategy not only gives Onex the benefit of experienced managers but also ensures that an operating company is run entrepreneurially for the benefit of all shareholders.

Onex maintains an active involvement with its operating companies, primarily in the areas of strategic planning, financial structures and negotiations, and acquisitions. In the early stages of ownership, we may provide resources for business and strategic planning, as well as financial reporting, while an operating company builds these capabilities

in-house. In all cases, we ensure there is oversight of Onex' investment through representation on the acquired company's board of directors.

We encourage operating companies to reduce risk and/or expand opportunity by diversifying their customer bases, broadening their geographic reach and/or product and service offerings, and improving productivity. In certain instances, we may also encourage an operating company to seek additional equity in the public markets in order to continue its growth without eroding its balance sheet. One element of this approach may be, when financial markets are favourable, to prepay existing debt and absorb related penalties with new equity investment.

Specific strategies and policies to manage business risk at Onex and its subsidiaries are discussed below.

Business Cycles

Diversification by industry and geography is a deliberate strategy at Onex to reduce the risk inherent in business cycles. Our practice of owning companies in various industries with differing business cycles reduces the risk attendant on holding a major portion of Onex' assets in just one or two industries. Similarly, the Company's focus on building industry leaders with extensive international operations reduces the financial impact of downturns in specific regions.

Operating Liquidity

It is our view that one of the most important things Onex can do to control risk is to maintain a strong parent company with an appropriate level of liquidity. Onex needs to be in a position to support its operating companies when and if appropriate. Maintaining liquidity is important because Onex, as a holding company, generally does not have independent sources of meaningful cash flow.

In completing acquisitions, it is generally Onex' policy to finance a large portion of the purchase price with debt provided by third-party lenders. This debt is assumed by the company acquired and is without recourse to Onex – the parent company – its subsidiaries or partnerships. The foremost consideration, however, in developing a financing structure for an acquisition is identifying the appropriate amount of equity to invest. In Onex' view, that is the amount of equity which maximizes the risk/reward equation for both Onex and the acquired company. In other words, it allows the acquired company not only to manage its debt but also to have significant financial latitude for the business to vigorously pursue its growth objectives.

While we seek to maximize the risk/reward equation in all acquisitions, there is the risk that the acquired company will not generate sufficient profitability or cash flow to service its debt requirements. In such circumstances arise, the recovery of Onex' equity and any other investment in that subsidiary is at risk.

Interest Rate Risk

As noted above, Onex generally finances a significant portion of its acquisitions with debt taken on by the acquired company. An important element in controlling risk is to manage, to the extent possible, the impact of fluctuations in the interest rate on the debt of the subsidiary company.

It has generally been Onex' policy to either fix the interest on the term debt at the time it is entered into or to minimize the effect of interest rate increases on a major portion of the debt. This is achieved by taking on debt at fixed interest rates and entering into interest rate swap agreements or financial contracts to control the level of interest rate fluctuation.

The risk inherent in such a strategy is that, should interest rates decline, the benefit of such declines may not be obtained or may be achieved only at the cost of penalties to terminate existing arrangements. There is also the risk the counterparty on an interest rate swap agreement may not be able to meet its commitments. Guidelines are in place which specify the nature of financial institutions that the operating companies can deal with on these interest rate contracts.

At the end of 2002, approximately 43 percent of Onex' consolidated long-term debt was at fixed rates and an additional approximately 9 percent had contracts in place to fix interest rates.

Currency Fluctuations

The majority of the operations of Onex' operating companies were conducted outside of Canada during 2002. As discussed, approximately 47 percent of consolidated revenues and 38 percent of consolidated assets were in the United States. Approximately 38 percent of consolidated revenues were from outside of Canada and the United States.

Onex' results are reported in Canadian dollars, and fluctuations in the value of the Canadian dollar relative to other currencies can have an impact on Onex' reported results and consolidated financial position. During 2002 there was a net decrease in shareholders' equity of \$13 million, reflecting the decrease in the value of Onex' net equity in those operating companies that operate in U.S. currency.

Onex holds a substantial amount of cash and marketable securities in U.S.-dollar-denominated securities. The portion of securities held in U.S. dollars is based upon Onex' view of funds it will require for future investments in the United States. Onex does not speculate on the direction of exchange rates between the Canadian dollar and the U.S. dollar when determining the balance of cash and marketable securities to hold in each currency, nor does it use foreign exchange contracts to protect itself against translation loss.

Commodity Prices

Certain of Onex' operating companies are vulnerable to price fluctuations in major commodities.

Coiled steel represents approximately half of MAGNATRAX' production costs. In the past, the company has been protected from steel price increases by the long lead times required for price increases and project quotations. In March 2002, the U.S. government imposed punitive tariffs on selected imports of steel products, including hot- and cold-rolled coiled steel. Domestic producers quickly moved to raise prices and, in a highly competitive marketplace,

manufacturers of steel buildings and components such as MAGNATRAX were unable to pass on price increases to customers. As a result, operating margins were severely reduced during 2002.

Lantic Sugar and Rogers Sugar, the operating companies of Rogers Sugar Income Fund, minimize exposure to fluctuating sugar prices with raw sugar purchase contracts that allow physical sugar requirements to be simultaneously hedged to protect margins on refined sugar sale commitments.

Celestica purchases a significant volume of electronic components that could be viewed as commodity in nature and subject to fluctuations in price. Celestica manages its exposure in this area by purchasing components only for specific customer contracts, and by having those sale contracts include terms or pricing provisions that pass any product cost fluctuations on to the customer.

Significant Customers

Onex has acquired major subsidiaries and divisions of large companies. As part of these purchases, the acquired company has often continued to supply its former owner through long-term supply arrangements. It has been Onex' policy to encourage its operating companies to quickly diversify their customer bases to the extent practicable in order to manage the risk associated with serving a single major customer. Celestica primarily relied on one major customer at the time of its acquisition by Onex; the company now has a broadly diversified and global base of significant customers.

Most Onex companies have major customers that represent more than 10 percent of annual revenues. The table in note 24 to the consolidated financial statements provides information on the operating companies' major customers.

Environmental Considerations

Onex Corporation has a comprehensive environmental protection policy that has been adopted by its operating companies. Senior officers of each of these companies are ultimately responsible for ensuring compliance with this policy. They are required to report annually to their company's board of directors and to Onex regarding compliance with this policy.

Environmental management by the operating companies is accomplished through the education of employees about environmental regulations and appropriate operating policies and procedures; site inspections by environmental consultants; the addition of proper equipment or modification of existing equipment to reduce or eliminate environmental hazards; remediation activities as required; and ongoing waste reduction and recycling programs. Environmental consultants are engaged to advise on current and upcoming environmental regulatory requirements that may be applicable.

Most of the operating companies are involved in the remediation of particular environmental situations such as soil contamination. In almost all cases, these situations occurred prior to Onex' acquisition of those companies. The estimated costs of remedial work and related activities are either to be provided for under agreement by the vendor of the company or under provisions established at the time of acquisition. Manufacturing activities carry the inherent risk that changing environmental regulations may identify additional situations requiring capital expenditures or remedial work and associated costs to meet those regulations.

Management's Responsibility for Financial Statements

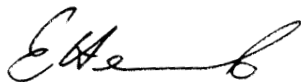
The accompanying consolidated financial statements have been prepared by management and approved by the Board of Directors of the Company. Management is responsible for the information and representations contained in these financial statements and in other sections of this Annual Report.

The Company maintains appropriate processes to ensure that relevant and reliable financial information is produced. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies which management believes are appropriate for the Company are described in note 1 to the consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements and overseeing management's performance of its financial reporting responsibilities. An Audit Committee of three non-management Directors is appointed by the Board.

The Audit Committee reviews the consolidated financial statements, adequacy of internal controls, audit process and financial reporting with management and with the external auditors. The Audit Committee reports to the Directors prior to the approval of the audited consolidated financial statements for publication.

PricewaterhouseCoopers LLP, the Company's external auditors, who are appointed by the holders of Subordinate Voting Shares, audited the consolidated financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the shareholders their opinion on the consolidated financial statements. Their report is set out on the following page.



Ewout R. Heersink
Chief Financial Officer
February 11, 2003



Donald W. Lewtas
Vice President

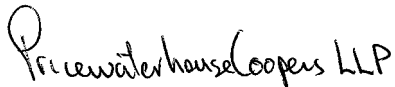
Auditors' Report

To the Shareholders of Onex Corporation:

We have audited the consolidated balance sheets of Onex Corporation as at December 31, 2002 and 2001 and the consolidated statements of earnings, shareholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



PricewaterhouseCoopers LLP
Chartered Accountants
Toronto, Canada
February 11, 2003

Consolidated Balance Sheets

As at December 31 <i>(in millions of dollars)</i>	2002	2001
Assets		
Current assets		
Cash and short-term investments	\$ 4,642	\$ 3,780
Accounts receivable	2,315	2,786
Inventories (note 6)	1,760	2,730
Other current assets	595	730
	9,312	10,026
Property, plant and equipment (note 7)	4,420	3,550
Investments and other assets (note 8)	1,213	1,180
Goodwill (note 9)	4,173	5,218
Intangible assets (note 10)	772	896
	\$ 19,890	\$ 20,870
Liabilities and Shareholders' Equity		
Current liabilities		
Bank indebtedness, without recourse to Onex	\$ 40	\$ 76
Accounts payable and accrued liabilities	4,260	4,340
Current portion of long-term debt and obligations under capital leases of operating companies, without recourse to Onex	719	360
	5,019	4,776
Long-term debt of operating companies, without recourse to Onex (note 11)	4,526	4,038
Obligations under capital leases, without recourse to Onex (note 12)	73	38
Exchangeable debentures (note 13)	203	590
Future income taxes (note 21)	924	938
Other liabilities (note 14)	1,169	525
	11,914	10,905
Non-controlling interests	6,932	7,746
Shareholders' equity	1,044	2,219
	\$ 19,890	\$ 20,870

Commitments and contingencies are reported in notes 3, 12 and 25.

Signed on behalf of the Board of Directors



Director



Director

Consolidated Statements of Earnings

Year ended December 31 <i>(in millions of dollars except per share data)</i>	2002	2001
Revenues	\$ 22,653	\$ 23,803
Earnings Before the Undernoted Items	\$ 1,675	\$ 1,650
Amortization of property, plant and equipment	(769)	(621)
Amortization of goodwill, intangible assets and deferred charges	(184)	(361)
Interest expense of operating companies (note 17)	(425)	(440)
Interest and other income	81	125
Stock-based compensation (note 16)	143	-
Gains on shares of operating companies, net (note 5)	21	164
Acquisition, restructuring and other expenses (note 18)	(851)	(474)
Debt prepayment costs (note 19)	(34)	-
Writedown of goodwill, intangible assets and long-lived assets by operating companies (note 20)	(453)	(427)
Loss before income taxes and non-controlling interests	(796)	(384)
Recovery of (provision for) income taxes (note 21)	17	(10)
Non-controlling interests of operating companies	634	253
Loss from continuing operations	(145)	(141)
Earnings from discontinued operations (note 4)	-	939
Net Earnings (Loss) for the Year	\$ (145)	\$ 798
Net Earnings (Loss) per Subordinate Voting Share (note 22)		
Basic:		
Continuing operations	\$ (0.90)	\$ (0.88)
Discontinued operations	\$ -	\$ 5.83
Net earnings (loss)	\$ (0.90)	\$ 4.95
Diluted:		
Continuing operations	\$ (0.90)	\$ (0.88)
Discontinued operations	\$ -	\$ 5.83
Net earnings (loss)	\$ (0.90)	\$ 4.95

Consolidated Statements of Shareholders' Equity

<i>(in millions of dollars except per share data)</i>	Share Capital (note 15)	Retained Earnings (note 15)	Cumulative Translation Adjustment	Total Shareholders' Equity
Balance – December 31, 2000	\$ 665	\$ 728	\$ 38	\$ 1,431
Dividends declared ^(a)	-	(18)	-	(18)
Issue of shares – dividend reinvestment plan	3	-	-	3
Stock options surrendered or exercised	-	(38)	-	(38)
Purchase and cancellation of shares	(9)	(30)	-	(39)
Currency translation adjustment	-	-	82	82
Net earnings for the year	-	798	-	798
Balance – December 31, 2001	\$ 659	\$ 1,440	\$ 120	\$ 2,219
Change in goodwill and other intangible assets accounting policy ^(b)	-	(698)	-	(698)
Change in stock-based compensation accounting policy ^(c)	-	(280)	-	(280)
Dividends declared ^(a)	-	(18)	-	(18)
Issue of shares – dividend reinvestment plan and exercise of options	5	-	-	5
Purchase and cancellation of shares	(6)	(20)	-	(26)
Currency translation adjustment	-	-	(13)	(13)
Net loss for the year	-	(145)	-	(145)
Balance – December 31, 2002	\$ 658	\$ 279	\$ 107	\$ 1,044

(a) Dividends declared per Subordinate Voting Share during 2002 totalled \$0.11 (2001 – \$0.11).

(b) Adoption of the *CICA Handbook* Section 3062, "Goodwill and Other Intangible Assets" (see note 1).

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

Consolidated Statements of Cash Flows

Year ended December 31 <i>(in millions of dollars)</i>	2002	2001
Operating Activities		
Loss from continuing operations	\$ (145)	\$ (141)
Items not affecting cash:		
Amortization of property, plant and equipment	769	621
Amortization of goodwill, intangible assets and deferred charges	184	361
Writedown of goodwill, intangible assets and long-lived assets by operating companies	453	427
Non-cash component of acquisition, restructuring and other expenses	384	154
Non-controlling interests in results of operating companies	(634)	(253)
Future income taxes (note 21)	(67)	(58)
Stock-based compensation	(143)	-
Gains on shares of operating companies, net (note 5)	(21)	(164)
Other	(28)	56
	752	1,003
Increase (decrease) in other liabilities	7	(41)
Changes in non-cash working capital items:		
Accounts receivable	561	1,601
Inventories	1,022	1,360
Other current assets	88	51
Accounts payable and accrued liabilities	(671)	(1,475)
Decrease in non-cash net working capital related to operations	1,000	1,537
	1,759	2,499
Financing Activities		
Issuance of long-term debt	1,956	1,491
Repayment of long-term debt	(2,139)	(1,643)
Cash dividends paid	(18)	(15)
Repurchase of share capital	(26)	(39)
Issuance of share capital by operating companies	279	1,242
Increase (decrease) in other financing activities	(201)	28
	(149)	1,064
Investing Activities		
Acquisition of operating companies, net of cash in acquired companies of \$201 (2001 - \$372) (note 2)	(480)	(2,496)
Purchase of property, plant and equipment	(518)	(651)
Proceeds from sales of shares of operating companies	26	-
Net decrease (increase) in investments and other investing activities	224	(118)
	(748)	(3,265)
Cash from discontinued operations (note 4)	-	1,253
Increase in Cash and Short-term Investments for the Year	862	1,551
Cash and short-term investments - beginning of the year	3,780	2,229
Cash and Short-term Investments - End of the Year	\$ 4,642	\$ 3,780

The increase in cash and short-term investments is after a \$27 unrealized foreign exchange loss on cash equivalents in 2002 and a \$146 unrealized foreign exchange gain in 2001.

Notes to Consolidated Financial Statements

(in millions of dollars except per share data)

Onex Corporation (“Onex” or the “Company”) is a diversified company whose subsidiaries operate as autonomous businesses. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”).

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

The consolidated financial statements include the accounts of the Company and its subsidiaries.

The principal operating companies and the Company’s ownership and voting interests in these entities are as follows:

	December 31, 2002		December 31, 2001	
	Ownership	Voting	Ownership	Voting
Celestica	18%	84%	18%	84%
ClientLogic	69%	88%	70%	87%
Loews Cineplex Group	51%	97%	–	–
Dura Automotive	8%	52%	8%	68%
J.L. French				
Automotive Castings	56%	100%	37%	81%
Performance				
Logistics Group	50%	100%	49%	100%
Commercial				
Vehicle Systems	45%	100%	45%	100%
Bostrom	52%	100%	52%	100%
Trim Systems	78%	100%	77%	100%
MAGNATRAX	92%	100%	53%	80%
Radian	71%	80%	73%	81%
Lantic Sugar/Rogers Sugar	28%	60%	61%	75%
InsLogic	51%	58%	55%	65%
ONCAP	25%	100%	25%	100%
Galaxy Entertainment	73%	79%	67%	73%
Vencap	99%	100%	99%	100%

The ownership percentages are before the effect of any potential dilution relating to the Management Investment Plan as described in note 25(f).

The above percentages for Celestica Inc. (“Celestica”) exclude the dilutive effect of the exchangeable debentures and forward agreements on shares of Celestica as described in notes 13 and 23(b). The dilutive effect of these instruments, if exercised, would be to reduce the above ownership and voting percentages to 12% (2001 – 13%) and 78% (2001 – 78%), respectively.

The voting interest includes shares which Onex has the right to vote through contractual arrangements or through multiple voting rights attached to particular shares.

In certain circumstances, the voting arrangements give Onex only the right to elect the majority of the Board of Directors.

In addition to the above, investments over which Onex exercises significant influence, but does not control, are accounted for by the equity method.

Joint ventures are accounted for using the proportionate consolidation method. The consolidated financial statements include revenues of \$105, net liabilities of \$2 and net earnings before income taxes of \$1 with respect to joint ventures.

Other long-term investments are accounted for at cost unless it is determined by management that a diminution in value that is other than temporary has occurred, at which point a provision is recorded.

SIGNIFICANT ACCOUNTING POLICIES

Cash and short-term investments

Cash and short-term investments consist of liquid investments such as term deposits, money market instruments and commercial paper carried at the lower of cost or quoted market value.

Inventories

Inventories are recorded at the lower of cost and replacement cost for raw materials, and at the lower of cost and net realizable value for work in process and finished goods. For substantially all inventories, cost is determined on a first-in, first-out basis. In the normal course of business, an operating company may enter into commodities futures contracts and options on futures markets for the purpose of hedging its inventory and related purchase and sale commitments. These futures contracts and options are accounted for as hedges and, accordingly, all hedging gains and losses on inventories and sales contracts are recognized in cost of sales as part of the product cost.

Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated amortization. Amortization is provided for on a straight-line basis over the estimated useful lives of the assets: 10 to 40 years for buildings, and up to 35 years for machinery and equipment. The cost of plant and equipment is reduced by applicable investment tax credits.

Leasehold improvements are amortized over the terms of the leases.

Leases that transfer substantially all the risks and benefits of ownership are recorded as capital leases. Buildings and equipment under capital leases are amortized over the shorter of the term of the lease or the estimated useful life of the asset. Amortization of assets under capital leases is on a straight-line basis.

Impairment of long-lived assets

Property, plant and equipment and intangible assets are reviewed for impairment on a regular basis or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of property, plant and equipment is assessed by comparison of the carrying amount to the projected future net cash flows that the long-lived assets are expected to generate. An impairment in the value of intellectual property and intangible assets is assessed based on projected future net cash flows.

Foreign currency translation

The Company's operations conducted in foreign currencies, other than those operations that are associated with investment-holding subsidiaries, are considered to be self-sustaining operations. Assets and liabilities of self-sustaining operations conducted in foreign currencies are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. Revenues and expenses are translated at average exchange rates for the year. Unrealized gains or losses on translation of self-sustaining operations conducted in foreign currencies are shown as a separate component of shareholders' equity. The Company, including investment-holding subsidiaries, translates monetary assets and liabilities denominated in foreign currencies at exchange rates in effect at the balance sheet date. Revenues and expenses are translated at average exchange rates for the year.

The Company and its operating companies enter into forward foreign exchange contracts to hedge certain firm purchase or sale commitments. Gains or losses on hedges of firm commitments are included in the basis of the hedged transactions when they occur.

Income taxes

Income taxes are recorded using the asset and liability method of income tax allocation. Under this method, assets and liabilities are recorded for the future income tax consequences attributable to differences between the financial statement carrying values of assets and liabilities and their respective income tax bases. These future income tax assets and liabilities are recorded using substantively enacted income tax rates. The effect of a change in income tax rates on these future income tax assets or liabilities is included in income in the period in which the change occurs.

Pension and non-pension post-retirement benefits

The operating companies accrue their obligations under employee benefit plans and related costs, net of plan assets. The costs of pensions and other retirement benefits earned by employees are accrued in the period incurred and are

actuarially determined based on management's best estimates of items, including expected plan investment performance, salary escalation, retirement ages of employees and expected health care costs. The discount rate used to calculate the interest cost on the accrued benefit obligation is the long-term rate at the balance sheet date. Plan assets are valued at fair market value for the purposes of calculating expected return on those assets. Past service costs from plan amendments are amortized over the average remaining service period of employees active at the date of amendment.

Goodwill and intangible assets

Goodwill represents the cost of investments in operating companies in excess of the fair value of the net identifiable assets acquired. During the third quarter of 2001, the Company adopted *Canadian Institute of Chartered Accountants ("CICA") Handbook* Section 3062, "Goodwill and Other Intangible Assets". This section requires that goodwill and intangible assets with indefinite lives not be amortized but rather that their fair value be assessed at least annually and written down for any impairment in value. For acquisitions made subsequent to July 1, 2001 and as of January 1, 2002, for all pre-existing goodwill and intangible assets with indefinite lives, such assets will no longer be amortized, but will be evaluated annually for impairment. Under the prior accounting standard, amortization of goodwill and intangible assets was recorded for 2001.

Essentially all of the goodwill and intangible asset amounts that appear on the consolidated balance sheets were recorded by the operating companies. Section 3062's transitional provisions require the Company and its operating companies to assess whether goodwill and intangible assets are impaired as of January 1, 2002. The Company and its operating companies had up to six months (to June 30, 2002) to complete their initial assessment and a further six months to perform and measure the amount of impairment, if any. This second step was to be completed no later than December 31, 2002. Any impairment identified through the application of this process is to be charged to opening retained earnings as of January 1, 2002.

Based on the completion of the transitional goodwill impairment assessments, it was concluded that there was an impairment associated with goodwill of certain operating companies. The amount of goodwill impairment totalled \$1,314, of which a charge of \$698 was booked to opening consolidated retained earnings as at January 1, 2002 as a result of the adoption of this new accounting policy. The balance of the goodwill reduction as a result of the adoption of this policy was \$616, which was recorded as a reduction in non-controlling interests.

In fiscal 2001, goodwill for acquisitions made prior to July 1, 2001 was amortized up to December 31, 2001 using the straight-line method over the estimated periods of related benefit, which ranged from five to 40 years. The weighted average period of amortization at December 31, 2001 was approximately 29 years. In fiscal 2002 amortization of this goodwill ceased.

As noted above, the recoverability of goodwill and intangible assets is assessed annually. The new 2002 methodology is based on fair value, a more conservative standard. Previously, under the old standard and as applied in 2001, an impairment in the value of goodwill and intangible assets was recognized if estimated future cash flows generated by acquired businesses were determined to be insufficient to recover goodwill or intangible assets.

Intangible assets, including intellectual property, are recorded at their allocated cost at the date of acquisition of the related operating companies. Amortization is provided for intangible assets, including intellectual property, on a straight-line basis over their estimated useful lives, ranging from five to 25 years. The weighted average period of amortization at December 31, 2002 was approximately eight years (2001 – six years).

Exchangeable debentures

The carrying amount of the Company's exchangeable debentures is based on the market price, at the balance sheet date, of the underlying Celestica shares that would have satisfied the debenture liability if the debentures had been exchanged or Onex had elected to settle with Celestica shares on December 31, 2002.

Each issue of exchangeable debentures is exchangeable for Celestica shares based on a fixed conversion factor determined at the date the debentures were issued or, at the option of the Company, it may deliver the cash equivalent based on the market price of the shares at the time of exchange, or a combination of shares and cash.

As it is contemplated that the underlying Celestica shares will be transferred by Onex to the exchangeable debenture holders to satisfy the entire liability, hedge accounting is used. Accordingly, the difference between the carrying amount (market value) and the original issue amount of the exchangeable debentures is recorded as a deferred amount until such time as there is a redemption or maturity of the exchangeable debentures, when a realized gain or loss on the exchange will be recorded.

Deferred charges

Costs incurred by the operating companies relating to the issuance of debt are deferred and amortized over the term of

the related debt or as the debt is retired. Other deferred charges, such as pension assets and direct incremental expenses incurred on business acquisitions, are amortized over various periods reflecting their estimated useful lives.

Earnings per share

Basic earnings per share is based on the weighted average number of Subordinate Voting Shares outstanding during the year. Diluted earnings per share is calculated using the treasury stock method.

Revenue recognition

Revenues are principally comprised of product sales and service revenue. Revenue from product sales is recognized upon delivery of the goods, while service revenue is recognized as services are performed.

Research and development

Costs incurred on activities that relate to research and development are expensed as incurred unless development costs meet certain criteria for capitalization. Total research and development costs expensed for 2002 were \$115 (2001 – \$50). No amounts have been capitalized.

Stock-based compensation

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

Onex has three types of plans that are covered by this section. The first is the Company's Stock Option Plan (the "Plan") described in note 15(d), which provides that in certain situations, the Company has the right, but not the obligation, to settle any exercisable option under the Plan by the payment of cash to the option holder. With the adoption of the new accounting policy, the Company has recorded a liability as at January 1, 2002 for the potential future settlement of the value of vested options at that date by reference to the value of Onex shares at that date, with a corresponding charge to opening retained earnings. On a quarterly basis, the liability is adjusted up or down for the change in the market value of the underlying shares with a corresponding amount reflected in the consolidated statement of earnings.

The second type of plan is the Management Investment Plan (the "MIP"), which is described in note 25(f). The MIP provides that exercisable investment rights may be settled by issuance of the underlying shares or, in certain situations, by a cash payment for the value of the

investment rights. Under the MIP, once the targets have been achieved for the exercise of investment rights, a liability is recorded for the value of the investment rights under the MIP by reference to the value of underlying investments, with a corresponding compensation expense recorded on the consolidated statement of earnings. At January 1, 2002, three investments had fulfilled all requirements needed for the MIP investment rights to be exercised. For these investments, opening retained earnings was charged for the fair value of the investment rights by reference to the value of the underlying investments, with a corresponding liability recorded on the balance sheet.

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

The adoption of this new accounting principle for the Plan and the MIP has been applied retroactively, with no restatement of prior periods. Retained earnings as at January 1, 2002 was reduced by \$280 with an equal increase in other liabilities. The Company has applied the pro forma disclosure provisions of the new standard to employee stock-based awards of operating companies granted on or after January 1, 2002.

Use of estimates

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Comparative amounts

Certain amounts presented in the prior year have been reclassified to conform to the presentation adopted in the current year.

2. CORPORATE INVESTMENTS

During 2002 and 2001 several acquisitions, which were accounted for as purchases, were completed either directly by Onex or through subsidiaries of Onex. Any third-party borrowings in respect of acquisitions are without recourse to Onex.

2002 ACQUISITIONS

a) Celestica

In March 2002 Celestica acquired certain assets located in Japan from NEC Corporation and in August 2002 the company acquired certain assets from Corvis Corporation located in the United States. The total purchase price of \$175 for these acquisitions was funded with cash on hand at Celestica.

b) Loews Cineplex Group

In March 2002 Onex completed the purchase of Loews Cineplex Entertainment Corporation and all of its wholly-owned subsidiaries ("Loews Cineplex"). Onex and its partner, Oaktree Capital Management, LLC ("Oaktree Capital"), converted \$462 of Loews Cineplex' bank debt held into an equity interest in the restructured company and invested an additional \$55 in the equity of the company for a combined 100% of the equity. Loews Cineplex, headquartered in New York, United States, is one of the largest theatre exhibition companies, operating more than 2,400 screens at over 260 locations in North America, Spain and South Korea at the time of acquisition.

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

In June 2002 Onex and Oaktree Capital completed the acquisition of Grupo Cinemex, S.A. de C.V. ("Cinemex"). Cinemex is a leading theatre exhibition company in Mexico with 32 theatres and 361 screens at the time of acquisition, the majority of which are located in Mexico City.

Of the total purchase price of \$930 for the acquisitions of Loews Cineplex, Loeks-Star and Cinemex (collectively referred to in these financial statements as "Loews Cineplex Group"), Onex has a total investment of \$489 for a 52% equity ownership at the time of acquisition, and retains voting control of Loews Cineplex, Loeks-Star and Cinemex. Onex also continues to hold \$40 face value of Loews Cineplex' restructured bank debt, which is eliminated upon consolidation.

The net cash investment by Onex in Loews Cineplex, Loeks-Star Partners and Cinemex is \$517 as at December 31, 2002.

c) ONCAP

In July 2002 ONCAP's subsidiary, CMC Electronics Inc. ("CMC Electronics"), completed the acquisition of Flight Visions, Inc., located in Illinois, United States. The purchase price of \$38 was funded with cash on hand at CMC Electronics.

d) 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. Certain acquisitions completed in 2002 have provisions whereby the sellers may receive additional consideration if the acquired companies achieve performance targets. Contingent consideration would be recorded as an adjustment to the purchase price if and when paid. The purchase prices of the various acquisitions were allocated to the net assets acquired based on their relative fair values at the date of acquisition. The Company is in the process of obtaining third-party valuations

of certain assets, which could result in further refinement of the fair-value allocation of the purchase price.

The cost of acquisitions made during the year includes restructuring and integration costs of \$14. As at December 31, 2002, accounts payable and accrued liabilities and long-term liabilities include \$21 and \$27, respectively, for these and earlier acquisitions.

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

2002 Acquisitions

	Celestica ^(a)	Loews Cineplex Group ^(b)	ONCAP ^(c)
Cash	\$ (2)	\$ 203	\$ -
Current assets	88	75	9
Goodwill	22	381	22
Intangible assets	55	216	16
Property, plant and equipment and other long-term assets	106	1,499	4
	269	2,374	51
Current liabilities	(38)	(408)	(13)
Other long-term liabilities	(56)	(1,036)	-
	175	930	38
Non-controlling interests in net assets	-	(441)	-
Interest in net assets acquired	\$ 175	\$ 489	\$ 38

e) In March 2002 Onex and the other shareholders of Lantic Sugar Limited ("Lantic Sugar") exchanged their shares of Lantic Sugar for trust units of Rogers Sugar Income Fund ("RSIF"). Onex received approximately 21 million trust units, representing a 28% interest in RSIF, for the Company's ownership interest in Lantic Sugar. This was a non-cash transaction and Onex retained voting control of Lantic Sugar. As part of the transaction, Onex obtained voting control over RSIF's other operating company, Rogers Sugar Ltd. ("Rogers Sugar"). Effective from March 2002, Onex' consolidated financial statements include the assets, liabilities and operations of Rogers Sugar, which included goodwill of \$162. As Onex' interest in these entities is through RSIF, a flow-through entity, significant intercompany transactions and balances between Rogers Sugar, Lantic Sugar and RSIF have been eliminated in these financial statements. Since there was no change in control of Lantic Sugar and part of the transaction was deemed, for accounting purposes, to be with a related party, no accounting gain was recorded on this transaction.

2001 ACQUISITIONS

a) Celestica

During 2001 Celestica completed a number of acquisitions. In January 2001 the company acquired Excel Electronics, Inc., located in Texas, United States, and in February 2001 acquired certain assets located in Ireland and Iowa, United States from Motorola, Inc. In March 2001 certain assets of a repair facility in Japan were acquired from N.K. Techno Co., Ltd. In May 2001 Celestica acquired certain assets from Avaya Inc. located in Arkansas and Colorado, United States and France. In June 2001 Sagem CR s.r.o., located in the Czech Republic, was acquired from Sagem SA of France. In August 2001 Celestica acquired from Lucent Technologies Inc. certain assets located in Ohio and Oklahoma, United States. Also in August 2001 the company acquired Primetech Electronics Inc. ("Primetech") located in Quebec, Canada. The company issued approximately 3.4 million subordinate voting shares of Celestica as well as options to purchase approximately 0.3 million subordinate voting shares of Celestica. The share consideration was valued based on the average market share price for a reasonable period before and after the date on which the terms of

the acquisition were agreed to and announced. In October 2001 the company acquired Omni Industries Limited (“Omni”), an electronics manufacturer headquartered in Singapore. The purchase price was financed with the issuance of approximately 9.2 million subordinate voting shares of Celestica as well as approximately 0.3 million options. The aggregate purchase price of \$2,997 for these acquisitions was funded with \$2,111 of cash on hand at Celestica and through the issuance of Celestica shares valued at \$886.

b) Radian Communication Services Corporation

Onex completed the acquisition of LeBlanc Ltd. and BMS Communications Services Ltd. effective January 2001 and subsequently changed the name of the combined business to Radian Communication Services Corporation (“Radian”). Radian, headquartered in Ontario, Canada, is a leading full-service wireless infrastructure provider in Canada and the United States. The company’s services include network design, installation and management, as well as tower engineering and construction. Of the total purchase price of \$98, Onex has invested \$72 for a 73% ownership interest. Onex has voting control of Radian.

c) ONCAP

During 2001 ONCAP, Onex’ small-cap fund, successfully completed two acquisitions. In April 2001 ONCAP acquired the majority of the common shares of BAE SYSTEMS CANADA INC., and renamed the business CMC Electronics. CMC Electronics, headquartered in Quebec, Canada, is a designer, manufacturer and marketer of high-technology electronic products for the aerospace industry. In August 2001 ONCAP completed the acquisition of Armtec Limited (“Armtec”)

from Onex’ operating company MAGNATRAX Corporation (“MAGNATRAX”). This sale was part of MAGNATRAX’ strategy to divest non-core assets, and was completed through an auction process. Armtec, headquartered in Ontario, Canada, is a leading manufacturer and distributor of steel and plastic products, and a provider of engineered solutions primarily to the Canadian civil engineering industry. The aggregate purchase price of \$674 for both acquisitions was financed with \$247 of third-party borrowings, without recourse to Onex, \$163 through the issuance of equity and \$264 of cash on hand. ONCAP invested \$98 in the equity of these acquired operations, of which Onex’ share was \$24. Onex invested a further \$46 in the equity of CMC Electronics for an initial combined ownership interest of 43%. Onex has indirect voting control of both CMC Electronics and Armtec.

d) 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. Certain acquisitions completed in 2001 have provisions whereby the sellers may receive additional consideration if the acquired companies achieve performance targets. Contingent consideration would be recorded as an adjustment to the purchase price if and when paid.

The cost of acquisitions made in 2001 includes restructuring and integration costs of \$9. As at December 31, 2001, accounts payable and accrued liabilities include \$62 in respect of these and earlier acquisitions.

Details of the 2001 acquisitions, which are all accounted for as purchases, are as follows:

2001 Acquisitions

	Celestica ^(a)	Radian ^(b)	ONCAP ^(c)
Cash	\$ 97	\$ 11	\$ 264
Current assets	1,088	43	232
Goodwill	1,406	73	165
Other intangibles	396	-	127
Property, plant and equipment and other long-term assets	544	15	152
	3,531	142	940
Current liabilities	(484)	(32)	(178)
Other long-term liabilities	(50)	(12)	(88)
Acquisition financing	-	-	(247)
	2,997	98	427
Non-controlling interests in net assets	(886)	(15)	(26)
Interest in net assets acquired	\$ 2,111	\$ 83	\$ 401
Goodwill amortization period (in years) (note1)	10	20	20

3. MAGNATRAX

Due to the decline in the engineered metal buildings industry in 2002 and the reduced operating results at MAGNATRAX at December 31, 2002, that company and its subsidiaries were in payment and other defaults under their credit facilities and subordinated notes. MAGNATRAX and its subsidiaries continue to be in discussions with their creditors to identify and effect a solution that would allow the company to operate successfully through this prolonged industry downturn.

Until an agreement is reached with MAGNATRAX' lenders, virtually all of the company's debt in the amount of \$482 has been classified as current in Onex' consolidated financial statements. Onex does not guarantee the debt of MAGNATRAX. The outcome of this situation depends upon decisions to be made by lenders to MAGNATRAX. This could result in Onex ceasing to control MAGNATRAX and having Onex' ownership interest significantly reduced or eliminated.

No adjustments, other than the classification of MAGNATRAX' debt as current, have been made to the carrying amount of the assets or liabilities of MAGNATRAX in the consolidated balance sheets with respect to this non-compliance with debt provisions. The net book value of the investment in MAGNATRAX recorded in the consolidated financial statements at December 31, 2002 is a negative \$163. Thus, if Onex' investment in MAGNATRAX is disposed of or eliminated in its entirety, a gain would be recorded in the consolidated financial statements.

The following amounts for MAGNATRAX are included in the consolidated balance sheets:

As at December 31	2002	2001
Cash and short-term investments	\$ 23	\$ 8
Accounts receivable	140	164
Inventories	101	112
Property, plant and equipment	122	165
Goodwill	60	576
Intangible assets	36	-
Other assets	47	55
Accounts payable and accrued liabilities	(172)	(192)
Current and long-term debt, without recourse to Onex	(482)	(476)
Other liabilities and non-controlling interests	(29)	(228)
Cumulative translation adjustment	(9)	(12)
Net assets (liabilities)	\$ (163)	\$ 172

For statement of earnings information regarding MAGNATRAX, see note 28 – “Information by Industry and Geographic Segment” under the segment “Engineered Building Products”.

4. EARNINGS FROM DISCONTINUED OPERATIONS

On June 1, 2001 Onex sold its remaining interest in Sky Chefs. The proceeds from the sale combined with the March 2001 earn-out of \$45 from a prior sale of Sky Chefs shares amounted to \$1,333. The gain on the disposition of the shares amounted to \$1,305 before a tax provision of \$361. Onex' share of the net loss from operations of Sky Chefs in 2001, up to the date of the sale, amounted to \$5. The combination of the gain on sale and the loss from operations resulted in net earnings from discontinued operations in 2001 of \$939.

Under the terms of the MIP as described in note 25(f), management members participated in the realizations the Company achieved on Sky Chefs. Allocations on account of the Sky Chefs sale related to the MIP amounted to \$84. The earnings from discontinued operations are after the deduction of this amount.

5. GAINS ON SHARES OF OPERATING COMPANIES, NET

During 2002 and 2001 Onex completed a number of unrelated transactions by selling all or a portion of its ownership interests in certain companies. The major transactions and the resulting pre-tax gains are summarized and described as follows:

Year ended December 31	2002	2001
Gain on:		
Sale of investment by Vencap ^(a)	\$ 13	\$ -
Issue of shares by Celestica ^(b)	-	218
Sale of non-controlled entities ^(c)	15	-
Provisions on value of non-controlled entities ^(d)	(7)	(54)
	\$ 21	\$ 164

a) During 2002 Vencap received proceeds of \$13 on the partial disposition of its remaining operating company.

b) In May 2001 Celestica completed an issue of 12 million subordinate voting shares from treasury for net proceeds of \$1,084. While Onex did not sell any shares of Celestica in the offering, Onex recorded an accounting dilution gain of \$136 as a result of the increase in book value of Onex' portion of the net asset value of Celestica resulting from this offering. Onex' ownership was diluted from 20% to 19% as a result of the additional shares issued. In August 2001 Celestica acquired Primetech by issuing approximately 3.4 million Celestica subordinate voting shares valued at \$274. Onex recorded a dilution gain of \$30 as a result of the share issuance. Onex' ownership after the dilution remained at approximately 19%. In October 2001 a dilution gain of \$52 was recorded as a result of Celestica issuing approximately 9.2 million subordinate voting shares valued at \$609 to acquire Omni. Onex' ownership was diluted to 18% and it retained voting control of Celestica. Throughout the year, for smaller acquisitions, approximately \$3 of subordinate voting shares of Celestica were issued.

c) In 2002 Onex sold its interest in various non-controlled entities.

d) During 2002 and 2001 Onex established certain provisions against the carrying value of a number of non-controlled entities to reflect diminution in the value of these assets that the Company deemed other than temporary.

6. INVENTORIES

Inventories comprised the following:

As at December 31	2002	2001
Raw materials	\$ 1,040	\$ 1,733
Work in process	258	448
Finished goods	462	549
	\$ 1,760	\$ 2,730

7. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment comprised the following:

As at December 31	2002			2001		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Land and buildings	\$ 2,387	\$ 310	\$ 2,077	\$ 1,387	\$ 191	\$ 1,196
Machinery and equipment	4,073	1,824	2,249	3,755	1,507	2,248
Construction in progress	94	-	94	106	-	106
	\$ 6,554	\$ 2,134	\$ 4,420	\$ 5,248	\$ 1,698	\$ 3,550

The above amounts include property, plant and equipment under capital leases of \$144 (2001 - \$114) and accumulated amortization of \$60 (2001 - \$44) related thereto.

8. INVESTMENTS AND OTHER ASSETS

Investments and other assets comprised the following:

As at December 31	2002	2001
Investments:		
Private entities – at cost ^(a)	\$ 85	\$ 112
Public entities – at cost ^(b)	86	19
Marketable securities – at market values ^(c)	64	77
Debt of an entity proposed to be acquired – at cost (note 2)	-	289
Equity-accounted companies	36	23
Deferred charges:		
Debt issuance costs	41	53
Other ^(d)	125	118
Future income taxes (note 21)	644	387
Other	132	102
	\$ 1,213	\$ 1,180

a) The market value of private entities is not readily determinable with a sufficient degree of precision.

b) The market value of the public entities as at December 31, 2002 was \$98 (2001 – \$23).

c) Included in marketable securities is a \$55 (2001 – \$60) net investment made by a subsidiary of the Company which involves the purchase of convertible securities and the simultaneous short sale of the shares into which those securities can be converted. This investment program, in a separate subsidiary company, is managed by a third-party fund manager who manages other similar funds. This net investment consists of \$293 (2001 – \$618) in convertible securities and cash offset by \$238 (2001 – \$558) in short sales of these equity securities and debt. All marketable securities have been recorded at quoted year-end market values. The matched investments typically settle on a net basis.

d) Other deferred charges include pension costs and certain acquisition costs.

9. GOODWILL

Goodwill comprised the following:

As at December 31	2002	2001
Goodwill (2001 – net of accumulated amortization of \$722)	\$ 4,173	\$ 5,218

The change in the goodwill balance from \$5,218 in 2001 to \$4,173 in 2002 resulted from a \$1,314 reduction in goodwill

for the change in accounting policy for goodwill and other intangible assets, goodwill write-off of \$318 associated with the annual impairment review, and a \$587 increase in goodwill from acquisitions made in 2002.

As described in note 1, goodwill has ceased to be amortized, with this change applied prospectively. As a result, the 2002 consolidated statements of earnings do not have a charge for goodwill amortization whereas the 2001 results include charges for the amortization of pre-existing goodwill. The following table adjusts the 2001 loss from continuing operations for goodwill amortization and restates basic and diluted loss per Subordinate Voting Share to be on a comparable basis with 2002:

Year ended December 31	2002	2001
Loss from continuing operations	\$ (145)	\$ (141)
Add back: goodwill amortization	-	57
Loss from continuing operations before goodwill amortization	\$ (145)	\$ (84)
Basic loss per Subordinate Voting Share:		
Continuing operations	\$ (0.90)	\$ (0.88)
Continuing operations before goodwill amortization	\$ (0.90)	\$ (0.53)
Diluted loss per Subordinate Voting Share:		
Continuing operations	\$ (0.90)	\$ (0.88)
Continuing operations before goodwill amortization	\$ (0.90)	\$ (0.53)

10. INTANGIBLE ASSETS

Intangible assets comprised the following:

As at December 31	2002	2001
Intellectual property with limited life, net of accumulated amortization of \$201 (2001 – \$237)	\$ 204	\$ 492
Intangible assets with limited life, net of accumulated amortization of \$134 (2001 – \$81)	381	404
Intangible assets with indefinite life	187	-
	\$ 772	\$ 896

Intellectual property primarily represents the costs of certain non-patented intellectual property and process know-how obtained in acquisitions.

Intangible assets include trademarks, non-competition agreements and contract rights acquired in certain facilities acquisitions.

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

Long-term debt of operating companies, without recourse to Onex, is as follows:

As at December 31		2002	2001
Celestica^(a)	10.5% senior subordinated notes due 2006	\$ -	\$ 207
	Other, including debt denominated in foreign currencies	-	21
		-	228
ClientLogic^(b)	Revolving credit facility	187	169
	Other, including debt denominated in foreign currencies	50	46
		237	215
Loews Cineplex Group^(c)	Revolving credit facilities	129	-
	Term loans due 2003 through 2008	910	-
	Other	9	-
		1,048	-
Dura Automotive^(d)	Revolving credit facility and term loans due 2005 and 2008	235	823
	9.0% senior subordinated notes due 2009	878	860
	8.6% senior subordinated notes due 2012	552	-
	Mandatory redeemable convertible trust preferred securities	87	88
	Other, including debt denominated in foreign currencies	29	21
		1,781	1,792
J.L. French^(e)	Revolving credit facility and term loans due 2006 and 2007	542	518
	11.5% subordinated notes due 2009	276	279
	8.0% redeemable shares	95	95
	Other	75	65
		988	957
Performance Logistics Group^(f)	Revolving credit facility due 2006	17	15
	Term loan due 2003 to 2006	74	91
		91	106
Commercial Vehicle Systems^(g)	Revolving credit facility and term loans due 2005	50	63
Bostrom^(h)	Revolving credit facility and term loans due 2006	46	51
	Other	29	24
		75	75
Trim Systems⁽ⁱ⁾	Revolving credit facility and term loans due 2006	57	66
	Other	12	11
		69	77
MAGNATRAX^(j)	Revolving credit facilities and term loan due 2003 to 2005	385	379
	12.5% senior subordinated notes due 2007	84	84
	Other	13	13
		482	476
Radian^(k)	Revolving credit facility and term loan due 2004	29	23
Lantic Sugar/Rogers Sugar^(l)	Term loans due 2005	113	156
	Debentures due 2005	100	-
	Other	30	-
		243	156
InsLogic^(m)	Redeemable, convertible preferred shares	99	73
ONCAP companies⁽ⁿ⁾	Revolving credit facilities and term loans due 2003 to 2015	135	201
	Other	52	62
		187	263
Other		1	3
Less: long-term debt held by Onex		(156)	(129)
		5,224	4,378
Long-term debt of MAGNATRAX, reclassified as current		(482)	-
Current portion of long-term debt of operating companies, excluding MAGNATRAX		(216)	(340)
Consolidated long-term debt of operating companies, without recourse to Onex		\$ 4,526	\$ 4,038

Onex does not guarantee the debt on behalf of any of its operating companies, nor are there any cross-guarantees between operating companies.

The financing arrangements for each operating company typically contain certain restrictive covenants, including limitations or prohibitions on additional indebtedness, payment of cash dividends, redemption of capital, capital spending, making of investments and acquisitions, and the sale of assets. In addition, certain financial covenants must be met by each of the operating companies. The financial projections for 2003 prepared by the management of the operating companies show that certain operating companies will achieve compliance with specific debt covenant requirements by relatively small margins. Future changes in business conditions may produce results that necessitate amendments to covenants to achieve compliance. No adjustments to the carrying amount or classification of assets or liabilities of these entities in the consolidated financial statements have been made with respect to this possible non-compliance.

a) Celestica

Celestica, under the terms of a global unsecured revolving credit facility, had available up to US\$250 of borrowings. The facility bore interest at LIBOR plus a margin and was repayable in July 2003. There were no drawings against this facility during 2002 or 2001. Celestica elected to cancel this facility in December 2002.

In December 2002 Celestica extended its second global unsecured revolving credit facility from April 2004 to December 2004. Concurrent with this extension, Celestica increased the facility from US\$250 to US\$350. The facility includes a swing line facility for short-term borrowings. The available facility bears interest at LIBOR plus a margin except for borrowings under the swing line facility, which bear interest at a base rate. There were no borrowings on this facility during 2002 or 2001.

In August 2002 the company redeemed the US\$130 of outstanding 10.5% senior subordinated notes due 2006 at a premium of 5.25%. At December 31, 2001, US\$130 of 10.5% senior subordinated notes were outstanding. See note 19 for debt prepayment costs.

In July 2001 Celestica entered into an unsecured revolving credit facility providing up to US\$500 of borrowings including a swing line facility for short-term borrowings. Borrowings under the facility bear interest at LIBOR plus a margin except for borrowings under the swing line facility, which bear interest at a base rate. The facility is repayable in July 2005. There were no borrowings on this facility during 2002 or 2001.

b) ClientLogic

ClientLogic Corporation ("ClientLogic") has available up to US\$125 under the terms of an amended and restated revolving credit agreement. The agreement provides for floating rate advances in U.S. dollars, pounds sterling and/or euros, as selected by the company at the time of borrowing. Under the amended credit agreement, US\$10 is due in October 2003 and US\$115 is repayable in October 2004. The credit facility bears interest at the lender's base rate or LIBOR plus a margin, depending on certain financial ratios. At December 31, 2002, there were US\$119 (2001 – US\$106) in borrowings outstanding at a weighted average interest rate of 5.0% (2001 – 7.2%). Borrowings under the credit facility are collateralized by substantially all of ClientLogic's assets.

A subsidiary of ClientLogic has unsecured notes payable to a former shareholder of an acquired company. The notes bear interest at a rate of 8.3% and are payable in five equal consecutive annual instalments of US\$1, which commenced in December 2000. These notes are subordinate to the credit agreements. The holders of the notes may elect to be paid in cash or shares of Class A voting common stock determined at market value at each respective payment date.

ClientLogic has US\$21 of loan notes outstanding. Of this amount, US\$17 bears interest at 6.5% and is repayable in June 2007. The balance bears interest at 7.5%. Interest compounds and is added to the note. The amount of accrued interest at December 31, 2002 was US\$3.

ClientLogic has entered into an interest rate swap agreement that effectively fixes the interest rate on US\$80 of borrowings under the revolving credit agreement at 4.6%. The interest rate swap agreement expires in 2006 but has an early termination provision of 2004.

c) Loews Cineplex Group

In March 2002 Loews Cineplex entered into a US\$430 term loan agreement that matures in February 2008, requires quarterly repayments that commenced in May 2002 and bears interest at either the base rate or an adjusted euro rate plus a margin, depending on certain financial ratios. Outstanding borrowings under the term loan facility at December 31, 2002 were US\$426. The average interest rate on the term loan facility was 5.7% in 2002.

In March 2002 Loews Cineplex also entered into a credit agreement comprised of a US\$85 exit revolving credit facility and US\$55 exit term loan, including US\$10 and US\$20, respectively, available in Canada. U.S. loans under the exit term loan bear interest at either the base rate plus 2.75% or an adjusted euro rate plus 3.75%. Canadian loans under this facility bear interest at the Canadian prime rate plus 2.75% or the bankers acceptance rate plus 3.75%. The

exit term loan matures in March 2007 and requires quarterly repayments that commenced in May 2002. Outstanding borrowings under the exit term loan were US\$55 at December 31, 2002. The average interest rate on borrowings under the credit agreement was 5.6% in 2002.

Borrowings under both the term loan and the exit facility are collateralized by substantially all of the assets of Loews Cineplex and are without recourse to Onex.

Cinemex has a credit facility providing for one billion Mexican pesos that was fully drawn at December 31, 2002. The term credit facility bears interest at the Mexican THIE rate plus a margin, payable monthly, and matures in December 2007. Semi-annual repayments commence in December 2004. The effective interest rate for 2002 was 10.2%. Borrowings under the credit agreement are collateralized by substantially all of the assets of Cinemex and are without recourse to Onex.

At December 31, 2002 Loeks-Star had a fully-drawn stand-alone revolving credit facility in the amount of US\$50. The weighted average interest rate was 4.4% in 2002. The facility matures in May 2003.

d) Dura Automotive

Dura Automotive Systems, Inc. ("Dura Automotive"), under the terms of a credit agreement, has a revolving credit facility of US\$390 due in March 2005 and term loans of US\$150 due in December 2008. The credit agreement provides for up to US\$150 of the borrowings to be in currencies other than U.S. dollars. The credit facility bears interest at LIBOR. The balance outstanding on the term loans at December 31, 2002 was US\$149 (2001 – US\$454). There were no borrowings against the revolving credit facility at December 31, 2002 (2001 – US\$63). The weighted average interest rate on the revolving credit facility and term loans was 4.9% in 2002 (2001 – 7.1%). Borrowings under the credit agreement are collateralized by substantially all of the assets of Dura Automotive.

The senior subordinated notes mature in May 2009 and bear interest at 9.0%, payable semi-annually. Certain of the notes were issued in 2001 with net proceeds of approximately US\$147 being used to reduce borrowings outstanding under the revolving credit facility. The notes are collateralized by guarantees of certain Dura Automotive subsidiaries.

In April 2002 the company completed an offering of US\$350 senior notes. The notes mature in April 2012 and bear interest at 8.6%, payable semi-annually, beginning in October 2002.

Dura Automotive had US\$55 of 7.5% redeemable convertible trust preferred securities outstanding at December 31, 2002. The preferred securities are convertible, at the option of the holder, into Class A common stock of Dura

Automotive at a rate equivalent to a conversion price of US\$42.875 per share. The preferred securities are redeemable, in whole or in part, and must be redeemed before March 2028.

e) J.L. French

In December 2002 J.L. French Automotive Castings, Inc. ("J.L. French") entered into an amended senior credit facility providing for a tranche B term loan of US\$190, a tranche C term loan of US\$95 and revolving credit of up to US\$90. At the time, net proceeds from the tranche C term loan and the second secured lien term loan, described below, were used to retire all of the borrowings outstanding under the tranche A term loan of US\$125, US\$17 outstanding under the tranche B term loan and US\$34 outstanding under the revolving credit facility. Of the total term loans, US\$190 bears interest, payable quarterly, at prime or LIBOR plus a margin and matures in October 2006. The balance of the term loans bears interest, payable quarterly, at the greater of 11.0% or prime plus 6.0% and matures in October 2006. Total borrowings under the term loans were US\$223 (2001 – US\$300). The weighted average interest rate on the term loans was 7.8% in 2002 (2001 – 6.4%). The revolving credit facility bears interest at prime or LIBOR plus a margin and is payable quarterly. At December 31, 2002 borrowings under the revolving credit facility were US\$27 (2001 – US\$25). The average interest rate on borrowings under the revolving credit facility was 6.4% (2001 – 7.3%). Borrowings under the amended senior credit facility are collateralized by substantially all of the assets of J.L. French. The senior credit facility requires the company to maintain certain financial ratios and includes certain restrictions, including limits on capital expenditures and cash dividends.

As well, under the refinancing completed in December 2002, J.L. French issued a secured second lien term loan of US\$96, the net proceeds of which were US\$94. Substantially all of this amount was outstanding at December 31, 2002. The second lien term loan matures in December 2007 and bears interest at 12.0%, payable quarterly. In addition, deferred interest at 7.0% per annum is due at maturity. Borrowings under this facility are collateralized by a second lien on substantially all of the assets of J.L. French.

Borrowings under all of the term loans are subject to mandatory prepayments based on excess cash flow and proceeds from asset sales, as defined in the amended credit agreement. There were no prepayments required in 2002 or 2001.

As a result of the refinancing of its senior debt in the fourth quarter, J.L. French was in compliance with all covenants at December 31, 2002 and the company's debt was classified in accordance with its normal terms.

In 2001 J.L. French entered into an interest rate swap agreement to effectively fix the interest rate on US\$75 of variable rate loans at 4.8%. The swap agreement expires in 2003.

J.L. French has US\$60 of Class P common shares outstanding, of which Onex holds US\$26. The shares are non-voting and accrue dividends at 8.0% annually. Dividends are payable in cash at the time of redemption of the shares. The Class P common shares are mandatorily redeemable at the time of a sale of J.L. French. In addition, the Class P common shareholders may require J.L. French to redeem the shares at any time after December 2009. These shares have been classified as debt and dividends payable thereon have been included in interest expense.

f) Performance Logistics Group

Performance Logistics Group, Inc. ("PLG"), under the terms of a credit agreement, has available a revolving credit facility of US\$30 and a term loan of US\$85. Both the revolving credit facility and term loan bear interest at LIBOR plus a margin. The outstanding borrowings on the revolving credit facility at December 31, 2002 were US\$11 (2001 – US\$9) and on the term loan were US\$47 (2001 – US\$57). The weighted average interest rate on borrowings under the credit agreement for 2002 and 2001 was 5.1%. Quarterly repayments are required on borrowings under the term loan. Borrowings under the credit agreement are due in May 2006. Borrowings under the credit agreement are collateralized by substantially all of the assets of PLG.

g) Commercial Vehicle Systems

Commercial Vehicle Systems, Inc. ("CVS") has entered into a credit agreement that provides for a revolving credit facility of US\$23 and term loans of US\$48. Both the revolving credit facility and the term loans bear interest at prime or LIBOR plus a margin and are due in March 2005. The outstanding borrowings at December 31, 2002 on the revolving credit facility were US\$6 (2001 – US\$5) and on the term loans were US\$26 (2001 – US\$34). The weighted average interest rates were 6.0% (2001 – 7.3%) for the revolving credit facility and 4.4% (2001 – 5.8%) on the term loans. Borrowings under the credit agreement are collateralized by substantially all of the assets of CVS.

CVS has entered into an interest rate swap agreement that effectively converts US\$24 of variable rate loans into fixed rate obligations at 10.0%. The interest rate swap agreement expires in March 2003.

h) Bostrom

Bostrom Holdings, Inc. ("Bostrom") has a US\$70 credit agreement that provides for a US\$25 revolving credit facility and term loans of US\$45. Borrowings under the credit agreement bear interest at various rates plus a margin, depending on certain financial ratios, and are due in February 2006.

The credit agreement provides Bostrom with the ability to denominate a portion of its borrowings in currencies other than the U.S. dollar. At December 31, 2002 total borrowings outstanding on the revolving credit facility were US\$14 (2001 – US\$12), of which US\$5 (2001 – US\$2) was denominated in pounds sterling. At December 31, 2002, of the US\$15 (2001 – US\$20) borrowings outstanding on the term loan, US\$4 (2001 – US\$5) were denominated in pounds sterling. The weighted average interest rates on the revolving credit facility and term loans ranged from 4.9% to 7.0% during 2002 (2001 – 6.4% to 8.4%). Quarterly repayments are required on borrowings under the term loan. The assets of Bostrom collateralize borrowings under the credit agreement.

Bostrom has entered into an interest rate collar agreement that effectively fixes the range of interest rates on US\$23 of variable rate loans at between 4¹/₈% and 6.0%. The collar agreement expires in October 2003.

i) Trim Systems

In June 2001 Trim Systems, LLC ("Trim Systems") entered into an amended credit agreement providing a revolving credit facility of US\$16 and US\$50 of term loans. At December 31, 2002 there were US\$2 and US\$39 (2001 – US\$7 and US\$39) in outstanding borrowings on the revolving credit facility and term loans, respectively. Borrowings under both the revolving credit facility and the term loans bear interest at prime plus a margin. The weighted average interest rate on the revolving credit facility and term loans in 2002 was 6.2% (2001 – 6.0%). Borrowings under the credit agreement are due in June 2006. Principal repayments are based on excess cash flow and begin in April 2003. Borrowings under the credit agreement are collateralized by substantially all of Trim Systems' assets.

In June 2001 Onex loaned the company US\$7 pursuant to a five-year promissory note. The note is collateralized by all of the assets of Trim Systems and is eliminated upon consolidation.

j) MAGNATRAX

MAGNATRAX has a credit facility that at December 31, 2002 included term loans totalling US\$213 (2001 – US\$226) and revolving borrowings of US\$55 (2001 – US\$55). The term loans and revolving credit facilities include both Canadian- and U.S.-dollar-denominated loans. The U.S.-dollar-denominated loans bear interest at the prime rate plus a margin, including an additional 2.0% default rate, depending on a defined leverage ratio, require quarterly repayments and are due in November 2005. Interest under the Canadian-dollar-denominated term loan is payable on individual advances at the prime rate plus a margin, including an additional 2.0% default rate, depending on a defined leverage ratio. The Canadian-dollar-denominated term loan requires quarterly repayments and is due in May

2004. Previously, borrowings under the Canadian- and U.S.-dollar-denominated term loans bore interest at the euro rate and bankers acceptance rate, respectively, plus a margin. At December 31, 2002 total borrowings outstanding under the term loan facility were US\$213 (2001 – US\$226) at a weighted average interest rate of 8.7% (2001 – 9.3%).

Availability of the revolving credit facilities is based upon borrowings outstanding as well as amounts outstanding under letters of credit. Borrowings under revolving credit facilities bear interest at prime plus a margin, including an additional 2.0% default rate, and are due in May 2004. Outstanding borrowings on revolving credit facilities at December 31, 2002 were US\$32 (2001 – US\$12) and letters of credit were US\$19 (2001 – US\$23). The weighted average interest rate on the revolving credit facilities in 2002 was 6.2% (2001 – 7.5%). Borrowings under the credit facilities are collateralized by substantially all of the assets of MAGNATRAX.

At December 31, 2002 and 2001, US\$53 of redeemable senior subordinated notes were outstanding. The notes bear interest at 12.5% per annum, payable semi-annually.

At December 31, 2002, MAGNATRAX was not in compliance with the provisions of its debt agreements. Accordingly, all of the debt of MAGNATRAX outstanding at December 31, 2002 has been classified as current in the consolidated financial statements. For additional information regarding MAGNATRAX, see note 3.

MAGNATRAX has entered into two interest rate swap agreements to effectively change the euro rate on a total of US\$90 of the term loans. Each agreement effectively fixes the interest rates on US\$45 at 6.1% and 6.5%, respectively. The interest rate swap agreements expire in August 2005.

k) Radian

In December 2001 Radian entered into a credit agreement that provides for a revolving credit facility of \$20 and a term loan of \$15. Borrowings under the credit agreement are due in December 2004. Both the revolving credit facility and term loan bear interest at short-term borrowing rates plus a margin. The outstanding borrowings at December 31, 2002 on the revolving credit facility and term loan were \$14 and \$15 (2001 – \$8 and \$15), respectively. The weighted average interest rate for borrowings under the credit agreement was 6.3% in 2002 (2001 – 5.4%). Borrowings under the credit agreement are collateralized by substantially all of the assets of Radian.

Radian has entered into an interest rate swap agreement that effectively converts \$15 of variable rate loans into fixed rate obligations at 4.0% until December 2004.

l) Lantic Sugar/Rogers Sugar

Lantic Sugar has a \$165 term loan credit facility, of which \$113 was outstanding at December 31, 2002 (2001 – \$156).

Borrowings under the credit facility are due in June 2005. The term loan interest rate ranged from 4.4% to 6.1% during 2002 and 2001 due to an interest rate swap agreement that matures in June 2003. The credit facility is collateralized by substantially all of the assets of Lantic Sugar.

Lantic Sugar also has a revolving credit facility of \$50 (2001 – \$65) that was not drawn on at December 31, 2002 or 2001.

Rogers Sugar had \$100 in debentures outstanding at December 31, 2002. The debentures bear interest at 8.2%, payable quarterly, and mature in August 2005. The debentures are collateralized by substantially all of the assets of Rogers Sugar.

Rogers Sugar also has a revolving credit facility of \$50 which was not drawn on at December 31, 2002.

m) InsLogic

In 2002 InsLogic Holding Corporation (“InsLogic”) issued additional Series D redeemable, convertible preferred shares for net proceeds of US\$9, of which Onex invested US\$5 for approximately 55% of the issue. In May and November 2001 the company issued Series C and Series D redeemable, convertible preferred shares for net proceeds of US\$16 and US\$7, respectively. Onex acquired approximately 59% of the 2001 Series C and Series D redeemable, convertible preferred share issues, investing a total of US\$13. InsLogic also has US\$31 of Series B redeemable, convertible preferred shares outstanding, of which Onex holds 10%. Each of the Series B, Series C and Series D redeemable, convertible preferred shares is convertible into one common share, subject to adjustments under specific circumstances. The shares are non-voting and are entitled to non-cumulative dividends at an amount equivalent to the dividends declared, if any, on common shares. Dividends would be payable in cash at the time of redemption of the shares. A majority of the holders of the Series B, Series C and Series D redeemable, convertible preferred shares might request, under certain circumstances and after May 2007, that InsLogic redeem all of the preferred shares at the original option price. Due to the redemption right, these shares have been classified as debt.

n) ONCAP companies

ONCAP's investee companies each have indebtedness that is included in Onex' consolidated financial statements. Under the terms of credit agreements, CMC Electronics and Armtec have combined revolving credit facilities of \$40 and term borrowings of \$185 available. There are separate arrangements for each of CMC Electronics and Armtec with no cross-guarantees between the companies. The available facilities bear interest at various rates based on prime, U.S. base or LIBOR plus a margin. During 2002 interest rates ranged from 4.7% to

8.8% (2001 – 4.9% to 8.4%) on borrowings under the revolving credit and term facilities. Quarterly repayments on a portion of the term loans commenced in June 2002, while the remainder of the credit facilities are repayable between 2006 and 2015. Borrowings under these credit facilities at December 31, 2002 were \$135 (2001 – \$201). One of the companies also has available subordinated term credit facilities of \$47, due 2007, that bear interest at 14.25%, all of which were outstanding at December 31, 2002 and 2001.

In 2001 one of the companies entered into an interest rate swap agreement that effectively fixes the floating rate on \$35 of variable rate loans at 4.32% to 2006.

o) The annual minimum repayment requirements, excluding MAGNATRAX' debt classified as current, for the next five years on long-term debt are as follows:

2003	\$ 216
2004	\$ 391
2005	\$ 358
2006	\$ 715
2007	\$ 520

13. EXCHANGEABLE DEBENTURES

In 2000 Onex issued the following series of 25-year debentures exchangeable for subordinate voting shares of Celestica:

Maturity Date	Aggregate Principal Amount	Average Interest Rate	Exchange Rate on Principal Amount (number of shares per \$000)
March 15, 2025	\$ 366	1.70%	15.133
July 15, 2025	\$ 113	1.72%	13.333
September 15, 2025	\$ 176	1.65%	8.515
October 30, 2025	\$ 74	1.60%	9.042

The debentures are exchangeable, at the request of the holder, into subordinate voting shares of Celestica at fixed exchange rates or, at the option of the Company, it may deliver the cash equivalent based on the market price of the shares at the time of exchange, or a combination of shares and cash. Onex has pledged shares of Celestica to secure its obligations upon any exercise of the holders' exchange right. The debentures are redeemable at any time by the Company. Upon redemption Onex may, at its option, repay the principal amount by delivering Celestica subordinate voting shares based on the fixed exchange rate or pay the cash equivalent, or a combination of shares and cash. The total number of Celestica subordinate voting shares pledged under the debentures is 9,214,320.

Onex is required to pay interest at a fixed rate for the first interest period of each debenture issue, which is approximately six months, and at a floating rate semi-annually

12. LEASE COMMITMENTS

The future minimum lease payments are as follows:

	Capital Leases	Operating Leases
For the year:		
2003	\$ 28	\$ 487
2004	24	402
2005	19	348
2006	9	290
2007	7	262
Thereafter	48	1,987
Total future minimum lease payments	135	\$3,776
Less: imputed interest	(41)	
Balance of obligations under capital leases, without recourse to Onex	94	
Less: current portion	(21)	
Long-term obligations under capital leases, without recourse to Onex	\$ 73	

Essentially all of the lease commitments relate to the operating companies.

thereafter. The calculated interest rate varies in relation to ordinary Celestica dividends paid, if any, during the preceding interest period and, in the case of the March 2025 debentures, the average closing price of Celestica subordinate voting shares on The Toronto Stock Exchange for all trading days over the preceding interest period.

As it is contemplated that delivery of the underlying subordinate voting shares of Celestica will satisfy the entire exchangeable debenture principal liability, hedge accounting has been applied. The difference between the market value of the Celestica subordinate voting shares and the original issue amount of the exchangeable debentures is recorded as a deferred amount until such time as the debentures are exchanged, redeemed or mature. The market value of the exchangeable debentures is based on the market price, as at the balance sheet date, of the underlying subordinate voting shares of Celestica.

The market value and deferred amount of the exchangeable debentures were as follows:

As at December 31	2002	2001
Carrying amount (cost)	\$ 729	\$ 729
Deferred amount, included in other liabilities (note 14)	(526)	(139)
Market value	\$ 203	\$ 590

Interest expense related to the exchangeable debentures amounted to \$12 (2001 – \$12) and was netted against interest and other income.

14. OTHER LIABILITIES

Other liabilities comprised the following:

As at December 31	2002	2001
Pension (note 26)	\$ 226	\$ 144
Exchangeable debentures (note 13)	526	139
Stock-based compensation (note 16)	115	-
Acquisition, restructuring and other (notes 2 and 18)	55	-
Other	247	242
	\$ 1,169	\$ 525

15. SHARE CAPITAL

a) The authorized share capital of the Company consists of:

i) 100,000 Multiple Voting Shares, which entitle their holders to elect 60% of the Company's Directors and carry such number of votes in the aggregate as represents 60% of the aggregate votes attached to all shares of the Company carrying voting rights. The Multiple Voting Shares have no entitlement to a distribution on winding-up or dissolution other than the payment of their nominal paid-up value.

ii) An unlimited number of Subordinate Voting Shares, which carry one vote per share and as a class are entitled: to 40% of the aggregate votes attached to all shares of the Company carrying voting rights; to elect 40% of the Directors; and to appoint the auditors. These shares are entitled, subject to the prior rights of other classes, to distributions of the residual assets on winding-up and to any declared but unpaid cash dividends. The shares are entitled to receive cash dividends, dividends in kind and stock dividends as and when declared by the Board of Directors.

The Multiple Voting Shares and Subordinate Voting Shares are subject to provisions whereby, if an event of change occurs (such as Mr. Schwartz ceasing to hold, directly or indirectly, more than 5,000,000 Subordinate Voting Shares or related events), the Multiple Voting Shares will thereupon

be entitled to elect only 20% of the Directors and otherwise will cease to have any general voting rights. The Subordinate Voting Shares would then carry 100% of the general voting rights and be entitled to elect 80% of the Directors.

iii) An unlimited number of Senior and Junior Preferred Shares issuable in series. The Directors are empowered to fix the rights to be attached to each series. There is no consolidated paid-in value for these shares.

b) During 2002, under the Dividend Reinvestment Plan, the Company issued 189,281 (2001 – 144,564) Subordinate Voting Shares at a total value of \$4 (2001 – \$3). The Company repurchased and cancelled under a Normal Course Issuer Bid 1,587,100 (2001 – 2,242,800) of its Subordinate Voting Shares at a cost of \$26 (2001 – \$39) cash during 2002. The excess of the purchase cost of these shares over the average paid-in amount was \$20 (2001 – \$30), which was charged to retained earnings.

c) At December 31, 2002 the issued and outstanding share capital consisted of 100,000 (2001 – 100,000) Multiple Voting Shares, 159,228,801 (2001 – 160,576,620) Subordinate Voting Shares and 176,078 (2001 – 176,078) Series 1 Senior Preferred Shares. The Series 1 Senior Preferred Shares have no paid-in amount reflected in these consolidated financial statements and the Multiple Voting Shares have nominal paid-in value.

d) The Company has a Stock Option Plan (the "Plan") under which options and/or share appreciation rights for a term not exceeding 10 years may be granted to Directors, officers and employees for the acquisition of Subordinate Voting Shares of the Company at a price not less than the market value of the shares on the business day preceding the day of the grant. Under the Plan, no options or share appreciation rights may be exercised unless the average market price of the Subordinate Voting Shares for the five prior business days exceeds the exercise price of the options or the share appreciation rights by at least 25% (the "exercisable price"). At December 31, 2002, 15,758,000 (2001 – 15,808,000) Subordinate Voting Shares were reserved for issuance under the Plan. At December 31, 2002 options representing 12,250,600 (2001 – 12,944,000) shares were outstanding.

All options vest at a rate of 20% per year from the date of grant. When an option is exercised, the employee has the right to request that the Company repurchase the option for an amount equal to the difference between the fair value of the stock under the option and its exercise price. Upon receipt of such request, the Company has the right to settle its obligation to the employee by the payment of cash, the issuance of shares or a combination of cash and shares.

Notes to Consolidated Financial Statements

Details of options outstanding are as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding at December 31, 2000	15,135,400	\$ 7.90
Exercised or surrendered	(2,191,400)	\$ 4.47
Outstanding at December 31, 2001	12,944,000	\$ 8.48
Granted	682,500	\$ 20.50
Exercised or surrendered	(1,300,600)	\$ 6.03
Expired	(75,300)	\$ 19.78
Outstanding at December 31, 2002	12,250,600	\$ 9.34

During 2002 the total cash consideration paid on options surrendered was \$19 (2001 – \$38). 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 the Plan.

Options outstanding at December 31, 2002 consisted of the following:

Number of Outstanding Options	Exercise Price	Number of Exercisable Options	Exercisable Price	Remaining Life (years)
352,800	\$ 3.32	352,800	\$ 4.15	1.9
4,828,400	\$ 7.30	3,638,200	\$ 9.13	5.1
5,611,400	\$ 8.62	4,314,800	\$ 10.78	5.3
778,000	\$ 20.23	-	\$ 25.29	7.0
680,000	\$ 20.50	-	\$ 25.63	9.5
12,250,600		8,305,800		

16. STOCK-BASED COMPENSATION

Included in the consolidated statements of earnings for the year ended December 31, 2002 is a stock-based compensation recovery of \$143 resulting from the decline in the fair-market value of the underlying shares with respect to the stock-based compensation arrangements of the parent company, as described in note 1.

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

Pro forma after the effect of operating companies' stock option plans	2002
Pro forma net loss	\$ 149
Basic loss per share	\$ 0.93
Diluted loss per share	\$ 0.93

17. INTEREST EXPENSE OF OPERATING COMPANIES

Year ended December 31	2002	2001
Interest on long-term debt of operating companies	\$ 392	\$ 414
Interest on obligations under capital leases of operating companies	5	3
Other interest of operating companies	28	23
Interest expense of operating companies	\$ 425	\$ 440

Cash interest paid during the year amounted to \$424 (2001 – \$390).

18. ACQUISITION, RESTRUCTURING AND OTHER EXPENSES

Year ended December 31	2002	2001
Celestica	\$ 636	\$ 406
Dura Automotive	157	39
J.L. French	33	-
Loews Cineplex Group	17	-
ClientLogic	-	11
Other	8	18
	\$ 851	\$ 474

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

Included above for Celestica is a pre-tax restructuring charge totalling \$603 (2001 – \$370) to provide for costs of facility consolidations and a reduction in the workforce as a result of the broad slowdown in technology end-markets being experienced by its customers. The charge included \$195 (2001 – \$142) for employee termination costs, \$99 (2001 – \$55) for lease and other contractual obligations, \$300 (2001 – \$154) for non-cash asset impairments and \$9 (2001 – \$19) of facility exit costs.

Dura Automotive recorded \$157 in restructuring expenses, of which \$25 related to the facility consolidation in North America and Europe and \$33 related to the divestiture of its Steering Gear business, which the company considered non-essential to its core business, in the second quarter of 2002. The balance of the restructuring charges, primarily \$84 in asset writedowns, relates to the divestiture of the European Mechanical Assemblies business, which the company expects to complete in 2003. In 2001, Dura Automotive incurred \$39 in charges related to the sale of its Australian operations.

Included in accounts payable and accrued liabilities is \$323 (2001 – \$147) and \$28 (2001 – nil) in other long-term liabilities relating to various restructuring charges made in the current and prior years, of which \$279 relates to the Celestica transaction described above.

19. DEBT PREPAYMENT COSTS

Celestica incurred costs of \$15 in 2002 related to the redemption of the 10.5% senior subordinated notes.

Dura Automotive and J.L. French incurred costs in 2002 relating to the refinancing of debt in the amount of \$9 and \$10, respectively.

20. WRITEDOWN OF GOODWILL, INTANGIBLE ASSETS AND LONG-LIVED ASSETS BY OPERATING COMPANIES

Year ended December 31	2002	2001
Celestica ^(a)	\$ 425	\$ 57
J.L. French ^(b)	-	225
ClientLogic ^(c)	-	145
MAGNATRAX ^(d)	28	-
	\$ 453	\$ 427

a) During the fourth quarter of 2002, Celestica performed its annual impairment tests in accordance with the new accounting standards. This review resulted in the following writedowns for 2002: \$318 in goodwill, \$42 in intellectual property and \$65 in other intangibles. During 2001, Celestica recorded a non-cash charge of \$57 to write down the carrying value of certain assets, primarily goodwill and other intangible assets.

b) The 2001 review of the goodwill associated with J.L. French indicated that a portion of its goodwill was not recoverable and therefore a writedown of \$225 was recorded in the second quarter of 2001. This adjustment was for Onex' consolidated reporting and did not affect the financial results reported by J.L. French at that time.

c) In 2001 management of ClientLogic concluded that the recoverability of its goodwill and intangible assets over the one- to five-year amortization periods was not sufficiently certain given the current level of operations. Accordingly, a non-cash charge of \$145 was recorded in 2001 to write off essentially all of the goodwill and intangible assets on ClientLogic's books at that time.

d) In December 2002 MAGNATRAX recorded impairment charges totalling \$28 related to its idle metal building manufacturing plant located in Ohio, United States.

Notes to Consolidated Financial Statements

21. INCOME TAXES

The reconciliation of statutory income tax rates to the Company's effective tax rate is as follows:

Year ended December 31	2002	2001
Income taxes at statutory rates	\$ 307	\$ 161
Decrease (increase) related to:		
Change in valuation allowance	(256)	(81)
Amortization and writedown of non-deductible acquisition costs	(68)	(204)
Income tax rate differential of operating companies	8	(19)
Non-taxable accounting gains	5	93
Loss carryforwards applied	5	-
Income tax rate change	-	30
Other	16	10
Recovery of (provision for) income taxes	\$ 17	\$ (10)
Classified as:		
Current	\$ (50)	\$ (68)
Future	67	58
Recovery of (provision for) income taxes	\$ 17	\$ (10)

Income taxes are recognized for future income tax consequences attributed to estimated differences between the financial statement carrying values of existing assets and liabilities and their respective income tax bases.

The Company's future income tax assets and liabilities comprised the following:

As at December 31	2002	2001
Future income tax assets:		
Net operating losses carried forward	\$ 1,251	\$ 493
Accounting provisions not currently deductible	265	275
Scientific research deductions and credits	80	69
Property, plant and equipment, intangible and other assets	456	10
Share issue costs of operating companies	15	27
Acquisition and integration costs	104	16
Pension and non-pension post-retirement benefits	14	11
Other	68	42
Less: valuation allowance	(1,473)	(376)
	780	567
Future income tax liabilities:		
Property, plant and equipment, intangible and other assets	(244)	(272)
Pension and non-pension post-retirement benefits	(16)	(13)
Gains on shares of operating companies	(628)	(628)
Other	(36)	(25)
	(924)	(938)
Future income tax liabilities, net	\$ (144)	\$ (371)
Classified as:		
Current asset	\$ 136	\$ 180
Long-term asset	644	387
Long-term liability	(924)	(938)
Future income tax liabilities, net	\$ (144)	\$ (371)

The Company and its investment-holding operating companies have tax-loss carryforwards of approximately \$393 available to reduce future income taxes to the year 2009.

At December 31, 2002 certain operating companies in Canada and the United States had tax-loss carryforwards available to reduce future income taxes of those companies in the amount of \$3,106, of which \$671 have no expiry, \$572 are available to reduce future taxes between 2003 and 2007, inclusive, and \$1,863 are available to reduce future taxes over a 15-year period beginning in 2008.

Cash taxes paid during the year amounted to \$73 (2001 – \$158).

22. NET EARNINGS (LOSS) PER SUBORDINATE VOTING SHARE

The following table presents information on the basic and diluted earnings per share calculation:

Year ended December 31	2002	2001
Numerator:		
Loss from continuing operations	\$ (145)	\$ (141)
Securities in operating companies	-	-
Loss available to subordinate voting shareholders	\$ (145)	\$ (141)
Denominator (in millions):		
Weighted average number of shares – basic	160	161
Employee stock options ^(a)	-	-
Weighted average number of shares – diluted	160	161

(a) For 2002, the options are excluded for the purposes of determining earnings per share as the effect of the options is reflected in the consolidated statements of earnings. For 2001, excludes the effect of 12.9 million options to purchase Subordinate Voting Shares as they were anti-dilutive.

23. FINANCIAL INSTRUMENTS

a) Fair value of financial instruments

The estimated fair values of financial instruments as at December 31, 2002 and 2001 were based on relevant market prices and information available at the time. The carrying values of cash and short-term investments, certain commodity inventories, accounts receivable, accounts payable and accrued liabilities approximate the fair value of these financial instruments. Financial instruments with carrying values different from their fair values that have not been disclosed elsewhere in these consolidated financial statements include the following:

As at December 31	2002		2001	
	Carrying Amount	Fair Value/ (Unwind Costs)	Carrying Amount	Fair Value/ (Unwind Costs)
Financial liabilities:				
Long-term debt ⁽ⁱ⁾	\$ 4,526	\$ 4,297	\$ 4,038	\$ 3,768
Foreign currency contracts	\$ -	\$ -	\$ -	\$ 9
Interest rate swap agreements	\$ -	\$ 59	\$ -	\$ (19)

(i) The fair value of the long-term debt is based on quoted market prices for the financial instruments and for others of similar rating and risk. Certain components of the long-term debt primarily comprise term loans and other credit facilities with interest and repayment terms that are not significantly different from current market rates. Accordingly, the carrying values approximate estimated fair values.

Notes to Consolidated Financial Statements

b) Forward sale agreements

The Company entered into the following forward sale agreements relating to subordinate voting shares of Celestica. Shares of Celestica have been pledged as collateral for these forward sale agreements. These financial instruments have not been recognized on the balance sheet.

Inception Date	Maturity Date	Number of Celestica Shares	Reference Price Per Share	2002 Fair Value	2001 Fair Value
August 2000	August 2025	472,840	\$ 101.00	\$ 41	\$ 20
November 2000	November 2025	1,284,627	\$ 117.78	\$ 132	\$ 76

The reference price approximated the market value of a Celestica subordinate voting share at the time the forward sale agreement was entered into. The reference prices under the contracts increase over time.

The fair value represents the difference between the reference price under the contract and the market price of a Celestica share as at December 31, 2002 and 2001 for the number of shares under the contract.

24. SIGNIFICANT CUSTOMERS OF OPERATING COMPANIES AND CONCENTRATION OF CREDIT RISK

A number of operating companies, by the nature of their businesses, individually serve major customers that account for a large portion of their revenues. For each of those operating companies, the table below shows the number of significant customers and the percentage of revenues they represent.

Year ended December 31	2002		2001	
	Number of Significant Customers	Percentage of Revenues	Number of Significant Customers	Percentage of Revenues
Celestica	3	48%	3	54%
ClientLogic	2	39%	3	43%
Dura Automotive	3	52%	3	52%
J.L. French	2	86%	2	88%
Performance Logistics Group	1	75%	1	72%
Commercial Vehicle Systems	2	33%	2	44%
Bostrom	2	32%	2	20%
Trim Systems	2	81%	3	85%
Radian	2	23%	1	17%
Lantic Sugar/Rogers Sugar	1	11%	1	10%
InsLogic	1	87%	4	94%

Accounts receivable from the above significant customers at December 31, 2002 and 2001 totalled \$790 and \$1,096, respectively. The operating companies maintain allowances for credit losses considered adequate to absorb estimated credit-related losses.

25. COMMITMENTS AND CONTINGENCIES

a) The estimated total cost to complete approved capital projects of the operating companies as at December 31, 2002 was approximately \$194 (2001 – \$69).

b) Outstanding letters of credit amounted to \$270 at December 31, 2002 (2001 – \$226). The letters of credit form part of the operating lines of bank credit of the companies.

c) The Company has commitments in the total amount of approximately \$345 in respect of corporate investments.

d) The Company and its operating companies may become parties to legal claims, product liability and warranty claims arising in the ordinary course of business. Certain operating companies, as conditions of acquisition agreements, have agreed to accept certain pre-acquisition liability claims against the acquired companies. The operating companies have recorded liability provisions for the estimated amounts that may become payable for such claims to the extent they are not covered by insurance or recoverable from other parties. It is management's opinion that the resolution of known claims should not have a material adverse impact on the consolidated financial position of Onex. However, there can be no assurance that unforeseen circumstances will not result in significant costs.

e) The operating companies are subject to laws and regulations concerning the environment and to the risk of environmental liability inherent in activities relating to their past and present operations. As conditions of acquisition agreements, certain operating companies have agreed to accept certain pre-acquisition liability claims on the acquired companies after obtaining indemnification from prior owners.

The Company also has insurance to cover costs incurred for certain environmental matters. Although the effect on operating results and liquidity, if any, cannot be reasonably estimated, management believes, based on current information, that environmental matters will not have a material adverse effect on the Company's consolidated financial condition.

f) Under the terms of the MIP approved in June 1996, management members of the Company invest in all of the operating entities acquired by the Company.

The aggregate investment by management members under the MIP is limited to 9% of the Company's interest in each acquisition. The form of the investment is a cash purchase for $\frac{1}{6}$ th (1.5%) of the MIP's share of the aggregate investment, and investment rights for the remaining $\frac{5}{6}$ th (7.5%) of the MIP's share at the same price. The investment rights to acquire the remaining $\frac{5}{6}$ th vest equally over four years. If the Company disposes of 90% or more of an investment before the fifth year, the investment rights vest in full. The investment rights related to a particular acquisition are exercisable only if the Company earns a minimum 15% per annum compound rate of return for that acquisition after giving effect to the investment rights.

Under the terms of the MIP, the total amount paid for the interest in the investments in 2002 was \$7 (2001 – \$2). Investment rights, exercisable at the same price for 7.5% (2001 – 7.5%) of the Company's interest in acquisitions, were issued at the same time. Advances made to management as at December 31, 2002 on account of past gains realized that related to the MIP that have not been distributed amounted to \$10 (2001 – \$48). During 2002 the Company repurchased from management certain investment rights under the MIP due to management members in respect of past gains realized. The \$38 value of the repurchase was equal to advances previously made in respect of the past gains. During 2001 management members of the MIP participated in the realizations the Company achieved on Sky Chefs. These realizations, reported by the Company as disclosed in note 4, are after the deduction of the value of the investment rights under the MIP. There were no realizations under the MIP in 2002.

g) Members of management and the Board of Directors of the Company invested \$54 in 2002 (2001 – \$17) in Onex' acquisitions at the same cost as Onex and other outside investors. Those investments by management and the Board are subject to voting control by Onex.

Notes to Consolidated Financial Statements

26. PENSION AND NON-PENSION POST-RETIREMENT BENEFITS

The operating companies have a number of defined benefit and defined contribution plans providing pension, other retirement and post-employment benefits to certain of their employees.

The total costs during 2002 for defined contribution pension plans were \$62 (2001 – \$67).

For the defined benefit pension plans and non-pension post-retirement plans, the estimated present value of accrued benefit obligations and the estimated market value of the net assets available to provide these benefits were as follows:

As at December 31	Pension Plans in which Assets Exceed Accumulated Benefits		Pension Plans in which Accumulated Benefits Exceed Assets		Non-Pension Post-Retirement Benefits	
	2002	2001	2002	2001	2002	2001
Accrued benefit obligations:						
Opening benefit obligations	\$ 209	\$ 232	\$ 679	\$ 666	\$ 158	\$ 183
Current service cost	4	5	24	23	17	13
Interest cost	16	15	43	35	10	8
Contributions by plan participants	1	1	10	5	-	-
Benefits paid	(22)	(10)	(43)	(30)	(16)	(12)
Actuarial losses in year	8	-	3	29	8	9
Foreign currency exchange rate changes	-	2	44	21	(1)	6
Acquisitions during the year	36	7	69	123	18	14
Discontinued operations (note 4)	-	-	-	(218)	-	(55)
Obligations being settled	(33)	(19)	-	-	-	-
Special termination benefit distribution	7	-	-	-	-	-
Plan amendments/curtailments	9	-	(85)	6	(2)	(2)
Other changes, including assumptions	-	(7)	-	2	(1)	(6)
Closing benefit obligations	\$ 235	\$ 226	\$ 744	\$ 662	\$ 191	\$ 158
Plan assets:						
Opening plan assets	\$ 251	\$ 283	\$ 553	\$ 634	\$ -	\$ -
Actual return on plan assets	(2)	(6)	(64)	(39)	-	-
Contributions by employer	11	5	29	26	16	12
Contributions by plan participants	1	1	10	5	-	-
Benefits paid	(22)	(10)	(43)	(30)	(16)	(12)
Foreign currency exchange rate changes	(1)	2	31	18	-	-
Acquisitions during the year	37	12	21	111	-	-
Discontinued operations (note 4)	-	-	-	(188)	-	-
Settlement payments	(32)	(19)	(85)	-	-	-
Special termination benefit	(5)	-	-	-	-	-
Other changes	-	(1)	-	-	-	-
Closing plan assets	\$ 238	\$ 267	\$ 452	\$ 537	\$ -	\$ -

Notes to Consolidated Financial Statements

The funded status of the plans with the operating subsidiary companies was as follows:

	Pension Plans in which Assets Exceed Accumulated Benefits		Pension Plans in which Accumulated Benefits Exceed Assets		Non-Pension Post-Retirement Benefits	
	2002	2001	2002	2001	2002	2001
As at December 31						
Deferred benefit amount:						
Plan assets, at fair value	\$ 238	\$ 267	\$ 452	\$ 537	\$ -	\$ -
Accrued benefit obligation	(235)	(226)	(744)	(662)	(191)	(158)
Plan surplus (deficit):	\$ 3	\$ 41	\$ (292)	\$ (125)	\$ (191)	\$ (158)
Unamortized past service costs	4	1	3	3	3	6
Unamortized net gain or loss	52	27	238	134	11	8
Valuation allowance	-	(13)	-	-	-	-
Other unrecognized amounts	1	-	2	-	-	-
Deferred benefit amount – asset (liability)	\$ 60	\$ 56	\$ (49)	\$ 12	\$ (177)	\$ (144)

The net expense for the plans is outlined below:

	Pension Plans in which Assets Exceed Accumulated Benefits		Pension Plans in which Accumulated Benefits Exceed Assets		Non-Pension Post-Retirement Benefits	
	2002	2001	2002	2001	2002	2001
Year ended December 31						
Net periodic costs:						
Current service cost	\$ 4	\$ 5	\$ 24	\$ 23	\$ 17	\$ 13
Interest cost	16	15	43	35	10	8
Expected return on plan assets	(19)	(10)	(42)	(8)	-	-
Amortization of unrecognized amounts	7	(8)	35	(34)	3	1
Settlement gain	-	(1)	-	-	-	-
Net periodic costs	\$ 8	\$ 1	\$ 60	\$ 16	\$ 30	\$ 22

The following assumptions were used to account for the plans:

	Pension Benefits		Non-Pension Post-Retirement Benefits	
	2002	2001	2002	2001
Weighted average discount rate for projected benefit obligations	4.85%–7.00%	5.00%–7.75%	6.00%–6.90%	6.00%–7.75%
Weighted average expected long-term rate of return on plan assets	7.00%–8.50%	5.00%–9.00%	n/a	n/a
Weighted average rate of compensation increase	0%–5.00%	0%–6.00%	0%–5.00%	0%–4.50%
Health care cost trend rate	n/a	n/a	3.59%–10.50%	3.50%–11.00%

Assumed health care cost trend rates have a significant effect on the amounts reported for the post-retirement medical benefits plans. A 1% change in the assumed health care cost trend rate would have the following effects:

	1% Increase		1% Decrease	
	2002	2001	2002	2001
Year ended December 31				
Effect on total of service and interest cost components	\$ 3	\$ 2	\$ (2)	\$ (2)
Effect on the post-retirement benefit obligation	\$ 15	\$ 14	\$ (13)	\$ (12)

27. 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 January 2003 RSIF entered into a bought deal agreement with a syndicate of underwriters to sell \$50 of trust units. The net proceeds of this transaction will be used to reduce Lantic Sugar's senior bank debt. Although Onex' economic percentage will be diluted, Onex will retain voting control of Lantic Sugar/Rogers Sugar.

28. INFORMATION BY INDUSTRY AND GEOGRAPHIC SEGMENT

Onex Corporation's reportable segments operate through autonomous companies and strategic partnerships. Each reportable segment offers different products and services and is managed separately.

The Company had five reportable segments in 2002 and 2001: electronics manufacturing services; customer management services; theatre exhibition; automotive

products; and engineered building products. The electronics manufacturing services segment consists of Celestica, which provides manufacturing services for electronics OEMs. The customer management services segment consists of ClientLogic, which provides services for telecommunications, consumer goods, retail, technology, transportation, finance and utility companies. The theatre exhibition segment consists of Loews Cineplex Group and Galaxy Entertainment. The automotive products segment consists of Dura Automotive, which designs and manufactures mechanical assemblies and integrated systems for the global automotive industry; J.L. French Automotive Castings, a leading manufacturer of high-pressure aluminum die-cast parts; Performance Logistics Group, a provider of transportation and logistics services to automotive OEMs; Commercial Vehicle Systems, a leading manufacturer and supplier of wiper, mirror and control systems; Bostrom, a manufacturer of seats for the heavy truck, construction and agricultural vehicle markets; and Trim Systems, which produces heavy truck interior trim systems. The engineered building products segment consists of MAGNATRAX.

2002 Industry segments

	Electronics Manufacturing Services	Customer Management Services	Theatre Exhibition	Automotive Products	Engineered Building Products	Other ^(a)	Consolidated Total
Revenues	\$ 12,984	\$ 627	\$ 1,422	\$ 5,552	\$ 1,087	\$ 981	\$ 22,653
Earnings before the undernoted items	\$ 721	\$ 58	\$ 236	\$ 600	\$ 17	\$ 43	\$ 1,675
Amortization of property, plant and equipment	(334)	(52)	(99)	(205)	(31)	(48)	(769)
Amortization of intangible assets and deferred charges	(151)	(17)	(5)	(3)	(3)	(5)	(184)
Interest expense of operating companies	(25)	(18)	(59)	(238)	(49)	(36)	(425)
Interest and other income	27	-	8	4	1	41	81
Stock-based compensation	-	(2)	-	-	-	145	143
Gains on shares of operating companies, net	-	-	-	-	-	21	21
Acquisition, restructuring and other expenses	(636)	-	(17)	(190)	(3)	(5)	(851)
Debt prepayment costs	(15)	-	-	(19)	-	-	(34)
Writedown of goodwill, intangible assets and long-lived assets by operating companies	(425)	-	-	-	(28)	-	(453)
Earnings (loss) before income taxes and non-controlling interests	\$ (838)	\$ (31)	\$ 64	\$ (51)	\$ (96)	\$ 156	(796)
Recovery of income taxes							17
Non-controlling interests of operating companies							634
Net loss							\$ (145)
Total assets	\$ 9,161	\$ 338	\$ 2,539	\$ 4,487	\$ 529	\$ 2,836	\$ 19,890
Long-term debt ^(b)	\$ -	\$ 237	\$ 1,048	\$ 3,054	\$ 482	\$ 403	\$ 5,224
Property, plant and equipment additions	\$ 235	\$ 31	\$ 61	\$ 140	\$ 12	\$ 39	\$ 518
Goodwill additions	\$ 22	\$ -	\$ 381	\$ -	\$ -	\$ 184	\$ 587

(a) Includes Radian, Lantic Sugar/Rogers Sugar, InsLogic, ONCAP, Vencap and parent company.

(b) Long-term debt includes current portion and excludes capital leases.

Notes to Consolidated Financial Statements

2001 Industry segments

	Electronics Manufacturing Services	Customer Management Services	Theatre Exhibition	Automotive Products	Engineered Building Products	Other ^(a)	Consolidated Total
Revenues	\$ 15,575	\$ 599	\$ 28	\$ 5,408	\$ 1,201	\$ 992	\$ 23,803
Earnings before the undernoted items	\$ 878	\$ 27	\$ -	\$ 611	\$ 97	\$ 37	\$ 1,650
Amortization of property, plant and equipment	(301)	(48)	(3)	(191)	(31)	(47)	(621)
Amortization of goodwill, intangible assets and deferred charges	(195)	(38)	(1)	(84)	(17)	(26)	(361)
Interest expense of operating companies	(30)	(27)	(1)	(291)	(57)	(34)	(440)
Interest and other income	43	1	-	4	-	77	125
Gains on shares of operating companies, net	-	-	-	-	-	164	164
Acquisition, restructuring and other expenses	(406)	(11)	-	(39)	-	(18)	(474)
Writedown of goodwill, intangible assets and long-lived assets by operating companies	(57)	(145)	-	(225)	-	-	(427)
Earnings (loss) before income taxes and non-controlling interests	\$ (68)	\$ (241)	\$ (5)	\$ (215)	\$ (8)	\$ 153	(384)
Provision for income taxes							(10)
Non-controlling interests of operating companies							253
Loss from continuing operations							(141)
Earnings from discontinued operations							939
Net earnings							\$ 798
Total assets	\$ 10,563	\$ 361	\$ 53	\$ 5,431	\$ 1,081	\$ 3,381	\$ 20,870
Long-term debt ^(b)	\$ 228	\$ 215	\$ -	\$ 3,070	\$ 476	\$ 389	\$ 4,378
Property, plant and equipment additions	\$ 313	\$ 52	\$ 14	\$ 166	\$ 24	\$ 82	\$ 651
Goodwill additions	\$ 1,406	\$ -	\$ -	\$ -	\$ -	\$ 238	\$ 1,644

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

(b) Long-term debt includes current portion and excludes capital leases.

Geographic segments

	2002					2001				
	Canada	U.S.	Europe	Other	Total	Canada	U.S.	Europe	Other	Total
Revenue	\$ 3,483	\$ 10,675	\$ 4,047	\$ 4,448	\$ 22,653	\$ 4,600	\$ 10,166	\$ 5,841	\$ 3,196	\$ 23,803
Property, plant and equipment	\$ 954	\$ 1,819	\$ 792	\$ 855	\$ 4,420	\$ 859	\$ 1,350	\$ 827	\$ 514	\$ 3,550
Goodwill	\$ 601	\$ 1,649	\$ 402	\$ 1,521	\$ 4,173	\$ 756	\$ 2,331	\$ 749	\$ 1,382	\$ 5,218
Intangible assets	\$ 71	\$ 463	\$ 102	\$ 136	\$ 772	\$ 79	\$ 484	\$ 202	\$ 131	\$ 896

Revenues are attributed to geographic areas based on the locations of manufacturing facilities for the electronics manufacturing services, automotive products and engineered building products segments; and of operating facilities for the customer management services and theatre exhibition segments.

Other includes primarily operations in Mexico, Central and South America as well as Asia and Australia. Significant customers of operating companies are discussed in note 24.

Summary Historical Financial Information

The following is a summary of key consolidated financial information of the Company for the past five fiscal years:

Year ended December 31 <i>(in millions of dollars except per share data)</i>	2002	2001	2000	1999	1998
Revenues ^(a)	\$ 22,653	\$ 23,803	\$ 21,858	\$ 12,502	\$ 6,260
Earnings before the undernoted items	\$ 1,675	\$ 1,650	\$ 1,413	\$ 837	\$ 368
Amortization of property, plant and equipment	(769)	(621)	(403)	(225)	(94)
Amortization of goodwill, intangible assets and deferred charges	(184)	(361)	(287)	(175)	(94)
Interest expense of operating companies	(425)	(440)	(409)	(237)	(107)
Interest and other income	81	125	119	52	43
Stock-based compensation	143	-	-	-	-
Gains on shares of operating companies, net	21	164	209	207	269
Acquisition, restructuring and other expenses	(851)	(474)	(39)	(38)	(12)
Debt prepayment costs	(34)	-	(3)	(19)	(29)
Writedown of goodwill, intangible assets and long-lived assets by operating companies	(453)	(427)	(22)	(33)	(68)
Earnings (loss) before income taxes and non-controlling interests	(796)	(384)	578	369	276
Recovery of (provision for) income taxes	17	(10)	(173)	(147)	(141)
Non-controlling interests of operating companies	634	253	(252)	(117)	(2)
Earnings (loss) from continuing operations	(145)	(141)	153	105	133
Earnings from discontinued operations ^(a)	-	939	35	189	44
Net earnings (loss) for the year	\$ (145)	\$ 798	\$ 188	\$ 294	\$ 177
Total assets	\$ 19,890	\$ 20,870	\$ 19,719	\$ 12,413	\$ 6,820
Shareholders' equity	\$ 1,044	\$ 2,219	\$ 1,431	\$ 1,278	\$ 1,059
Dividends declared per Subordinate Voting Share ^(b)	\$ 0.11	\$ 0.11	\$ 0.11	\$ 0.11	\$ 0.11
Earnings (loss) per Subordinate Voting Share ^(b) :					
Continuing operations	\$ (0.90)	\$ (0.88)	\$ 0.94	\$ 0.64	\$ 0.78
Net earnings (loss)	\$ (0.90)	\$ 4.95	\$ 1.15	\$ 1.80	\$ 1.04
Fully diluted	\$ (0.90)	\$ 4.95	\$ 1.07	\$ 1.71	\$ 1.03

(a) Earnings from discontinued operations for the years 1998 to 2001, inclusive, pertain to the operations of Sky Chefs, and of ProSource for 1998 only, as well as the after-tax gain resulting from the respective June 2001 and May 1998 sales of these companies. Previously reported consolidated revenues and earnings figures for the years 1998 to 2001 have been reclassified to show the results of Sky Chefs and ProSource as discontinued operations.

(b) The per share amounts for the years prior to 2000 reflect the June 1, 2000 and June 1, 1999 two-for-one stock splits on a retroactive basis.

Year-end closing share price^(a)

As at December 31	2002	2001	2000	1999	1998
The Toronto Stock Exchange	\$ 16.00	\$ 22.45	\$ 21.90	\$ 26.13	\$ 10.88

(a) The share price amounts for the years prior to 2000 reflect the June 1, 2000 and June 1, 1999 two-for-one stock splits on a retroactive basis.

Shareholder Information

Shares

The Subordinate Voting Shares of the Corporation are listed and traded on The Toronto Stock Exchange.

Share symbol

OCX

Dividends

Dividends on the Subordinate Voting Shares are payable quarterly on or about January 31, April 30, July 31 and October 31 of each year. At December 31, 2002 the indicated dividend rate for each Subordinate Voting Share was \$0.11 per annum.

Shareholder Dividend

Reinvestment Plan

The Dividend Reinvestment Plan provides shareholders of record who are resident in Canada a means to reinvest cash dividends in new Subordinate Voting Shares of Onex Corporation at a discount and without payment of brokerage commissions. To participate, registered shareholders should contact Onex' share registrar, CIBC Mellon Trust Company. Non-registered shareholders who wish to participate should contact their investment dealer or broker.

Corporate governance policies

A presentation of Onex' corporate governance policies is included in the Management Information Circular, which is mailed to all shareholders, and is available on Onex' website.

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
www.cibcmellon.ca
or inquiries@cibcmellon.ca (e-mail)

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

Investor information

Requests for copies of this report, quarterly reports and other corporate communications should be directed to: Investor Relations
Onex Corporation
161 Bay Street
P.O. Box 700
Toronto, Ontario M5J 2S1

E-mail:

info@onex.com

Website:

www.onex.com

Auditors

PricewaterhouseCoopers LLP
Chartered Accountants

Duplicate communication

Registered holders of Onex Corporation shares may receive more than one copy of shareholder mailings. Every effort is made to avoid duplication, but when shares are registered under different names and/or addresses, multiple mailings result. Shareholders who receive but do not require more than one mailing for the same ownership are requested to write to the Registrar and Transfer Agent and arrangements will be made to combine the accounts for mailing purposes.

Shares held in nominee name

To ensure that shareholders whose shares are not held in their name receive all Company reports and releases on a timely basis, a direct mailing list is maintained by the Company. If you would like your name added to this list, please forward your request to Investor Relations at Onex.

Annual meeting of shareholders

Onex Corporation's Annual Meeting of Shareholders will be held on Thursday, May 8, 2003 at 10:00 a.m. (Eastern Daylight Time) at Cineplex Odeon Queensway Cinemas, 1025 The Queensway, Etobicoke, Ontario.

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