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Onex Corporation December 31, 2003 Report

Onex Corporation

Onex is a diversified company with 2003 annual revenues of \$17 billion, assets of \$15 billion and 102,000 employees worldwide.

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

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

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OUR WEBSITE IS OUR PRIMARY COMMUNICATION
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<p>Learn about our operating principles and values, and why you should own Onex shares.</p>	<p>Find everything you need to know about our companies, from quarterly reviews to financial highlights to key events.</p>	<p>Get to know our people and the individual strengths they bring to our team.</p>	<p>See how Onex has performed against key market indices.</p>	<p>Get our financial results in a simple, comprehensible format, with interactive annual and quarterly financial statements.</p>	<p>Stay current on Onex with the latest news releases and upcoming events.</p>	<p>Learn about our directors and corporate governance practices.</p>
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To Our Shareholders

Onex' financial results show plainly that 2003 was not a great year for many of our operating companies. For the most part, their management teams did a good job of focusing on the issues that challenged their businesses. In some cases, a change of leadership was needed to bring a renewed energy to strategies for profitable growth. The report that follows this letter highlights the industry conditions, strategic positioning and financial results for each operating company.

Our pursuit of long-term value growth was frustrated during 2003 by the bankruptcy of MAGNATRAX. In May, the company filed for voluntary reorganization in the United States and Canada, making it the first significant loss we've experienced in the 20 years since we founded Onex. We had already written off our \$173 million investment in the company prior to 2003, and its debt was without recourse to Onex. MAGNATRAX was structured to withstand a significant downturn in its sales. We did not predict the unprecedented decline in industry volumes, extreme price competitiveness and punitive tariffs on imported steel that impacted revenues and costs simultaneously.

Better than the numbers

But the story of 2003 is better than the one told solely by Onex' financial results.

In early 2003, we identified Magellan Health Services as an excellent platform for value creation in a very attractive industry. While the business was under bankruptcy protection, we worked closely with company management and its lenders to be the lead investor in the company's restructuring. On Magellan's emergence from bankruptcy in January 2004, we made a US\$101 million equity investment in the company for a 24 percent ownership interest. This acquisition was the first investment made through our new fund, Onex Partners LP, of which Onex is a 25 percent limited partner and controls the General Partner.

We're excited about the potential of Magellan Health Services to build value for Onex. The company is the leading provider of managed behavioural healthcare in the United States, insuring one in every five lives. It has an excellent management team. And the company now has the strong financial condition that gives it flexibility to pursue prudent growth of its business.

In July, we sold Onex' remaining trust units in Rogers Sugar Income Fund ("RSIF"). The proceeds from the sale increased the total realization on our \$74 million acquisition of BC Sugar in 1997 to about \$250 million. This is a great example of how the Onex team views the value creation process. We worked with RSIF's operating companies to reduce costs and improve productivity at Lantic Sugar's Montreal refinery and BC Sugar's Taber sugar beet facility. We sold off Lantic Sugar's

non-core subsidiary in the United States. We helped both companies develop a stable capital structure. And we finally brought both companies back under RSIF, in the process creating Canada's leading refiner and marketer of sugar products.

Late in 2003, we created the Cineplex Galaxy Income Fund ("CGIF") to acquire the Canadian operations of Loews Cineplex – Cineplex Odeon – and Onex' Galaxy Entertainment subsidiary. Onex received \$20 million in distributions from the sale of our interest in Galaxy and retains a 9.3 percent direct ownership in CGIF. Loews Cineplex received approximately \$216 million in proceeds, a substantial portion of which was used to reduce Loews Cineplex' debt. More importantly, we brought together very experienced management teams, and two modern theatre exhibition circuits, to form the second-largest competitor in the Canadian marketplace.

A stronger Onex

For the past 15 months, we've focused considerable attention on creating a structure that will enable Onex to be more competitive in the private equity markets. In late November 2003, we completed the initial closing of Onex Partners LP (the "Fund"), our new acquisition fund, with commitments of \$1.3 billion. The final closing, with commitments of \$2.2 billion from major investors in North America, Europe and Asia, took place in February 2004. Onex has pledged \$525 million to Onex Partners and controls the Fund.

Onex Partners is a continuation of our successful strategy of acquiring attractive businesses and building them into industry leaders. The Fund provides capital for Onex-sponsored acquisitions not related to our existing companies or to ONCAP. The acquisition of Magellan Health Services, which we completed in early January 2004, was the first purchase funded by Onex Partners.

In our view, the fund structure incorporates important benefits for Onex shareholders. Onex' major investments have historically been made with co-investors. The process of obtaining commitments from institutional co-investors on a transaction-by-transaction basis is cumbersome and time-consuming. The substantial pool of committed capital in Onex Partners not only enables us to be more responsive to investment opportunities but also frees up time to do what we do best – evaluate potential acquisitions and work with our operating companies to build value.

Depending on the success of investments made through Onex Partners, Onex may also earn a carried interest on the returns of our limited partners. That will enhance our total returns. Onex will also earn management fees from co-investors for our work in acquiring new businesses and working with those companies.

Looking ahead

We entered 2004 optimistic about every aspect of Onex' business. We're enthusiastic about the increased flexibility Onex Partners gives us in seeking out and acquiring major operating businesses. The Company remains in a very strong financial position, with close to \$1 billion in cash resources. The worst of times now seem to be behind those of our operating companies that struggled last year, and those of our companies that performed well should continue to do so. We believe the combination – acquiring attractive potential for new growth and building the leadership of existing companies – remains the key to long-term value creation for Onex shareholders. That is our primary objective for 2004.

Two directors, Bill Mingo and Geoff Styles, who have long served the interests of Onex shareholders, will retire from the Board at this year's Annual General Meeting. They served with distinction and dedication throughout all stages of our Company's growth. We greatly appreciate, and will sorely miss, the wise counsel they have provided to the Board and management over the years and wish them the very best in the future.



Gerald W. Schwartz
Chairman and Chief Executive Officer
March 2004

2003 Review of Onex Operating Companies

This is an introduction to Onex' significant operating companies as at December 31, 2003 and is presented by industry segment. Onex has major operating companies in seven 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 2003 revenue and asset information.

		2003 Ownership/ Voting	2002 Ownership/ Voting
	Electronics Manufacturing Services Celestica One of the largest electronics manufacturing services companies in the world. Publicly traded on the NYSE and TSX under the symbol CLS. 2003 Revenues – \$9.4 billion 2003 Assets – \$6.6 billion	19%/85%	18%/84%
	<hr/>		
	Customer Management Services 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. 2003 Revenues – \$605 million 2003 Assets – \$338 million	71%/89%	69%/88%
	<hr/>		
	Automotive Products Hidden Creek Industries Onex' acquisition partnership in the automotive and commercial vehicle sectors.		
	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. 2003 Revenues – \$3.3 billion 2003 Assets – \$2.8 billion	8%/51%	8%/52%
	J.L. French Automotive Castings A leading manufacturer of aluminum die-cast components for automotive OEMs in North America and Europe. 2003 Revenues – \$732 million 2003 Assets – \$475 million	56%/100%	56%/100%
	<hr/>		
	Performance Logistics Group A leading North American provider of automotive transportation and logistics services for light vehicle OEMs. 2003 Revenues – \$260 million 2003 Assets – \$36 million	50%/100%	50%/100%
	<hr/>		
	Bostrom A leading North American and European producer of seats for the heavy truck, bus, construction and agricultural markets. 2003 Revenues – \$294 million 2003 Assets – \$220 million	49%/100%	49%/100%
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	Trim Systems A leading interior trim supplier to heavy truck OEMs. 2003 Revenues – \$107 million 2003 Assets – \$38 million	79%/100%	78%/100%
	<hr/>		
			

		2003 Ownership/ Voting	2002 Ownership/ Voting
Theatre Exhibition			
	<p>Loews Cineplex Group Includes <i>Loews Cineplex</i>, one of the world's largest theatre exhibition companies, with more than 2,700 screens at 290 locations in North America and joint ventures in Spain, South Korea and Germany; <i>Cinemex</i>, a leading theatre exhibition company in Mexico, with 34 theatres and 380 screens; and <i>Star Theatres</i>, the leading theatre exhibition company in Michigan, United States.</p> <p>2003 Revenues – \$1.8 billion 2003 Assets – \$2.1 billion</p>	<p>51%/96%</p>	<p>51%/97%</p>
Other businesses include:			
Communications Infrastructure			
	<p>Radian Communication Services A leading North American wireless communications infrastructure and network services company.</p> <p>2003 Revenues – \$108 million 2003 Assets – \$75 million</p>	<p>71%/80%</p>	<p>71%/80%</p>
Small-Capitalization Opportunities			
	<p>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>, <i>Armtec</i> and <i>Western Inventory Service</i>.</p> <p>2003 Revenues – \$487 million 2003 Assets – \$620 million</p>	<p>25%/100%</p>	<p>25%/100%</p>
New Acquisition in 2004			
Managed Healthcare			
	<p>Magellan Health Services, Inc. The leading provider of managed behavioural healthcare in the United States. The company has annualized revenues of \$2.2 billion and assets of \$1.3 billion.</p> <p><small>*The ownership and voting in Magellan are those of Onex Partners LP, of which Onex is a 25% limited partner and controls the General Partner.</small></p>	<p>24%/50%* (January 2004)</p>	

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.

The following provides a summary of significant activities at Onex and its operating companies during 2003. Our 2004 outlook for each operating company begins on page 47 of this report.

ELECTRONICS MANUFACTURING SERVICES

Celestica

Celestica is a world leader in electronics manufacturing services (“EMS”) for industry-leading computer, telecommunications and networking original equipment manufacturers (“OEMs”) such as Cisco Systems, Dell, EMC Corporation, Lucent, Hewlett-Packard, IBM, Avaya, NEC and Sun Microsystems.

Celestica experienced a second consecutive year of year-over-year decline in demand as a result of the ongoing technology downturn. While Celestica achieved quarter-over-quarter growth as the year progressed, the company continued to be adversely impacted by lower volumes from its largest customers.

In order to reduce excess capacity and to respond to customer requirements for lower manufacturing costs, Celestica expanded its restructuring activities to reduce headcount and downsize or close facilities, particularly in North America and Europe. A key element of the restructuring effort was shifting and expanding a significant portion of the company’s manufacturing footprint to lower-cost geographies, including Asia, Eastern Europe and Mexico. By the end of 2003, Celestica had expanded a significant amount of its EMS production capabilities in these regions, which better positions the company for future growth.

Lower operating results

Revenues were US\$6.7 billion in 2003, a 19 percent decrease from revenues of US\$8.3 billion in 2002. Lower unit demand from major OEM customers combined with declining component costs led to lower revenues. Program wins and new customer activity partially offset lower volumes from customers in Celestica’s core computing and telecommunications infrastructure sectors.

Celestica’s net loss in 2003 was US\$266 million, or US\$1.22 per share, compared to a net loss in 2002 of

US\$445 million, or US\$1.98 per share. Lower capacity utilization levels, pricing pressure, a change in manufactured product mix, additional costs from ramping up new customer programs and inefficiencies associated with transferring significant levels of production from high-cost regions to low-cost regions adversely affected operating earnings at Celestica’s European and Americas operations. In addition, results were impacted by start-up expenses and additional research and development costs associated with the company’s reference design activity in its 64-bit computing as well as other products.

Included in the loss for the year was a US\$175 million pre-tax charge associated with the non-cash impairment of long-lived assets and the company’s previously announced restructuring activities. Total restructuring charges for the year amounted to approximately US\$95 million.

Strong liquidity and financial position

Celestica’s balance sheet remains the strongest among Tier 1 EMS companies, with a debt-to-capital ratio (treating convertible debt as debt) of 18 percent. Management also used its strong cash position to retire debt and repurchase stock, and ended the year with US\$1.0 billion in cash. During 2003, Celestica repurchased US\$436 million in principal amount at maturity of its outstanding Liquid Yield Option Notes (“LYONs”), at a cost of US\$224 million. The company also completed its first normal course issuer bid, repurchasing 10 percent or 18.6 million of its subordinate voting shares in the 12-month period ended July 2003. The company commenced a second normal course issuer bid allowing it to repurchase up to an additional 10 percent, or approximately 17.0 million, of its subordinate voting shares. In total, 22.6 million shares had been repurchased as of December 31, 2003 under these programs. During the downturn, Celestica was the only Tier 1 EMS supplier to reduce both shares outstanding and debt obligations. Since these activities began in the third quarter of 2002, the company has spent US\$768 million to repurchase shares and retire debt.

THEATRE EXHIBITION

The theatre exhibition group made substantial progress during 2003 in expanding its presence in the global marketplace. At year-end, the group included the operations of Loews Cineplex, Star Theatres, Cineplex Galaxy Income Fund, Cinemex (Mexico), Yelmo Cineplex (Spain), Megabox Cineplex (South Korea) and UfA (Germany). The theatre exhibition group now includes 324 theatres and 3,166 screens in six countries – 140 theatres and 1,488 screens in the United States; 87 theatres and 755 screens in Canada; 34 theatres and 380 screens in Mexico; 28 theatres and 303 screens in Spain; 30 theatres and 192 screens in Germany; and five theatres and 48 screens in South Korea.

Onex continues to be encouraged about the potential of the theatre exhibition business. The successful restructuring of the North American theatre markets from 2000 to 2002 provides a good model for specific international markets now suffering the effects of overbuilding. Management of Loews Cineplex sees opportunities to participate in a more widespread consolidation in the industry as certain markets in Europe ultimately restructure. Loews Cineplex's acquisition of theatres from UfA in Germany during 2003 is a case in point.

The longer-term fundamentals of the industry are as attractive as ever. Though not without some annual fluctuations, box-office revenues have shown steady long-term growth. Studios have increased their investment in the production and marketing of films and, as a result, the exhibition industry has benefited from an increased supply of successful films, which are released throughout the year rather than in specific film "seasons." This has helped to smooth the flow of revenues for exhibitors, who have also found opportunities to build revenues per patron with the introduction of ancillary sources of income such as onscreen advertising and non-traditional uses for their theatres. All of these trends, bolstered by attractive demographics and a high-quality entertainment experience for customers, suggest continued opportunity for value creation in theatre exhibition.

Loews Cineplex Entertainment

Loews Cineplex Entertainment Corporation ("Loews Cineplex") remained focused on its strategy of concentrating assets in major markets where it has a strong presence. During 2003, the company opened seven new theatres

with a total of 73 screens and sold or disposed of 14 non-strategic properties. With its emphasis on prudent growth, Loews Cineplex did not open any new theatres in the United States during 2003, though several projects were under construction in the United States that are scheduled for 2004 and 2005 openings. The company did, however, open one new theatre with 14 screens in Edmonton, Alberta. In Mexico City, where it is the market leader, Cinemex opened two theatres with 19 screens during 2003. Yelmo Cineplex, which opened four new theatres with 40 screens in 2003, has become Spain's leading exhibitor. And while no new theatres were opened in South Korea during the year, attendance growth in South Korea continues to outperform our expectations.

Attendance declines in 2003

As expected, total attendance for the theatre exhibition industry declined from the record levels achieved in 2002. In North American markets, attendance at Loews Cineplex' theatres was in line with industry averages, declining 5.1 percent in the United States and an estimated 7.0 percent in Canada. The declines were due primarily to a film slate that had less appeal to predominantly younger, urban audiences and to extreme weather early in the year in the eastern portions of the United States and Canada. Notably, attendance at Loews Cineplex' theatres held pace with the U.S. industry despite the closure of 14 theatres during the year and a lack of new openings. That gain in market share was primarily attributable to the implementation of a variety of innovative marketing and customer loyalty programs, as well as a commitment to providing high-quality service.

Internationally, attendance was significantly lower. U.S. film product, especially sequels, proved to be less popular with international audiences than with domestic audiences, and attendance levels were further reduced by the heat wave that blanketed Europe for much of the summer of 2003. Mexico suffered its first attendance decline in seven years, decreasing approximately 13 percent at Cinemex theatres, which was consistent with industry declines. Attendance at Yelmo Cineplex theatres in Spain increased about 20 percent due to new theatre openings in 2002 and 2003, but same-theatre and new theatre attendance were well below expectations. In contrast, attendance at Loews Cineplex' South Korean theatres was up 23 percent thanks to a very strong domestic film slate.

Despite lower overall attendance in 2003, higher ticket prices, stronger concession sales, improved ancillary sales and new theatre openings contributed to year-over-year revenue growth in the theatre exhibition segment. In addition, the inclusion of a full year of results for Loews Cineplex and Cinemex, acquired in March and June 2002, respectively, also contributed to revenue growth.

Overall margins declined slightly in 2003. While margins in North American markets were stronger, margins in international markets were lower for the year due to the large decline in attendance in these markets. This was especially true in Mexico, which previously had enjoyed very strong margins.

Anticipating lower total attendance, Loews Cineplex instituted a major cost review during 2003 with the objective of achieving operating earnings of at least the 2002 level. The study identified opportunities for shared information that could produce economies of scale as well as volume buying of products and services. Where costs could be better managed locally, information systems were improved and training was provided to managers. The initiative led to approximately US\$16 million in total annualized savings.

As a result, operating earnings improved over 2002 due to higher per-patron revenues, cost reduction initiatives and positive foreign currency fluctuations, all of which offset total attendance declines.

Focus on prudent growth

Loews Cineplex continues to implement its strategy for prudent growth. In North American markets, where it has a strong market presence, the company is reinforcing cash flows and productivity with new builds and selective renovations of existing assets. In the United States, two theatres are under construction for 2004 openings and three theatres are undergoing refurbishment and/or expansion. In Canada, three new theatres scheduled to open in 2004 are under construction and one existing theatre is being renovated and expanded by Cineplex Galaxy.

Internationally, Loews Cineplex is investing development capital in markets where its operating subsidiaries and partnerships have a strong presence, such as Spain, Mexico and South Korea. But it is also seeking opportunities in emerging markets, such as China, and restructuring markets, such as Germany. The German market is a particularly attractive opportunity. In August 2003, Loews

Cineplex partnered with Kieft & Kieft Filmtheatre GmbH – a leading German exhibitor – to acquire 30 theatres with 192 screens from Ufa Theatre GmbH & Co. KG on conclusion of its bankruptcy proceedings. This circuit of well-located theatres, acquired at very attractive multiples, provides an ideal platform on which to build a strong presence in the consolidating German market.

China presents an enormous opportunity in theatre exhibition. Thirteen million people in Beijing, for example, have access to just 86 screens. While the business climate for foreign films and exhibitors has been difficult in the past, regulations affecting ownership and film importation are now changing. During 2003, Loews Cineplex made a cautious entry into the marketplace with South Korean and Chinese partners who have strong local expertise. To date, the partnership has helped to open one four-screen theatre and retains an option to invest further. The facility will provide local operating experience as the business environment in China evolves.

Cineplex Galaxy Income Fund

In November 2003, we combined the Canadian operations of Loews Cineplex, known as Cineplex Odeon Corporation (“Cineplex Odeon”), with Onex’ Galaxy Entertainment subsidiary to form the Cineplex Galaxy Income Fund (“CGIF”). In the transaction, CGIF completed an initial public offering of 19.4 million units priced at \$10 per unit, including the over-allotment option exercised by the underwriters. The \$194 million in gross proceeds, along with borrowings of \$110 million, were used by CGIF to acquire a 46 percent interest in Cineplex Galaxy Limited Partnership (the “Partnership”). In turn, the Partnership acquired the assets of Cineplex Odeon as well as all the shares of Galaxy Entertainment from Onex and other shareholders. CGIF units trade on the Toronto Stock Exchange.

Loews Cineplex received approximately \$216 million of the cash proceeds. Onex received \$20 million in distributions directly from the sale of its interest in Galaxy Entertainment. Loews Cineplex retains a 44.4 percent equity interest in CGIF and voting control, while Onex retains a 9.3 percent direct ownership interest in CGIF. Using proceeds from the transaction, Loews Cineplex prepaid approximately US\$120 million of its debt.

Management of Loews Cineplex, Galaxy Entertainment and Onex all believe that there was a very strong business case for combining the operations of Cineplex

Odeon and Galaxy Entertainment. The transaction not only created the second-largest Canadian exhibitor with an approximate 30 percent share of a very consolidated marketplace but also brought together two of the most experienced management teams in the business. Of the combined total of 82 theatres and 737 screens, approximately three-quarters are modern, multiplex-style theatres. And both companies – which will retain their individual identities – have strong brands in the marketplace that will benefit from integrated loyalty programs and other combined marketing efforts that will build revenue.

CGIF will have considerable opportunity to achieve economies of scale and scope through the combination of the two companies. By year-end, overheads had been reduced by more than \$1.5 million. Further cost savings are also being pursued through improved purchasing efficiencies and the implementation of best practices.

While CGIF has good cash flow and a stable business profile, it also intends to pursue selected growth opportunities that will help it to build distributable cash for unitholders. CGIF expects to develop approximately three locations each year through the addition of new multiplexes or the expansion of existing locations.

CUSTOMER MANAGEMENT SERVICES

ClientLogic

ClientLogic is a leading global provider of customer management services. The company has 52 facilities in 12 countries, staffed by 16,500 associates. Together, they provide customer service, sales and technical support around the clock by telephone, fax and e-mail, offer comprehensive warehousing and fulfillment services to cost-effectively distribute clients' products, and deliver comprehensive marketing campaign and customer relationship management services. Customer care represents 84 percent of revenues, while warehousing and fulfillment comprise 14 percent.

The challenging economic conditions of the past two years continued to influence the purchase decisions of most large corporations during 2003. Customers sought better terms on contracts for customer care and fulfillment and pushed suppliers like ClientLogic to develop processes and capabilities that could lead to contract price reductions with no compromises in quality or increases in risk. Non-traditional competitors also made their presence felt

during the year as they broadened their offering of business process outsourcing services. Not surprisingly, industry margins were under pressure throughout the year.

ClientLogic has stepped up to demands for cost reductions by developing a mix of onshore and offshore capabilities for multinational clients. Late in 2002, ClientLogic expanded its contact centre in Saint John, New Brunswick to take advantage of that province's excellent communications infrastructure and labour pool. A joint-venture contact centre in Bangalore, India was profitable and reached full capacity in its first three months of operation in 2003; it will be expanded during 2004. ClientLogic also opened a new contact centre in Monterrey, Mexico in 2004. These strategic expansions not only give ClientLogic a more powerful footprint globally but also enable it to provide a scalable, cost-efficient offering that is highly competitive.

Despite these very positive developments, ClientLogic has been weighed down by excessive internal costs. In September 2003, we appointed a new CEO, David Garner, an experienced executive from the outsourced customer care industry with a successful record of disciplined cost control. He and his management team have instituted more than US\$30 million of cost reductions without affecting revenue generation or quality; have consolidated North American and European finance operations into a common functional area; have merged sales and marketing initiatives; and have reduced capital expenditures where they were not generating value for customers or efficiencies for ClientLogic. As a strong indication of Mr. Garner's optimism about the future of ClientLogic and his commitment to the business, he has made a significant equity investment in the company.

Mixed operating results

Revenues advanced nine percent in 2003 to US\$433 million. The increase was due to a variety of factors: overall growth of revenues from British Telecom programs; increased North American fulfillment business from new clients such as SBC Communications; the inclusion of revenues from the Bangalore, India joint venture; and currency translation effects due to the appreciation of the euro and British pound against the U.S. dollar. The company won new business of approximately US\$65 million with major clients such as Continental Airlines, AOL,

Earthlink, Bell Canada and British Telecom. Partially offsetting these was the discontinuation of contracts valued at about US\$20 million.

Operating earnings fell to a loss of US\$16 million from operating earnings of US\$2 million in 2002. The significant decline resulted from lower gross margins due to pricing pressures and to ClientLogic's inability to profitably integrate new client start-ups, especially in the fulfillment segment. The company also experienced higher selling, general and administrative costs related to the implementation of a new CRM system and a global data warehouse system.

ClientLogic also recorded \$8 million in acquisition, restructuring and other expenses during 2003 that were related to the company's closure and restructuring of facilities in both the United States and Europe.

In late December 2003, ClientLogic acquired Service Zone Holdings. Service Zone is a provider of high-quality call centre operations. The acquisition brings ClientLogic a number of significant enhancements – marquee clients, skilled operational management and contact centres in the United States and the Philippines. The 1,100-seat call centre in the Philippines gives ClientLogic a strong presence in a lower-cost location to serve the needs of both Asian and multinational clients seeking to outsource their customer care. Service Zone also brings significant expertise in the financial services sector, particularly insurance, which had previously represented just five percent of ClientLogic's revenue base. The acquisition was financed in part by an additional \$24 million investment in ClientLogic by Onex.

AUTOMOTIVE PRODUCTS

Onex' partnership with Hidden Creek Industries ("HCI") has generally been very successful in creating value by acquiring and building major suppliers of parts and components to automotive and commercial vehicle OEMs. Value creation has been more challenging in recent years due to a variety of issues that remained prominent during 2003. A very competitive marketplace and declining returns on investment have led North American automotive and commercial vehicle OEMs to transfer engineering and capital costs to suppliers. Moreover, OEMs have increased demands for pricing concessions and productivity gains on both new and existing supply programs.

Those suppliers that have prevailed in this difficult business environment have followed a strategy of making the investments that enable them to provide high-quality products and services at the lowest possible cost. The overarching theme at each of our companies during 2003 was "doing more with less" – reducing cost structures to maintain profitability at lower volumes, filling existing capacity with incremental business, exceeding customer expectations for service, quality and delivery, and strengthening our operating teams at each company.

These disciplines were a continuation of strategies put in place by HCI and company management teams in mid-2001. And while realization of the full benefits of doing more with less will require perseverance, the average cost structure of the HCI companies has been reduced meaningfully since the market peak in 2000. We believe that bodes well for sustainable value creation when growth returns to the industry.

Automotive sector

Onex and HCI have ownership interests in 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 decreased slightly to 16.2 million units in 2003 from 16.7 million units in 2002. OEM purchase incentives were again prominent drivers of retail sales, which decreased one percent for the year. Light trucks, especially sport utility vehicles, continued to win the largest share of automotive sector sales, though the gains were not as large as in previous years. Japanese and European marques once again won North American market share from Ford, DaimlerChrysler and General Motors. Ford was particularly hard hit, impacting our businesses, which have substantial business with Ford. Production of Ford's passenger vehicles fell by 24 percent, and light truck production was down by two percent as customers waited for the introduction of the redesigned F-150 pickup.

In Europe, overall production levels fell by about five percent for the year due to lower retail demand.

Dura Automotive

In March, Dura Automotive completed the previously announced divestiture of its European mechanical assemblies business. In July, the company finalized the US\$57 million acquisition of the Creation Group and, in doing so, made progress on a second strategic initiative – to focus on business lines with acceptable returns. The Creation Group is a premier designer and manufacturer of windows, doors and specialty products for the recreational vehicle, automotive accessory and manufactured housing markets in North America. The company had annual revenues of about US\$145 million. The Creation Group not only rounds out Dura Automotive's offering in the doors and windows segment for the recreational vehicle market but also brings meaningful synergies in fixed costs and a number of new customers.

Dura Automotive's total revenues were US\$2.4 billion, a one percent increase from 2002 revenues. Revenues were positively affected by a variety of factors, including favourable foreign currency translation on the European currencies, new business in Dura Automotive's core products and the inclusion of results from the Creation Group from its July 2003 acquisition date. These factors were offset somewhat by lower OEM production volumes in North America and the windup of the company's conventional window regulator business, which was announced at the end of 2002.

Operating earnings fell 26 percent to US\$143 million from US\$192 million in 2002. Lower production volumes, a shift in the company's geographic and product mix and the run-out of the conventional window regulator business were the primary factors in the decline in operating earnings. Their impact was offset somewhat by revenues from the Creation Group, favourable foreign exchange rates and the beneficial effect of Dura Automotive's cost-reduction programs.

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 has strong relationships with its OEM customers and supplies parts for 13 of the 20

highest-volume vehicles in the world. Strengthening those relationships was a key strategic initiative at J.L. French during 2003. Feeling the company needed a different leadership direction than in the recent past, the board of J.L. French appointed a new chief executive in the third quarter of the year. Jack Falcon, who has 25 years of automotive industry experience, has been given the mandate to build the relationships with current customers, generate new business for existing capacity and achieve further cost reductions and productivity improvements.

Early indications are that this will be a successful strategy for J.L. French. The company has a quality and delivery advantage over competitors, several of whom are falling behind on both measures due to the impact of pricing concessions demanded by OEMs. During 2003, J.L. French won take-over business from competitors valued at US\$25 million annually. Moreover, productivity improvements during the past 18 months have freed up capacity, allowing the company to offer highly competitive pricing while maintaining attractive margins. The company was awarded business valued at US\$12 million from two new customers, which began in the fourth quarter of the year. Earlier in the year, DaimlerChrysler made a US\$60 million award that will begin production in late 2004.

J.L. French has reduced costs by more than US\$30 million during the past two years through personnel reductions, purchasing synergies and quality improvements. Productivity gains and waste elimination continued to be a primary focus of J.L. French's management during 2003. The company also completed the closure of its Grandville, Michigan facility four months ahead of schedule, and in the fourth quarter of the year announced that it intended to close two plants in the United Kingdom in order to fill capacity at other facilities. Total annualized savings from these cost-reduction initiatives are expected to amount to US\$14 million.

Revenues decreased five percent to US\$521 million in 2003 from the prior year. The decrease was due primarily to lower production volumes on key Ford automotive platforms, which fell an aggregate 24 percent during the year. The impact of lower volumes was partially offset by favourable foreign exchange translation; the stronger euro increased reported revenues by US\$14 million. Management's success in controlling costs partially mitigated the effect of lower revenues on operating earnings. Aggressive working capital management and controls on capital

expenditures enabled J.L. French to end the year with excellent liquidity, which will enable it to compete more effectively for new business.

During the third quarter of 2003, J.L. French completed its annual assessment of the recoverability of its unamortized goodwill. The company's management determined that full recovery of the goodwill on its balance sheet was not likely to be achievable and as a result J.L. French recorded a US\$157 million (\$214 million) non-cash charge under Canadian generally accepted accounting principles. Due to these and prior writedowns, as well as other losses, the accounting carrying value of Onex' investment in J.L. French is a negative \$582 million. J.L. French had no accounting goodwill remaining on its books at the end of 2003.

Performance Logistics Group

Performance Logistics Group ("PLG") is a leading transporter of new vehicles for OEMs. PLG's dependence on Ford amplified the impact of the overall drop in OEM production volumes during 2003. Moreover, volatility of delivery volumes created significant challenges for management throughout the year, resulting in a dramatic drop in employee productivity. This volatility was attributable to OEM launch delays, vehicles held for quality issues and a shortage of rail auto carriers to transport vehicles to western markets, all of which reduced the vehicles that were available for PLG to deliver. When vehicles were available, OEMs pushed for an extremely short delivery window to meet just-in-time commitments to dealers, which in turn increased variable costs for transporters.

The decline in vehicles sold by Ford, as well as the volatility of delivery volumes and related costs, had a dramatic impact on PLG's financial performance. Revenues fell eight percent to US\$185 million from US\$201 million in 2002. As a result of this decline in revenues and the operational challenges discussed above, operating earnings decreased to US\$3 million in 2003 from US\$15 million in 2002.

The severity of the impact of OEM demand volatility that was experienced during 2003 made it clear that PLG must become more sophisticated in the management of its operations in the future. During the third quarter of 2003, HCI hired an experienced transportation and logistics executive to take over the leadership of PLG. The company subsequently began a restructuring program that is intended to reduce its overall cost structure and

improve management processes. These initiatives are planned to result in more than US\$4.5 million in annualized savings beginning in 2004, while substantial additional savings have been identified and will be pursued during 2004. As part of this restructuring, PLG moved its head office to Detroit from southern California in order to be closer to its primary customers and is actively engaged in diversifying revenues by entering new geographic markets.

Commercial vehicle sector

Onex and HCI have ownership interests in two businesses in this sector:

- **Bostrom:** A leading producer of seat systems, wipers, mirror and control systems for medium- and heavy-duty truck, bus, construction and agricultural markets in North America and Europe; and
- **Trim Systems:** A leading manufacturer of interior trim for heavy truck OEMs.

During the first quarter of 2003, Commercial Vehicle Systems merged with Bostrom and the companies now operate as Bostrom. The merger eliminated redundant corporate functions, improved financial leverage and enabled the companies to present a single brand in marketing and cross-selling initiatives.

The factors that have impeded the growth of Class 8, or heavy truck, production in recent years continued to influence the market dynamics in 2003. Economic growth that was slow to accelerate in the United States reduced rates and tonnage for trucking companies and so led to delays in new equipment purchases. While the overhang of new trucks built during 1999 and 2000 has been mostly resolved, there still exists a substantial inventory of lease returns and good quality used vehicles. Limited demand for new vehicles held production levels to about 170,000 units in 2003. This was a small decline from the 180,000 units produced in 2002.

Given the continuing relatively low levels of OEM production, Bostrom and Trim Systems focused on what has become a core competency at both companies – doing more with less. Management continued to roll out lean manufacturing practices and enhanced business systems. The companies are improving their customer focus by accelerating new product development efforts and by ensuring that quality and delivery metrics are continually improving. Bostrom and Trim Systems each set a goal of

10 percent internal growth in new business in 2003 and 2004, a goal achieved during 2003. Trim Systems, for example, has employed new technologies and open capacity to add customers in the marine sector, which uses processes and parts similar to those in the heavy truck sector.

Onex' heavy truck companies reported combined revenues of US\$288 million in 2003, a four percent decrease from revenues of US\$299 million in 2002. While lower overall volumes were a primary factor in the decline, Trim Systems was particularly affected by a shift in OEM production to lower-content vehicles with fewer value-added components, such as day cabs rather than more elaborate sleeper cabs. Lower production volumes were partially offset by strong OEM sales in the Asian construction seating market as well as increased military and replacement part sales of wiper products.

Bostrom and Trim Systems reported operating earnings in their local currencies of US\$25 million, on par with those of 2002. The companies' success in reducing operating costs and improving quality and delivery offset the impact of the revenue declines in 2003.

OTHER BUSINESSES

Communications Infrastructure

Radian Communication Services

Radian Communication Services Corporation ("Radian") is a leading provider of communications infrastructure, including network design, installation, management, and tower engineering and construction, to the telecommunications, government and broadcast sectors. Radian has the capability to be a single-source provider of network communications and infrastructure technology throughout a network's life cycle. Radian operates from 23 offices across Canada and the United States.

2003 was another challenging year for Radian. For the third consecutive year, wireless carriers reduced their capital expenditures, with total spending falling by approximately 15 percent in the United States and more than 20 percent in Canada. Moreover, the impact of reduced investment on networks over the past three years created a highly competitive environment in which the supply of services outstripped demand. This adversely affected profitability for the infrastructure services sector in general and forced many of Radian's competitors to exit the industry entirely. In this environment, Radian's

revenues were \$108 million in 2003, a decrease of 11 percent from 2002.

In response to these difficult market conditions, Radian sought to lower its costs. During 2003, it continued the cost-cutting program that it began in 2002, further driving down expenses and improving gross margins. Despite reduced revenues, Radian's aggregate gross margin dollar contribution increased 18 percent in 2003. An independent study conducted during the year confirmed that Radian's costs were comparable to or lower than its best competitors in a number of categories. Radian's focus on operational performance also led to further improvements in manufacturing productivity and to reductions in non-chargeable time and working capital requirements. As a result of these margin and productivity improvements, the company reported a significantly lower operating loss of \$7 million in 2003, compared to the \$16 million operating loss recorded in 2002.

Just prior to year-end, Radian purchased certain assets of a former U.S. competitor, ROHN Industries, Inc., which had filed for Chapter 11 protection. The acquisition improves Radian's customer value proposition by the addition of two principal product lines – tapered monopoles and lightweight towers – and a U.S.-based manufacturing facility. Onex provided to Radian the \$10 million of funding necessary to complete the purchase.

Small-Capitalization Opportunities

ONCAP

ONCAP is Onex' dedicated vehicle for pursuing value creation in small- and mid-cap companies. The ONCAP fund has \$400 million of committed capital from major investors, of which Onex has committed \$100 million. ONCAP's objective is to acquire significant equity positions in individual companies with leading positions in their industries or industry segments, in partnership with those companies' management teams. ONCAP typically makes equity investments of \$20 million to \$80 million in established companies in North America. These companies usually have an enterprise value that ranges from \$50 million to \$500 million. ONCAP's investment objective mirrors that of Onex – to create superior value for shareholders over the long term.

ONCAP found a more receptive acquisition environment among business owners and lenders during 2003, and gathering economic strength in North America

enhanced the company's ability to evaluate potential long-term performance. The company made one acquisition during the year, which is discussed below, and formalized commitments on several additional opportunities that are expected to close during 2004.

During 2003, ONCAP sold its holding in publicly traded Enerflex Systems for proceeds of about \$36 million. This represented a 23 percent compound annual return on the original investment made in 1999.

The ONCAP companies reported consolidated revenues of \$487 million and operating earnings of \$69 million in 2003, up from \$468 million and \$46 million, respectively, in 2002. The growth in both revenues and operating earnings was due primarily to the inclusion of Western Inventory Service from its March 2003 acquisition date. Partially offsetting this growth were lower results at CMC Electronics, due to the divestiture of that company's military communications and marine electronics businesses, as well as at Armtec due to difficult market conditions in the forestry sector.

CMC Electronics

CMC Electronics ("CMC"), acquired in 2001, is a world-class leader in the design, manufacture and marketing of electronics and communications products for commercial and military applications. With the sale of non-core assets and the acquisition of Flight Visions in 2002, the company created a strategic focus in key segments of aviation electronics (cockpit displays, satellite antennas and GPS receivers), infrared electronics (infrared cameras and sensors) and space electronics.

During 2003, CMC's market leadership in satellite communication antennas enabled it to win a major award from Airbus for its A380 platform. The company's capabilities in fully integrated military cockpits, which were enhanced by the purchase of Flight Visions, led to an important cockpit upgrade program for the C-130 transport. Northrop Grumman selected CMC's infrared integrated detector assemblies for the F-35 Joint Strike Fighter program, a contract that will begin production in 2004 and is expected to run for 20 years. A GPS-based avionics safety system produced in partnership with Thales Avionics also received certification from the U.S. Federal Aviation Administration, which positions CMC's NovAtel division as the GPS supplier of choice for all aviation enroute and precision approach applications.

Armtec Limited

Armtec is Canada's leading provider of products used for drainage, water control and bridge/culvert construction, and is the only fully integrated national supplier of high-density polyethylene and steel pipe. The company serves end markets such as the infrastructure, natural resources, agricultural and residential construction industries.

Armtec continued to experience slightly depressed overall demand during 2003. The infrastructure sector – road and bridge construction – was essentially unchanged from the prior year. Demand from the forestry sector, however, was hard hit, particularly in British Columbia, as the industry was challenged by forest fires, the Canada–United States softwood lumber dispute and a stronger Canadian dollar. Agricultural markets also declined slightly.

The revenue impact of lower-than-anticipated demand was largely offset by price increases instituted by Armtec during the year. Operational efficiency had a beneficial effect on costs and, aided by good inventory management during 2003, enabled Armtec to maintain operating earnings at prior-year levels despite the overall decline in revenues. The company again lowered its working capital requirements, using its free cash flow to further reduce debt.

Western Inventory Service

During the first quarter of 2003, ONCAP acquired Western Inventory Service ("WIS") in a transaction valued at \$73 million. ONCAP invested \$30 million in the equity and debt of the business in partnership with the company's senior management team.

WIS is the largest data collection and verification company in Canada, providing services such as inventory counting and consulting, retail price verification and information management. It has a strong management group, bolstered by a new chief financial officer, and excellent relationships with customers such as Loblaw's, Wal-Mart, Shoppers Drug Mart and Best Buy.

In Canada, where WIS is the industry leader, and the United States, where WIS is the third-largest competitor in the marketplace, the company believes it has excellent opportunities for organic growth by diversification into areas such as field marketing. By year-end, WIS had repositioned its business development initiatives in the United States and was exploring a variety of attractive opportunities with leading retailers.

MANAGED HEALTHCARE

Magellan Health Services

Managed healthcare is a new industry for Onex with the January 2004 investment in Magellan Health Services, Inc. ("Magellan"). Magellan is the leading provider of managed behavioural healthcare services in the United States. Magellan's products cover nearly 60 million lives in the United States. The company offers products that manage behavioural healthcare treatment such as outpatient and inpatient services through its contracted network of providers, and employee assistance programs. Magellan provides these services to health plan beneficiaries through contracts with managed care companies, health insurance companies and other health plans (the health plans segment); to Medicaid beneficiaries through its contracts with state and local governmental agencies (the public segment); and to employees through contracts with corporations and other employers (the workplace segment). In the first three quarters of 2003, the health plans segment accounted for approximately 54 percent of revenues, while the public segment and the workplace segment accounted for approximately 33 percent and 13 percent, respectively.

In 2002, Onex identified the managed behavioural healthcare industry as an attractive opportunity for investment. Corporations and governments were expanding the scope of the services they made available to employees and the general population, and there was increasing demand from an aging population.

Under its prior leadership Magellan had grown significantly through costly acquisitions financed with

burdensome amounts of debt. The result was the need for Magellan to file for bankruptcy to re-establish a sound financial structure. Onex became involved with the company's new senior management team and was an integral part of the plan that enabled the company to emerge from bankruptcy in a much stronger financial position.

In early 2004, Magellan emerged from bankruptcy after just 10 months. Under its reorganization plan, the company reduced debt by more than US\$600 million, refinanced its existing credit facility and raised US\$150 million in new equity. Onex Partners LP was the lead equity investor in Magellan, with an investment of approximately US\$101 million. Magellan was the first investment to be made by Onex Partners LP. Onex controls Onex Partners and is a 25 percent limited partner in Onex Partners.

Performance initiatives

During 2003, Magellan's management began an ambitious multi-year initiative to improve the company's performance. They rigorously reviewed Magellan's cost structure and developed a detailed implementation plan that touched virtually every area of the company – field and corporate overhead, facilities, call centres, administration, information systems and cost of care. Magellan achieved its cost-reduction plans for 2003 and believes it is on track for additional savings in 2004 and beyond.

Onex is pleased with Magellan's revenue performance to date. The company has experienced good customer retention throughout its restructuring and employs a disciplined approach to contract renewals. Annual revenues for the business are approximately US\$1.6 billion.

Management's Discussion and Analysis

The Management's Discussion and Analysis ("MD&A") analyzes significant changes in the consolidated statements of earnings, consolidated balance sheets and consolidated statements of cash flows of Onex Corporation ("Onex" or the "Company"). It should be read in conjunction with the annual consolidated financial statements and the related notes on pages 61 to 87 of this report. The MD&A and the Onex consolidated financial statements have been prepared to provide information on Onex 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 MD&A is presented in the following sections:

- 17** Forward-Looking/Safe Harbour Statement and Fair Disclosure Statement
- 18** Overview
- 19** Business Objective and Strategy
- 19** Key Performance Indicators
- 20** Financial Review
- 21** Consolidated Operating Results
- 36** Consolidated Financial Position
- 42** Liquidity and Capital Resources
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The following MD&A has been prepared to conform to the new regulation for MD&A disclosure that was issued by the Ontario Securities Commission on December 19, 2003, which requires disclosure of three years of selected financial information.

Forward-Looking/Safe Harbour Statement and Fair Disclosure Statement

The MD&A may contain, without limitation, certain statements that include words such as "believes", "expects", "anticipates" and words of similar connotation, which would constitute forward-looking statements. Forward-looking statements are not guarantees of future performance and involve risks and uncertainties that may cause actual performance or results to be materially different from those anticipated in these forward-looking statements. Onex is under no obligation to update any forward-looking statements contained herein should material facts change due to new information, future events or otherwise.

Overview

Onex is a diversified company that operates through autonomous subsidiaries in a variety of industries, including electronic manufacturing services, customer management services, theatre exhibition, automotive products and communications infrastructure. In January 2004, Magellan Health Services, Inc. was acquired through Onex Partners LP. Magellan operates in the managed behavioural healthcare sector. At December 31, 2003, Onex had the following reportable segments:

Reportable Segments	Companies
Electronics Manufacturing Services ("EMS")	Celestica Inc. , one of the world's largest electronics manufacturing services companies for original equipment manufacturers ("OEMs").
Customer Management Services	ClientLogic Corporation , a leading business process outsourcer in the contact centre and fulfillment industries that provides customer care services for telecommunications, consumer goods, retail, technology, transportation, finance and utility companies.
Theatre Exhibition	<p>Loews Cineplex Group, which includes:</p> <p><i>Loews Cineplex Entertainment Corporation</i>, one of the world's largest theatre exhibition companies;</p> <p><i>Cineplex Galaxy Income Fund</i>, one of the two leading theatre exhibition companies in Canada, operating theatres under the Cineplex Odeon and Galaxy Entertainment brands;</p> <p><i>Cinemex</i>, a leading theatre exhibition company in Mexico;</p> <p><i>Star Theatres</i>, the leading theatre exhibition company in Michigan, United States;</p> <p><i>Yelmo Cineplex</i>, Spain's largest theatre exhibition company;</p> <p><i>Megabox Cineplex</i>, a South Korean theatre exhibition partnership; and</p> <p><i>UFA Theatre</i>, a theatre exhibition partnership in Germany.</p>
Automotive Products	<p>Dura Automotive Systems, Inc., the world's largest independent designer and manufacturer of driver control systems and a leading global supplier of seating control systems, glass systems, engineered assemblies, structural door modules, exterior trim systems and mobile products.</p> <p>J.L. French Automotive Castings, Inc., a leading designer and manufacturer of aluminum die-cast components for automotive OEMs.</p> <p>Performance Logistics Group, Inc., a North American provider of automotive transportation and logistics services for light vehicle OEMs.</p> <p>Bostrom Holding, Inc., a leading producer of seat systems, wipers, and mirror and control systems for the medium- and heavy-duty truck, bus, construction and agricultural markets in North America and Europe.</p> <p>Trim Systems, Inc., a leading interior trim supplier to heavy truck OEMs.</p>
Other Businesses (Communications Infrastructure, Small-Capitalization Opportunities)	<p>Radian Communication Services Corporation, a leading North American wireless communications infrastructure and network services company.</p> <p>ONCAP Investment Partners, a \$400 million fund focused on acquiring and building the value of small-capitalization companies based in North America, which actively manages investments in CMC Electronics Inc., Armtec Limited and Western Inventory Service Ltd.</p>

BUSINESS OBJECTIVE AND STRATEGY

Onex' primary objective is to create long-term value by acquiring and building industry-leading businesses, and to have that value reflected in the Company's share price. Onex employs various strategies to achieve this long-term objective, including:

Diversification of capital

Onex deliberately diversifies its capital across a variety of companies and industries in order to limit its exposure to a single company or industry. This strategy also enables Onex to better weather the ebbs and flows of economic and/or industry business cycles.

Strong financial position

Onex, the parent company, maintains a strong financial position with substantial liquidity so that it can be responsive to pursue new opportunities to create long-term value and, if necessary, support existing operating companies. Onex also has a pool of committed capital through its private equity fund, Onex Partners LP (the "Fund"). Onex has committed \$525 million (US\$400 million) to the \$2.2 billion (US\$1.65 billion) Fund and controls the General Partner and Manager of the Fund. Onex Partners' capital will be used to fund new Onex-sponsored acquisitions not related to Onex' existing operating companies or to ONCAP.

Ownership by management

Each member of Onex' management has a meaningful personal financial interest in Onex and its operating companies and will similarly have a personal financial interest in the Fund and its operating companies. The Onex management team's depth and breadth of experience on acquisitions, integration, strategy, negotiations and financing supports the management teams of the operating companies in building the value of their businesses. In addition, the senior management teams at each operating company typically have a meaningful personal ownership in that business.

KEY PERFORMANCE INDICATORS

Onex uses a number of key performance indicators to monitor the performance of its various operating companies. Some of these performance indicators are specific to the industry in which each company operates. While Onex considers net income to be an important measure of performance, we believe that revenues and operating earnings (as defined on page 26) are more relevant in assessing the performance of Onex' operating companies because operating earnings, in particular, eliminate interest charges, which are a function of the particular financing structure, as well as any unusual charges. Accordingly, we have used these measures for much of our discussion on performance in this MD&A. Onex believes that the discussion of these factors by industry segment will provide the most informative analysis of the components of the consolidated financial results of Onex.

Financial Review

This section discusses significant changes in Onex' consolidated statements of earnings, consolidated balance sheets and consolidated statements of cash flows for the fiscal year ended December 31, 2003 compared to those for the year ended December 31, 2002 and in selected areas to those for the year ended December 31, 2001.

Accounting policies and estimates

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

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities, and the reported amounts of revenues and expenses for the period of the consolidated financial statements. 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. Included in Onex' consolidated financial statements are estimates used in determining the allowance for doubtful accounts, inventory valuation, the useful lives of property, plant and equipment and intangible assets, pension and post employment benefits, and restructuring costs and other matters. Actual results could differ from those estimates and assumptions.

The assessment of goodwill and intangible assets for impairment and the determination of income tax valuation allowances requires the use of judgments, assumptions and estimates. Due to the material nature of these factors, they are discussed here in greater detail.

Goodwill, intangible assets and long-lived assets impairment tests

The impairment tests of goodwill, intangible assets and long-lived assets involve consideration of future cash flows and fair values of individual assets, groups of assets or reporting units. The process of determining fair value and future cash flows is subjective and requires management of the particular operating companies to exercise judgment in making assumptions about future results, including revenue, operating expenses, capital expenditures and discount rates. When an impairment test is undertaken, the underlying assumptions will be re-evaluated and could give rise to future impairment charges. In 2003, included in Onex' consolidated financial statements is a writedown of goodwill and intangible assets of \$402 million and a writedown of long-lived assets of \$88 million related to Onex' operating companies. Notes 18 and 19 to the consolidated financial statements provide further analysis of these charges.

Income tax valuation allowance

The income tax valuation allowance is recorded against future income tax assets when it is more likely than not that some portion or all of the future income tax assets will not be realized. The reversal of future income tax liabilities, projected future taxable income, the character of income tax assets, tax planning strategies and changes in tax laws are some of the factors taken into consideration when determining the valuation allowance. A change to these factors would impact the estimated valuation allowance and income tax expense. Note 20 to the consolidated financial statements provides additional disclosure on income taxes.

New accounting policies in 2003

Guarantees

Effective January 1, 2003, Onex and its operating companies adopted the new *Canadian Institute of Chartered Accountants ("CICA") Handbook* accounting guideline, "Disclosure of Guarantees". This guideline requires additional disclosure of guarantees as follows: (1) the nature of the guarantee, including how it arose and the events and 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 as 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. Information regarding this new accounting guideline and guarantees for Onex and its operating companies is provided in note 24 to the consolidated financial statements.

Disposal of long-lived assets and discontinued operations

Onex and its operating companies adopted *CICA Handbook* Section 3063, "Impairment of Long-lived Assets", which 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 cash flows expected from its use and disposal. Any impairment is measured as the amount by which the carrying amount of the asset exceeds its fair value. In addition, the Company also adopted *CICA Handbook* Section 3475, "Disposal of Long-lived Assets and Discontinued Operations". This section provides specific criteria for, and requires separate classification of, assets held for sale, and requires that these assets be measured at the lower of their carrying amounts or fair values, less costs to sell. This new requirement also broadens the definition of discontinued operations to include all the distinguishable components of an entity that will be eliminated from operations.

Accounting for severance and termination benefits and costs associated with exit and disposal activities

Effective April 1, 2003, Onex and its operating companies adopted the new CICA Emerging Issues Committee Abstract EIC-134, "Accounting for Severance and Termination Benefits". Onex also adopted EIC-135, "Accounting for Costs Associated with Exit and Disposal Activities", which establishes standards for recognizing, measuring and disclosing costs related to an exit or disposal activity. These EIC Abstracts permit the recognition of a liability for an exit or disposal activity only when the costs are incurred and can be measured at fair value. Prior to the adoption of these EIC Abstracts, a commitment to an exit or disposal plan was sufficient to record the majority of costs.

CONSOLIDATED OPERATING RESULTS

This section should be read in conjunction with the consolidated statements of earnings, found on page 58 of this report, and the corresponding notes to the consolidated financial statements.

Onex' consolidated operating results will vary from year to year and from quarter to quarter for many reasons, including some of the following: acquisitions or dispositions of businesses by Onex, the parent company; the volatility of the exchange rate between the U.S. dollar and the Canadian dollar; the change in market value of stock-based compensation at Onex; and activities at Onex' operating companies such as the purchase or sale of businesses and fluctuations in customer demand, materials and employee-related costs charges, as well as changes in the mix of products and services produced. The discussion that follows identifies some of the material factors that affected each of Onex' operating segments and Onex' consolidated financial results.

Significant events that affected 2003 reported results

There were a number of significant events that occurred in the year that affected Onex' consolidated results for 2003 and their comparability to results for 2002.

Sale of Rogers Sugar Income Fund trust units

In July 2003, Onex sold its remaining 21.7 million trust units of Rogers Sugar Income Fund ("RSIF") for net proceeds of approximately \$90 million. This sale resulted in Onex ceasing to control RSIF's operating companies, Rogers Sugar and Lantic Sugar. As a result, Onex reclassified the operations of Rogers Sugar and Lantic Sugar in 2003 – up to the date of sale and including the gain on the disposition – as discontinued operations. Onex also restated the prior years' statements of earnings to report Rogers Sugar's and Lantic Sugar's results as discontinued.

MAGNATRAX bankruptcy

In May 2003, MAGNATRAX and its subsidiaries, including Vicwest Corporation in Canada, filed a voluntary petition for reorganization under Chapter 11 in the United States and under the Companies' Creditors Arrangement Act in Canada. Under Vicwest's reorganization plan, which was approved in September 2003, Onex retained a minority position of approximately five percent of the new common equity of the company in exchange for its old preferred shares of Vicwest. Subsequently, in November 2003, the U.S. Bankruptcy Court approved MAGNATRAX' reorganization plan, which provided that Onex would hold only a small interest in the continuing company and that Onex will no longer control MAGNATRAX. Onex' consolidated financial results have therefore been adjusted to no longer disclose the operations of MAGNATRAX as a separate industry segment but rather to report the operations of the company for the year ended December 31, 2003 and prior years as discontinued operations. This disposition resulted in a gain recorded by Onex because, over the years of its ownership, Onex had recorded, for accounting purposes, losses of MAGNATRAX in excess of the Company's investment.

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

Onex reports its consolidated financial results in Canadian dollars, while the operations of most of its companies are based in the United States or report in U.S. dollars. The rate of exchange between the U.S. dollar and the Canadian dollar directly affects Onex' consolidated statements of earnings and consolidated balance sheets. In 2003, the U.S. dollar fell 18 percent in value relative to the Canadian dollar. This resulted in Onex having a lower U.S.-to-Canadian dollar exchange rate with which to convert its U.S.-based operating companies' results compared to the exchange rate used in Onex' consolidated financial statements in 2002. Therefore, included in the year-over-year change in the consolidated financial results is an inherent variance attributable to the translation of the results for U.S.-based businesses. To isolate this variance in the review of the changes in year-over-year results by industry segment, some of Onex' operating companies' results have also been presented in their local currency.

Share repurchases under Onex'

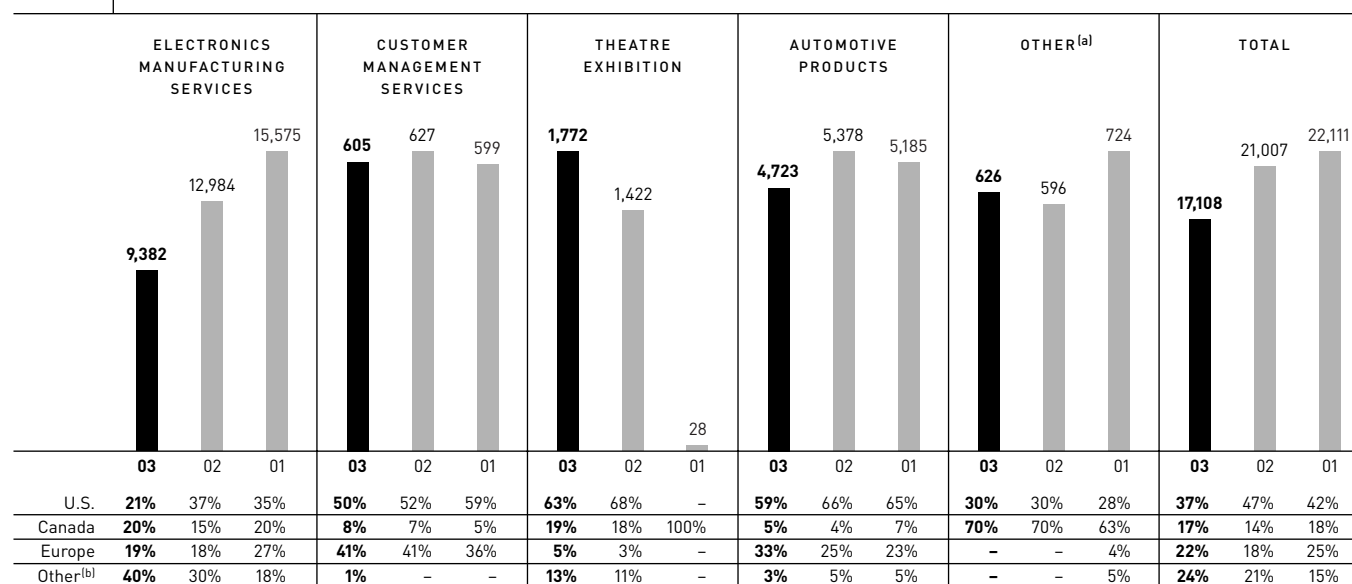
Normal Course Issuer Bids

Onex' consolidated balance sheet as at December 31, 2003 was affected by Onex' repurchases of its shares under the Company's Normal Course Issuer Bids. Onex repurchased 11,586,100 subordinate voting shares at a cost of \$166 million in 2003; this compared to 1,587,100 subordinate voting shares repurchased at a cost of \$26 million in the prior year under similar Issuer Bids.

All of the above significant transactions are discussed in greater detail in the MD&A discussion that follows as well as in the notes to the consolidated financial statements.

Revenue Diversification by Industry and Geographic Segments

CHART 1 | (\$ millions)



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

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

Consolidated revenues

Consolidated revenues were \$17 billion in 2003 compared to \$21 billion in 2002 and \$22 billion in 2001. A detailed discussion of the year-over-year change in revenues by industry segment follows Chart 1, which shows consolidated revenues by industry and geographic segments for 2003, 2002 and 2001.

Electronics Manufacturing Services (“EMS”)

Celestica reported revenues of \$9 billion in 2003, a 28 percent decline from \$13 billion in 2002. Excluding the impact of foreign currency translation, the company reported revenues in its functional currency of US\$6.7 billion, down 19 percent from US\$8.3 billion in 2002. Lower volumes due to the prolonged weakness in end-markets in the communications and computing sectors and reduced prices on components and services related to excess capacity in the EMS industry were the significant factors in the decline in revenues. Most of the revenue decrease was from Celestica’s Americas operations, which decreased 33 percent to US\$3.1 billion in 2003 from US\$4.6 billion in 2002, and from its European operations, which were off 22 percent to US\$1.4 billion in 2003 from US\$1.8 billion

in 2002. The Americas and European operations were significantly affected by reduced customer orders due to the downturn in end-market demand and product transfers to some of the company’s low-cost operations in Asia. Partially offsetting the lower demand in the Americas and European operations were higher revenues from the Asian operations. Asian revenues increased 17 percent, to US\$2.5 billion in 2003 from US\$2.1 billion in 2002, due to new business wins, the transfer of production from Celestica operations located in higher-cost geographic areas and the flow through of acquisitions.

Celestica reported revenues of \$13 billion in 2002, a 17 percent decline from \$15.6 billion in 2001. In the company’s functional currency, Celestica reported revenues of US\$8.3 billion in 2002, down 17 percent from US\$10.0 billion in 2001. Base revenue was significantly lower due to the prolonged weakness in end-markets. Partially offsetting this year-over-year decline in base revenue was acquisition growth, primarily in Asia. Revenues from Celestica’s Americas operations decreased 27 percent, to US\$4.6 billion in 2002 from US\$6.3 billion in 2001, and European revenues were off 40 percent,

to US\$1.8 billion in 2002 from US\$3.0 billion in 2001. Customers' demands for lower manufacturing costs required Celestica to provide services in lower-cost geographies, particularly in Asia. As a result, 2002 revenues from Asian operations increased 113 percent, to US\$2.1 billion in 2002 from US\$1.0 billion in 2001.

Customer Management Services

Reported revenues for ClientLogic were \$605 million in 2003, down from \$627 million in 2002. Excluding the impact of foreign currency translation, ClientLogic's revenues in its local currency increased to US\$433 million in 2003 from US\$399 million in 2002. A six percent increase in revenues from North American warehouse management services for its new client, SBC Communications, contributed to the increase in year-over-year revenues. In addition, revenues grew by US\$4 million in 2003 due to the inclusion of revenues from a new joint-venture call centre in India that commenced operations during the second quarter of 2003. The appreciation of the euro and British pound against the U.S. dollar in 2003 increased reported revenues from ClientLogic's European call centre operations. Partially offsetting the revenue growth were customer disengagements and lower North American and European customer contact management revenues due to pricing pressures.

ClientLogic increased revenues to \$627 million in 2002 from \$599 million in 2001. Excluding the impact of foreign exchange translation, the company's reported revenues were US\$399 million in 2002, up slightly from US\$385 million in 2001. European call centre 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 segment includes the operations of Loews Cineplex, Star Theatres, Cinemex, Yelmo Cineplex, Megabox Cineplex, UFA Theatre and Cineplex Galaxy Income Fund ("CGIF"). The theatre exhibition group reported combined revenues of \$1.8 billion in 2003, up 25 percent from \$1.4 billion in 2002. Excluding the impact of the U.S. dollar to Canadian dollar currency translation, the theatre exhibition group reported revenues of US\$1.3 billion in 2003, up 40 percent from US\$911 million reported in the previous year. While 2003 had a less successful slate of

films and, therefore, lower North American film attendance compared to 2002, revenues grew year-over-year by approximately nine percent due to improved average ticket prices and concession spending per patron, as well as revenues from new theatre openings in 2003. In addition, approximately US\$270 million of the revenue growth was due to the inclusion in 2003 of a full year of revenues from Loews Cineplex, which was acquired by Onex in March 2002, the 50 percent interest in Star Theatres that Loews Cineplex did not acquire until April 2002, the purchase of Cinemex in June 2002 and the additional ownership in Megabox Cineplex, acquired in August 2002.

In 2002, the theatre exhibition group reported combined revenues of \$1.4 billion, up from \$28 million in 2001. Onex' acquisition of Loews Cineplex in March 2002, the remaining 50 percent interest in Star Theatres that Loews Cineplex did not own in April 2002, and the purchase of Cinemex in June 2002 provided essentially all of the revenue growth in this segment. All 2001 revenues were attributable to the operations of 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 automotive vehicle production declined slightly to 16.2 million units in 2003 from 16.7 million units in 2002 as non-domestic automotive companies gained market share. European automotive production remained relatively constant between years. Purchase incentives provided by the Big Three North American automotive companies – General Motors, Ford and DaimlerChrysler – helped keep North American retail sales and production at relatively healthy levels. North American and European heavy truck production declined slightly to 170,000 units in 2003 from 180,000 units in 2002 due to restrained demand for new vehicles resulting from a substantial inventory of lease returns and good-quality used vehicles in the market.

During most of 2002, North American and European automotive vehicle production was relatively strong, with slight production declines in the fourth quarter of 2002. European automotive production volumes, however, were down in 2002 from 2001. 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"), reported 2003 revenues of \$4.7 billion compared to \$5.4 billion in 2002 and \$5.2 billion in 2001. Table 1 provides comparative revenues by operating company in the automotive products segment for 2003, 2002 and 2001.

Automotive Products Revenues

TABLE 1	(\$ millions)	2003	2002	2001
Automotive Sector				
Dura Automotive		3,330	3,709	3,634
J.L. French Automotive Castings		732	865	787
Performance Logistics Group		260	314	302
Subtotal		4,322	4,888	4,723
Commercial Vehicle Sector				
Bostrom		294	340	329
Trim Systems		107	150	107
Subtotal		401	490	436
Other		-	-	26
Total		4,723	5,378	5,185

Dura Automotive

Dura Automotive's revenues were \$3.3 billion in 2003 compared to \$3.7 billion reported last year. In its local reporting currency, Dura Automotive reported revenues of US\$2.4 billion in 2003, up one percent from 2002. Dura Automotive's 2003 revenues were favourably impacted by the inclusion of approximately US\$61 million of partial year revenues of the Creation Group, which the company acquired in July 2003; the strengthening of European currencies relative to the U.S. dollar of approximately US\$167 million; and new business in Dura Automotive's core products. Partially offsetting these growth factors were overall lower North American automotive production volumes of US\$75 million, continuing weakness in the European automotive market of US\$30 million and the run-out of the company's conventional window regulator business of approximately US\$109 million.

Dura Automotive's revenues were \$3.7 billion in 2002, up slightly from those of 2001. Dura Automotive's revenues, in its local currency, were US\$2.4 billion, up one percent from US\$2.3 billion in 2001. Revenue growth in 2002 was primarily attributable to higher North American automotive and recreational vehicle production of approximately US\$102 million, stronger European currencies relative to the U.S. dollar of approximately US\$42 million and organic growth in Dura Automotive's core product line. This revenue growth, however, was slightly offset by the run-out of its Plastics Products business in the first quarter of 2002, which contributed approximately US\$100 million, lower European volumes of approximately US\$12 million and the strategic exit from certain of Dura Automotive's low margin, non-core businesses in Europe of approximately US\$40 million.

J.L. French Automotive Castings

J.L. French Automotive Castings' revenues declined to \$732 million in 2003 from \$865 million in 2002. In its local currency, J.L. French reported revenues of US\$521 million in 2003, a five percent decline from 2002 revenues of US\$550 million. Much of the year-over-year decline was due to lower automotive production volumes at its key customer, Ford. Partially offsetting this decline were favourable changes in European currencies relative to the U.S. dollar, which improved revenues from J.L. French's European operations by \$19 million.

J.L. French's revenues grew to \$865 million in 2002 from \$787 million in 2001. Excluding the impact of foreign currency translation, J.L. French reported revenues of US\$550 million in 2002 compared to US\$506 million in 2001. The revenue growth was due to higher North American automotive production volumes, the success of those models that the company supplies components for, favourable exchange rates on its European operations and higher pass-through pricing for increased aluminum costs.

Performance Logistics Group

The production volume decline at Ford that adversely affected J.L. French similarly affected revenues at Performance Logistics Group ("PLG"); Ford is PLG's major customer. PLG's revenues declined 17 percent to \$260 million in 2003 from \$314 million in 2002. In its local currency, PLG's revenues were US\$185 million, down from

US\$201 million reported in 2002. The decline in revenues was due to lower new vehicle deliveries, primarily for Ford.

PLG reported revenues of \$314 million in 2002, up four percent from \$302 million in 2001 due to the overall increase in production of automobiles and light trucks by its primary customer, Ford. Excluding the impact of foreign currency translation, PLG's reported revenues were US\$201 million in 2002 compared to US\$194 million in 2001.

Commercial Vehicle Sector

The commercial vehicle sector companies – Bostrom and Trim Systems – reported combined revenues of \$401 million in 2003, an \$89 million decrease from \$490 million in 2002. Excluding the foreign currency translation impact, combined revenues were US\$288 million, down US\$11 million from US\$299 million in 2002. Approximately US\$17 million of the combined revenue decline was attributable to overall lower production volumes in the heavy truck and bus markets. In addition, Trim Systems' revenues declined a further US\$15 million in 2003 due to the completion of projects with some of its existing customers and a customer-driven change in product mix to fewer value-added components. However, Bostrom's stronger OEM revenues in the Asian construction seating market and new business awards at both Bostrom and Trim Systems partially offset the overall decline by contributing US\$16 million to revenues.

In 2002, the commercial vehicle sector increased revenues to \$490 million from \$436 million in 2001. In local currency, revenues in the commercial vehicle sector were US\$299 million in 2002, up from US\$267 million in 2001. The revenue growth was primarily due to the rise in heavy truck production in 2002 compared to 2001 and the consolidation of a full year of results of Trim Systems that began in mid-2001 following Onex' purchase of another shareholder's interest.

Other Businesses

Communications Infrastructure Radian's revenues of \$108 million in 2003 were down from \$120 million reported in 2002 and from \$135 million reported in 2001. Network spending reductions in North America by wireless carriers accounted for most of the decline in revenues for both years.

Small-Capitalization Opportunities ONCAP's companies – CMC Electronics Inc., Armtec Limited and Western Inventory Service Ltd. – contributed \$487 million to 2003 revenues, up \$19 million from \$468 million reported in 2002. Essentially all of the revenue growth for 2003 was due to the inclusion of revenues of Western Inventory Service from its March 2003 acquisition date. Partially offsetting this growth were lower revenues at Armtec due to difficult market conditions in the forestry sector, which reduced demand in British Columbia and Quebec. CMC Electronics' revenues were reduced in 2003 due to the divestiture of that company's military communications and marine electronics businesses in the third quarter of 2002. Partially offsetting the revenue decline at CMC Electronics was the inclusion of a full year of revenues of Flight Visions, Inc. in 2003.

ONCAP's companies reported combined revenues of \$468 million in 2002, up \$176 million from \$292 million reported in 2001. Revenues increased at CMC Electronics primarily due to organic growth and the acquisition of Flight Visions, Inc. in July 2002. The inclusion of a full year of revenues from CMC Electronics, acquired in April 2001, and Armtec, acquired in August 2001, also contributed to higher 2002 revenues compared to 2001.

Operating earnings

We define operating earnings as "EBIAT", or earnings before interest expense, amortization of intangibles and deferred charges, acquisition and restructuring expenses and income taxes. Table 2 provides a reconciliation of the statements of earnings amounts to determine operating earnings for the years ended December 31, 2003, 2002 and 2001.

Operating Earnings Reconciliation

Amounts as shown in consolidated statements of earnings

TABLE 2	(\$ millions)	2003	2002	2001
Earnings before the undernoted items		1,082	1,630	1,510
Amortization of property, plant and equipment		(649)	(722)	(576)
Interest and other income		59	80	125
Stock-based compensation		14	142	-
Foreign exchange gains (loss)		(130)	17	16
Operating earnings		376	1,147	1,075
Amortization of goodwill, intangible assets and deferred charges		(102)	(181)	(340)
Interest expense of operating companies		(353)	(362)	(370)
Gains on shares of operating companies, net		129	21	164
Acquisition, restructuring and other expenses		(178)	(715)	(474)
Debt prepayment costs		(15)	(34)	-
Writedown of goodwill and intangible assets		(402)	(425)	(427)
Writedown of long-lived assets		(88)	-	-
Loss before income taxes, non-controlling interests and discontinued operations		(633)	(549)	(372)

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

Consolidated operating earnings totalled \$376 million in 2003 compared to \$1.1 billion in 2002 and \$1.1 billion in 2001. Table 3 provides a breakdown of operating earnings (loss) by industry segment for 2003, 2002 and 2001. The impact on operating earnings (loss) is then discussed for each industry segment.

Operating Earnings (Loss)

TABLE 3	(\$ millions)	2003	2002	2001
Electronics Manufacturing Services		(2)	414	620
Customer Management Services		(23)	4	(20)
Theatre Exhibition		166	145	(3)
Automotive Products		310	455	442
Other ^(a)		(75)	129	36
Total operating earnings		376	1,147	1,075

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

Electronics Manufacturing Services

Celestica reported an operating loss of \$2 million in 2003, down from operating earnings of \$414 million reported in 2002. Excluding the impact of foreign exchange translation, Celestica's operating loss in its functional currency was US\$2 million in 2003 compared to operating earnings of US\$275 million in 2002. Lower capacity utilization levels, pricing pressure, a change in manufactured product mix, additional costs from ramping up new customer programs and inefficiencies associated with transferring significant levels of production from high-cost regions to low-cost regions adversely affected operating earnings at Celestica's European and Americas operations. In addition to these factors, the Americas operations were also affected by start-up expenses and additional research and development costs related to the company's reference design activity in its 64-bit computing, as well as other products. The Asian operations were affected by general pricing pressure as well as related costs associated with the ramping of new business wins and the transfer of programs from the company's higher-cost geographies.

Operating earnings at Celestica were \$414 million in 2002, down from \$620 million in 2001. In the company's functional currency, operating earnings were US\$275 million in 2002 compared to US\$399 million in 2001. The decline in operating earnings was primarily due to lower revenues. Celestica's European operations were those most affected during 2002 as they operated at lower levels of utilization and at higher fixed costs. In addition, volume reductions tended to disproportionately reduce the manufacture of higher-value-added products, further adversely affecting European margins. Partially offsetting this were Celestica's Americas operations, which improved

operating efficiency, had a higher-value-added product mix and benefited from the effect 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 an operating loss of \$23 million in 2003 compared to operating earnings of \$4 million in 2002. In its local currency, the company reported an operating loss of US\$16 million, down from operating earnings of US\$2 million in 2002. The year-over-year decline in operating earnings resulted from inefficiencies in ClientLogic's fulfillment operations, lower gross margins due to pricing pressures in contact management services, and additional ramp-up costs for the company's new facilities in India and Mexico.

ClientLogic reported operating earnings of \$4 million in 2002, a significant improvement from the operating loss of \$20 million in 2001. Excluding the foreign exchange translation impact, operating earnings at ClientLogic were US\$2 million, up from an operating loss of US\$13 million reported in 2001. Increased revenues in 2002 accounted for some of the improved operating performance; the balance was 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 theatre exhibition segment contributed \$166 million in operating earnings in 2003, up 14 percent from \$145 million in 2002. In U.S. currency, the theatre exhibition segment reported operating earnings of US\$120 million, up US\$27 million, or 29 percent, from US\$93 million in 2002. The year-over-year growth in operating earnings was due to higher revenues from the inclusion of a full year of operations for Loews Cineplex, Star Theatres, Cinemex and Megabox Cineplex, which were all acquired partway through 2002, as well as earnings from new theatre openings in 2003.

The theatre exhibition segment reported operating earnings of \$145 million in 2002 compared to an operating loss of \$3 million reported in 2001. The growth in operating earnings was essentially all due to the acquisitions of Loews Cineplex, Star Theatres and Cinemex in 2002, which

added \$140 million. Galaxy Entertainment contributed the balance of \$5 million to operating earnings in 2002 compared to the operating loss of \$3 million the company reported in 2001. The increase in Galaxy Entertainment's operating earnings was due to higher revenues from new theatre openings in 2002.

Automotive Products

Consolidated operating earnings in the automotive products segment were \$310 million, down from \$455 million earned in 2002 and \$442 million in 2001. A breakdown of operating earnings in the automotive products segment by company is shown in Table 4.

Automotive Products Operating Earnings

TABLE 4	(\$ millions)	2003	2002	2001
Automotive Sector				
	Dura Automotive	199	302	294
	J.L. French Automotive Castings	71	86	98
	Performance Logistics Group	4	24	23
	Subtotal	274	412	415
Commercial Vehicle Sector				
	Bostrom	29	28	28
	Trim Systems	6	12	2
	Subtotal	35	40	30
	Other	1	3	(3)
	Total	310	455	442

Dura Automotive

Dura Automotive's operating earnings declined 34 percent to \$199 million in 2003 from \$302 million in 2002. In Dura Automotive's local currency, operating earnings were down 26 percent to US\$143 million in 2003 from US\$192 million in 2002. The decline was primarily due to the reduction in production volumes in the North American and European automotive industries, to a shift in the company's geographic and product mix, and to the run-out of its conventional window regulator business. Partially offsetting this decline was the inclusion of operating earnings of the Creation Group for a portion of the year.

For 2002, Dura Automotive reported operating earnings of \$302 million compared to \$294 million in 2001. Excluding the impact of foreign currency translation, the company had reported operating earnings of US\$192 million compared to US\$188 million in 2001. Operating earnings improved over 2001 due to an increase in North American automotive and recreational vehicle production volumes, the strengthening of European currencies relative to the U.S. dollar and an increase in new business in Dura Automotive's core products. Partially offsetting the operating earnings growth were the continued weakness in European volumes and Dura Automotive's strategic exit from certain businesses.

J.L. French Automotive Castings

J.L. French reported a 17 percent decrease in operating earnings to \$71 million in 2003 from \$86 million in 2002. J.L. French's operating earnings in its local currency were US\$50 million in 2003, down from US\$55 million in 2002. Lower sales volumes without a corresponding decrease in fixed costs resulted in the decline in the company's operating earnings.

J.L. French's operating earnings declined 12 percent to \$86 million in 2002 from \$98 million in 2001. Excluding the foreign currency translation impact, the company reported US\$55 million in operating earnings in 2002 compared to US\$63 million in 2001. Despite this decline, operating cash flow improved nearly 25 percent.

Performance Logistics Group ("PLG")

PLG's operating earnings declined to \$4 million in 2003 from \$24 million in 2002. In its local currency, operating earnings at PLG were US\$3 million, a significant decline from US\$15 million reported in 2002. This decline resulted from lower revenues due to fewer vehicles transported, higher fuel costs that were not fully recoverable through fuel surcharges to the company's customers, and an increase in insurance premium costs and license fees.

PLG's operating earnings improved \$1 million to \$24 million in 2002 from \$23 million in 2001. Excluding the impact of foreign currency translation, the company's operating earnings were US\$15 million in 2002, an increase of four percent from 2001. The improvement resulted from lower fleet leasing costs, as well as from cost-reduction initiatives implemented in 2002 to reduce overhead expenses.

Commercial Vehicle Sector

The commercial vehicle sector – Bostrom and Trim Systems – reported combined operating earnings of \$35 million in 2003 compared to \$40 million in 2002. Excluding the foreign exchange translation impact, combined operating earnings were US\$25 million, on par with those reported in 2002. A four percent revenue decline combined with a shift in sales to lower-margin products at Trim Systems were the primary factors in the overall decline in operating earnings. Given the revenue environment, management of the commercial vehicle sector companies continued to implement major cost-reduction initiatives to align their businesses with their current revenue levels.

The commercial vehicle sector companies grew operating earnings to \$40 million in 2002 from \$30 million in 2001. Excluding the impact of foreign currency translation, combined operating earnings were US\$25 million in 2002 compared to US\$20 million in 2001. The growth in operating earnings was due primarily to higher revenues, the effects of cost-reduction efforts undertaken in 2001 to realign the business for lower sales volumes, and the inclusion of a full year of Trim Systems' results in 2002, which began to be consolidated in mid-2001.

Other Businesses

Communications Infrastructure Radian reported an operating loss of \$7 million in 2003, a significant improvement from the operating loss of \$16 million reported in 2002. Despite reporting lower revenues in 2003 compared to 2002, Radian reduced its year-over-year operating loss by \$9 million due to improved gross margins. The margin improvement was attributable to the implementation of enhanced process controls and better project execution. In addition, the company lowered selling, general and administrative expenses in 2003 through strategic cost savings initiatives.

Radian reported an operating loss of \$16 million in 2002 compared to operating earnings of \$5 million in 2001. The decline in 2002 was due to a number of factors, including highly competitive markets, lower capital spending by wireless carriers, higher general and administrative expenses associated with the implementation of enterprise-wide reporting systems, and higher depreciation costs related to the company's expansion of its Oakville manufacturing operations.

Small-Capitalization Opportunities The ONCAP companies contributed \$69 million to operating earnings in 2003, up 47 percent from \$46 million reported in 2002. Most of the increase in operating earnings came from the inclusion of the operating earnings of Western Inventory Service, which was acquired in March 2003. Partially offsetting the growth in operating earnings were lower operating earnings from CMC Electronics and Armtec due to lower revenues in 2003.

The ONCAP companies' operating earnings of \$46 million in 2002 were slightly lower than those reported in 2001. Overall operating earnings declined due to the exclusion of EnSource Energy, which was sold in 2002 to Enerflex Systems in a share exchange transaction. As a result of this transaction, Onex no longer consolidated EnSource.

Stock-based compensation

It is Onex' policy to expense its stock-based compensation at the parent company through its statements of earnings. Stock-based compensation expense or income is calculated based on the change in market value of Onex' options and investment rights and is included in the determination of Onex' operating earnings. Therefore, Onex' consolidated operating earnings may increase or decrease depending on the changes in the market value of Onex' shares and the market value of the shares of certain Onex operating companies.

In 2003, the decline in the market value of the stock-based compensation liability from December 31, 2002 resulted in the recognition of a \$14 million improvement in earnings. The market value decline was primarily due to the revaluation of the Onex stock options and investment rights associated with Celestica. This compares to the \$142 million benefit recorded in operating earnings in 2002. Note 14 to the consolidated financial statements provides additional disclosure on stock-based compensation in 2003 and 2002.

The revaluation of stock-based compensation became effective January 1, 2002 following the adoption of the new *CICA Handbook* Section 3870, "Stock-based Compensation and Other Stock-based Payments". As a result, there was no stock-based compensation liability at the end of 2001, and therefore no impact on operating earnings in 2001.

During 2003 the CICA revised Section 3870, "Stock-based Compensation and Other Stock-based Payments", requiring that a method of accounting based on fair value be applied to all stock-based compensation payments to both employees and non-employees. Previously only awards that called for settlement in cash or other assets, or stock appreciation rights that called for settlement by the issuance of equity instruments, were required to be recorded as compensation expense. Onex has recorded the change in value of options on its shares and investment rights under the Management Incentive Plan as a charge or credit to earnings since January 1, 2002. While the new accounting policy will not affect the accounting at the parent company, it will affect the accounting for certain stock option plans at the operating companies. On January 1, 2004, the operating companies adopted these new requirements on a retroactive basis for awards made since January 1, 2002; these awards had not been previously recognized as a compensation expense in the consolidated statements of earnings. However, the effects of stock-based compensation plans at the operating companies have been disclosed in note 14 to the consolidated financial statements.

Foreign exchange gains (loss)

Foreign exchange gains (loss) reflect the impact of changes in foreign currency exchange rates, primarily on the U.S.-dollar-denominated cash held at Onex, the parent company, and the U.S.-dollar-denominated cash held at the operating companies. While changes in foreign currency exchange rates may apply to multiple currencies, the primary foreign currency translation impacts on Onex' consolidated results are from the conversion of the U.S. dollar to the Canadian dollar.

A net foreign exchange loss of \$130 million was recorded in 2003 compared to foreign exchange gains of \$17 million and \$16 million reported in 2002 and 2001, respectively. Onex, the parent company, recorded \$136 million of the foreign exchange loss in 2003, as it holds a significant portion of its cash in U.S. dollars; during 2003, the U.S. dollar declined by approximately C\$0.28 relative to the Canadian dollar, or from 1.5776 to 1.2965. This compares to foreign exchange gains at the parent company of \$17 million and \$15 million in 2002 and 2001,

respectively. Note 28 to the consolidated financial statements provides a breakdown of foreign exchange gains (loss) by industry segment.

Amortization of intangible assets and deferred charges

Consolidated amortization of intangible assets and deferred charges was \$102 million in 2003 compared to \$181 million in 2002. The lower amortization expense of intangible assets in 2003 was due primarily to the writedown recorded by Celestica of a portion of its intangible assets during the fourth quarter of 2002, which thereby reduced the company's amortization expense in 2003 and in future years. Note 28 to the consolidated financial statements provides a breakdown of amortization expense by industry segment for 2003 and 2002.

Interest expense of operating companies

Onex has a policy to structure each of its operating companies with sufficient equity in the company to enable it to self-finance a significant portion of its 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 its own debt obligations. The debt of each operating company is without recourse to Onex or to any other Onex operating company.

Consolidated interest expense declined two percent to \$353 million in 2003 from \$362 million in 2002 due to debt repayments, in particular by the Loews Cineplex Group. Additionally, lower average interest rates paid by most of Onex' operating companies reduced interest costs. Partially offsetting these reductions were higher average borrowing rates at J.L. French associated with its December 2002 refinancing and debt assumed for acquisitions completed in 2003, as detailed in note 2 to the consolidated financial statements. Table 5 details the change in consolidated interest expense from 2002 to 2003.

Change in Interest Expense

TABLE 5 | (\$ millions)

Reported interest expense for 2002	362
Interest expense reduction due to:	
Repayment of debt	(26)
Decrease in interest rates	(5)
Additional interest expense in 2003 due to:	
J.L. French debt refinancing	28
Acquisitions completed in 2003	4
Other	(10)
Reported interest expense for 2003	353

Interest and other income

Interest and other income decreased to \$59 million in 2003 from \$80 million in 2002. Interest income was earned on cash balances at Onex, the parent company, and at certain Onex operating companies, primarily Celestica. Lower cash balances and lower return rates on those balances in 2003 compared to 2002 were the main reasons for the decline in interest and other income. Celestica used \$691 million of cash to repurchase its subordinate voting shares and Liquid Yield Option Notes during 2003. In addition, Onex repurchased 11,586,100 of its Subordinate Voting Shares during 2003, which used \$166 million in cash.

Accounting gains on shares of operating companies, net

Onex recorded \$129 million of gains on shares of operating companies compared to \$21 million of such gains in 2002. The initial public offering of the Cineplex Galaxy Income Fund resulted in a \$118 million gain, of which \$5 million was at the parent company and was associated with the cash proceeds on the sale of its operating company, Galaxy Entertainment. The \$113 million balance of the gain was recorded by Loews Cineplex and was related to the cash proceeds on the sale of its Canadian operations to the Cineplex Galaxy Income Fund. Also included in the 2003 accounting gains on shares of operating companies was a \$16 million gain recorded by Vencap on the company's final sale of its remaining investments. In 2002, Vencap sold a portion of the investment and recorded a gain of \$13 million. Note 4 to the consolidated financial statements provides additional details on the gains (loss) on shares of Onex' operating companies.

Acquisition, restructuring and other expenses

Acquisition, restructuring and other expenses are considered non-recurring costs incurred to realign organizational structures or restructure manufacturing capacity to obtain operational synergies critical to building the long-term value of Onex' operating companies. In 2003, acquisition, restructuring and other expenses totalled \$178 million, a significant decline from the \$715 million reported in 2002. The overall decline was in part due to the adoption of the new accounting policy EIC-135, "Accounting for Costs Associated with Exit and Disposal Activities", as identified and discussed on page 21. In brief, this policy, which became effective April 1, 2003, requires that a company record any restructuring charges only when the liability is actually incurred. Accordingly, the costs of a restructuring program may be expensed over a number of quarters or even years. The requirements under this policy are significantly different from the prior year's disclosure requirements. In prior years, a company recorded restructuring charges at the time a detailed plan was approved and committed to by management. Table 6 details acquisition, restructuring and other expenses by industry segment.

Acquisition, Restructuring and Other Expenses

TABLE 6	(\$ millions)	2003	2002
Electronics Manufacturing Services		128	636
Customer Management Services		8	-
Theatre Exhibition		16	17
Automotive Products		22	57
Other ^(a)		4	5
Total		178	715

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

Essentially all of the acquisition, restructuring and other expenses in 2003 were associated with Celestica's three separate restructuring plans implemented in response to the difficult industry conditions. The company's plans include reducing its workforce, consolidating its facilities, changing the geographic mix of manufacturing facilities and transferring production as plants, particularly those in high-cost locations, are closed. The majority of these expenses were intended to align Celestica's capacity and

infrastructure with anticipated customer demand, as well as to rationalize its manufacturing capacity worldwide.

In 2002, Celestica recorded \$636 million of acquisition, restructuring and other expenses under that company's 2002 and 2001 restructuring plans. The restructuring plans were focused on the Americas and European operations as they were the hardest hit by the downturn in Celestica's economic climate. A total of 29 facilities were closed or consolidated in the Americas and Europe and a total of 18,510 employees had been released at December 31, 2003.

ClientLogic recorded \$8 million in acquisition, restructuring and other expenses related to the company's closure and restructuring of facilities in the United States and Europe.

The theatre exhibition segment recorded \$16 million in acquisition, restructuring and other expenses primarily related to potential acquisition opportunities.

Dura Automotive initiated several facility closures in the United States, France and Spain in 2003 in order to improve capacity utilization. As a result, the company recorded \$12 million in restructuring expenses in 2003, which included costs for severance, facility closure and other costs. In 2002, \$24 million in restructuring expenses was recorded by Dura Automotive related to facility consolidations.

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 \$15 million in 2003 compared to \$34 million in 2002. Table 7 details debt prepayment costs by operating company.

Debt Prepayment Costs

TABLE 7	(\$ millions)	2003	2002
Celestica		2	15
J.L. French Automotive Castings		9	10
Dura Automotive		4	9
Total		15	34

In 2003, J.L. French recorded \$9 million in debt prepayment costs associated with the company's write-off of a deferred financing fee. In addition, Dura Automotive recorded \$4 million in debt prepayment costs in 2003,

which represented the write-off of debt financing costs associated with the early repayment of its borrowings under the company's existing credit agreement.

Included in Onex' 2002 results were debt prepayment costs of \$15 million recorded by Celestica on the redemption of US\$130 million of its 10.5 percent senior subordinated notes and costs incurred by Dura Automotive and J.L. French related to their debt refinancings.

Writedown of goodwill and intangible assets

The management of each operating company undertakes an annual review of the value of its recorded goodwill and intangible assets to assess the recoverability of these assets. An impairment in the value of goodwill and indefinite-lived intangibles is tested at the operating company by comparing the operating company's carrying amount of these assets to their estimated fair value. These reviews may be required to be made down to a business unit or plant level. 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 necessarily 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 as well as appropriate discount rates. In 2003, writedowns of goodwill and intangible assets totalled \$402 million compared to \$425 million reported in the prior year. Table 8 presents these charges recorded by operating company, and note 18 to the consolidated financial statements provides additional disclosure on these writedowns of goodwill and intangible assets.

Writedown of Goodwill and Intangible Assets

TABLE 8	(\$ millions)	2003	2002
Celestica		33	425
ClientLogic		5	-
J.L. French Automotive Castings		214	-
Performance Logistics Group		142	-
Radian		8	-
Total		402	425

Celestica recorded non-cash charges against intangible assets of \$33 million related to changes in the electronics industry, customer demand and other market conditions.

ClientLogic assessed that the recorded value of several of its customer contracts were impaired in 2003, and therefore wrote off the intangible assets associated with those contracts which totalled \$5 million.

In 2003, J.L. French's management assessed the goodwill and intangible assets of its Sheboygan and Ansola facilities in light of lower production volumes from the company's largest customers, Ford and General Motors; some production had also been transferred from these plants to J.L. French's Nelson facility. Management of J.L. French concluded from its assessment that the recoverability of goodwill associated with these facilities was not certain, and therefore wrote off \$214 million in goodwill associated with these operations in the third quarter of 2003. In December 2003, Performance Logistics Group also recorded a \$142 million writedown of goodwill and intangible assets due to lower fair values resulting from reduced business volumes.

Radian recorded a goodwill impairment charge of \$8 million during the year due to the adverse impact of the slowdown in the telecommunications sector arising from tightened capital markets and to reductions in capital spending by wireless service providers.

Included in 2002 was a write-off of \$425 million in goodwill, intellectual property and intangible assets recorded by Celestica due to impairment resulting from the prolonged decline in computing and communications end-markets.

Writedown of long-lived assets

In 2003, the writedown of long-lived assets of \$88 million was related to writedowns taken primarily by Celestica and J.L. French. Table 9 details these charges recorded by operating company, and note 19 to the consolidated financial statements provides additional disclosure on these writedowns of long-lived assets.

Writedown of Long-lived Assets

TABLE 9	(\$ millions)	2003	2002
Celestica		70	-
J.L. French Automotive Castings		11	-
Other		7	-
Total		88	-

Celestica recorded \$70 million in capital asset writedowns, which included an impairment of \$18 million related to the purchase of a leased facility. In 2003, J.L. French completed its annual assessment of its long-lived assets. Based on that assessment, management of the company concluded that its Mexican facility was achieving lower than acceptable profit margins on its operations and that the business would be outsourced to another supplier. As a result, J.L. French recorded a \$7 million writedown of long-lived assets associated with that facility. J.L. French also wrote off \$4 million in long-lived assets related to the restructuring of various operations in the United Kingdom.

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

On the consolidated statements of earnings, the non-controlling interests amount of \$221 million in 2003 (2002 – \$484 million) represents the interests of shareholders other than Onex in the net earnings or losses of the operating companies. Table 10 details the losses (earnings) by industry segment attributable to non-controlling shareholders in our operating companies.

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

TABLE 10	(\$ millions)	2003	2002
Electronics Manufacturing Services		281	576
Customer Management Services		-	-
Theatre Exhibition		(57)	(19)
Automotive Products		7	(72)
Other ^(a)		(10)	(1)
Total		221	484

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

The non-controlling interests amount changed in 2003 compared to 2002 due primarily to lower net earnings at Celestica and Dura Automotive in 2003, and the pick-up for accounting purposes by Onex, the parent company, of the losses of other shareholders in ClientLogic, InsLogic, J.L. French, Trim Systems, PLG and Radian. Those additional losses totalled \$182 million. This was necessary as the prior losses at these companies eliminated the value contributed by other shareholders in these companies.

Loss from continuing operations

Onex' consolidated loss from continuing operations was \$562 million (\$3.66 per share) in 2003 compared to a consolidated loss from continuing operations of \$76 million (\$0.47 per share) reported in 2002 and a loss of \$141 million (\$0.88 per share) reported in 2001. Table 11 details the earnings (loss) from continuing operations by industry segment.

Earnings (Loss) from Continuing Operations

TABLE 11	(\$ millions)	2003	2002	2001
Earnings (loss) before income taxes and non-controlling interests:				
Electronics Manufacturing Services	(311)	(838)	(68)	(241)
Customer Management Services	(71)	64	(5)	(195)
Theatre Exhibition	204	139	137	
Automotive Products	(349)			
Other ^(a)	(106)			
	(633)	(549)	(372)	
Provision for income taxes	(150)	(11)	(7)	
Non-controlling interests in operating companies	221	484	238	
Consolidated loss from continuing operations	(562)	(76)	(141)	

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

Earnings (loss) from discontinued operations

In 2003, Onex had two businesses that were reclassified to discontinued operations. Earnings (loss) from discontinued operations were earnings of \$230 million in 2003 compared to a loss of \$69 million in 2002. Included in the 2003 earnings from discontinued operations were the operations of Rogers Sugar and Lantic Sugar, MAGNATRAX and components of Dura Automotive. Table 12 provides a breakdown of the earnings (loss) by operating company for those businesses.

Earnings (Loss) from Discontinued Operations

TABLE 12	(\$ millions)	2003	2002
Rogers Sugar Income Fund	66	9	
MAGNATRAX	164	(61)	
Dura Automotive	-	(17)	
Total	230	(69)	

During 2003, Onex sold its remaining interest in Rogers Sugar Income Fund ("RSIF") for net proceeds of \$90 million. As a result of the transaction, the following items have been reclassified to earnings from discontinued operations: the net operations of Rogers Sugar and Lantic Sugar up to the date of sale, which earned \$13 million, including a \$12 million accounting dilution gain from RSIF's issuance of 11.4 million trust units in the first quarter of 2003; and Onex' net gain on the sale of the RSIF trust units, which was \$53 million.

MAGNATRAX' operations were classified as earnings (loss) from discontinued operations in the fourth quarter of 2003 following the company's receipt of bankruptcy court approval of its reorganization plan. Under the approved plan, Onex ceased to have effective control of MAGNATRAX and its operations were therefore reported as discontinued for 2003 and prior years. The plan of reorganization resulted in the effective disposition of essentially all of Onex' ownership in MAGNATRAX. At the time of the court's approval, the book value of Onex' investment in MAGNATRAX was negative \$274 million; this negative carrying value was due to losses and write-off of goodwill at MAGNATRAX that exceeded Onex' investment during the time of its ownership of the company. In addition, Onex was required to include for accounting purposes the losses associated with other investors in MAGNATRAX where the losses exceeded their investments. The gain on the disposition of MAGNATRAX of \$274 million, which represented the negative book value of Onex' investment in MAGNATRAX, along with the company's loss on operations for the current year of \$110 million, resulted in a net gain of \$164 million being recorded in 2003.

In addition, Dura Automotive divested its European mechanical assemblies business in 2003 and thus reclassified and reported the financial results for that business as earnings from discontinued operations. Note 3 to the consolidated financial statements provides additional disclosure of the earnings (loss) from discontinued operations.

Consolidated net earnings (loss)

Onex reported a consolidated net loss of \$332 million in 2003 compared to a net loss of \$145 million recorded in 2002. Table 13 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 13	(\$ millions)	2003	2002	2001
Onex' share of net earnings (loss):				
	Electronics Manufacturing Services	(73)	(119)	(13)
	Customer Management Services	(72)	(35)	(187)
	Theatre Exhibition ^(a)	56	22	(3)
	Automotive Products	(366)	(66)	(100)
	Other ^(b)	(117)	103	(1)
Net after-tax gains on shares				
	of operating companies	10	19	163
Loss from continuing operations				
		(562)	(76)	(141)
Earnings (loss) from				
	discontinued operations	230	(69)	939
Consolidated net earnings (loss)				
		(332)	(145)	798

(a) Includes Loews Cineplex' gain on shares from CGIF's initial public offering.

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

In 2003, Onex was required for accounting purposes to recognize 100 percent of the losses of ClientLogic, InsLogic, J.L. French, Trim Systems, PLG and Radian even though Onex does not own 100 percent of these businesses. Prior losses at these companies have eliminated the value contributed by other shareholders in these companies. For consolidation accounting purposes, the cumulative interests of other shareholders in these companies cannot be recorded at a negative value on the consolidated balance sheet. Thus, for accounting purposes, the other shareholders' portion of these companies' current losses must be included in determining Onex' consolidated net earnings (loss). The losses of other shareholders, which Onex includes for accounting purposes, totalled \$182 million in 2003 (2002 – \$65 million). When these companies begin to record earnings, Onex will include 100 percent of any profits of these companies until Onex has recovered the value of the losses of non-controlling shareholders that were previously booked.

Table 14 presents earnings (loss) per share from continuing operations, discontinued operations and net earnings (loss).

Net Earnings (Loss) per Subordinate Voting Share

TABLE 14	(\$ per share)	2003	2002	2001
Basic				
	Continuing operations	(3.66)	(0.47)	(0.88)
	Discontinued operations	1.50	(0.43)	5.83
	Net earnings (loss)	(2.16)	(0.90)	4.95
Diluted				
	Continuing operations	(3.66)	(0.47)	(0.88)
	Discontinued operations	1.50	(0.43)	5.83
	Net earnings (loss)	(2.16)	(0.90)	4.95

CONSOLIDATED FINANCIAL POSITION

This section should be read in conjunction with the consolidated balance sheets on page 57, and the corresponding notes to the consolidated financial statements.

Consolidated assets

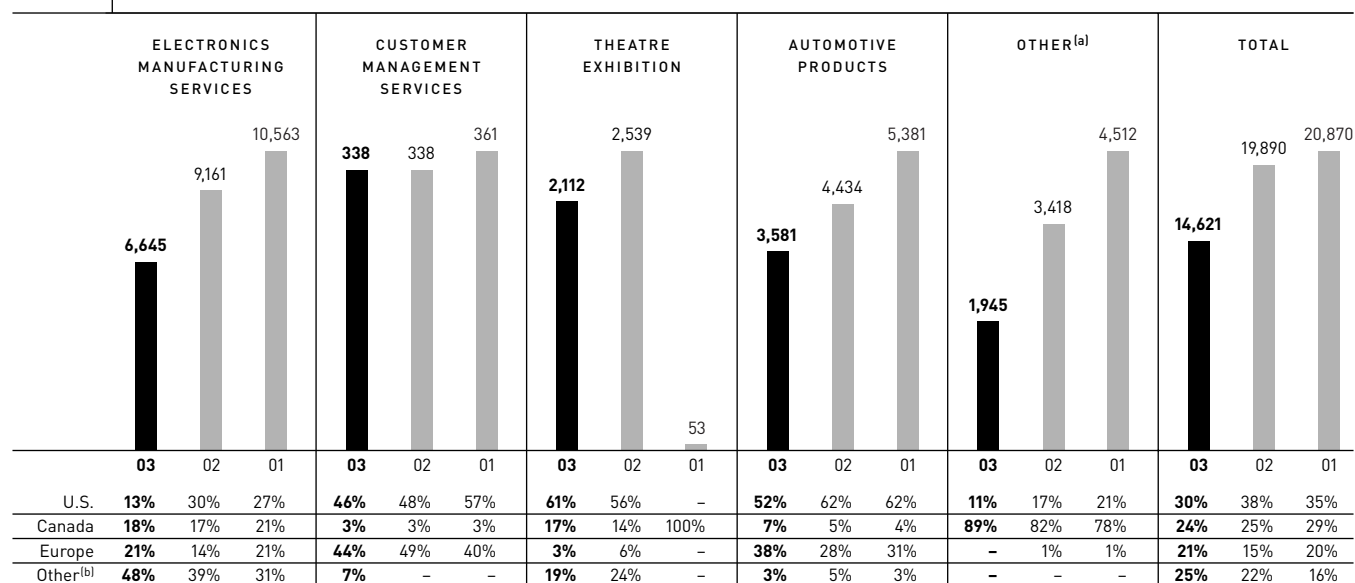
Consolidated assets were \$14.6 billion at December 31, 2003, down from \$19.9 billion at December 31, 2002. Chart 2 shows Onex' consolidated assets by industry and geographic segments.

The value of assets on Onex' consolidated balance sheets was affected by changes in the U.S. dollar to Canadian dollar exchange rate, as most of the operations of Onex' companies report in United States dollars. In 2003, the U.S. dollar relative to the Canadian dollar weakened by approximately C\$0.28, or 18 percent. As a result of this weakening of the U.S. dollar, the total value of Onex' consolidated assets declined from year-end 2002. In addition, lower cash balances from the repurchase of shares by Onex, the parent company, for \$166 million, as well as Celestica's repurchase of some of its shares and outstanding Liquid Yield Option Notes for \$691 million, accounted for a portion of the decline in total consolidated assets. In addition, the dispositions of Lantic Sugar, Rogers Sugar and MAGNATRAX decreased assets by \$1.1 billion compared to December 31, 2002.

Partially offsetting these declines in consolidated total assets were the inclusion of assets from acquisitions completed by ClientLogic, Dura Automotive and ONCAP, as well as Radian's purchase of ROHN Industries' assets, which collectively added \$146 million, net of cash used, to total consolidated assets. This compares to \$2.2 billion in asset growth from acquisitions completed in 2002. Table 15 outlines the more significant acquisitions completed by

Asset Diversification by Industry and Geographic Segments

CHART 2 (\$ millions)



(a) Includes Radian, InsLogic, ONCAP and parent company. Includes discontinued operations of \$1,210 million and \$1,383 million for 2002 and 2001, respectively.

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

Onex and its operating companies in 2003, 2002 and 2001. Note 2 to the consolidated financial statements also provides additional disclosure on these acquisitions.

Total consolidated assets declined by \$1.0 billion to \$19.9 billion at December 31, 2002 from \$20.9 billion at December 31, 2001, 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 that became effective in 2002. This 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 adop-

tion of this policy. Lower working capital assets, primarily at Celestica, as well as other goodwill and intangible asset write-offs, also reduced consolidated assets. In addition, the weakening of the U.S. dollar relative to the Canadian dollar at December 31, 2002 compared to December 31, 2001 contributed to the year-over-year decline in the value of Onex' consolidated balance sheets on the translation of U.S. dollar-based assets. Partially offsetting 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 and was attributable to the acquisitions of Loews Cineplex and Cinemex.

2003 Acquisitions

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

ClientLogic – \$90 million	ClientLogic's purchase of Service Zone Holdings, Inc. – a provider of high-quality call centre operations headquartered in Florida, United States with facilities in the United States and the Philippines
Dura Automotive – \$102 million	Dura Automotive's acquisition of the Creation Group – a premier designer and manufacturer of windows, doors and specialty products for the North American recreational vehicle, motor vehicle accessory and manufactured housing markets headquartered in Indiana, United States
Radian – \$10 million	Radian's acquisition of certain assets related to the tower and tower accessory manufacturing operations of ROHN Industries, Inc. located in Indiana and Illinois, United States
ONCAP – \$92 million	ONCAP's acquisition of Western Inventory Service – a leading North American provider of data collection and inventory counting services headquartered in Ontario, Canada

2002 Acquisitions

Operating company and total assets of acquisitions

Celestica – \$269 million	Two acquisitions in 2002: <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	Three acquisitions in 2002: <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	CMC Electronics Inc.'s acquisition of Flight Visions, Inc., a U.S.-based aviation company that manufactures heads-up displays and mission computers

2001 Acquisitions

TABLE 15 | *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	Onex' acquisition of Radian Communication Services, a leading provider of communications infrastructure and integrated network solutions
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

Onex, the parent company, has no debt, with the exception of the debentures that are exchangeable into shares of Celestica; these are discussed in greater detail under the heading "Exchangeable debentures" on page 39. 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 on an operating company for the debt of another operating company.

Total consolidated long-term debt (consisting of the current portion of long-term debt and long-term debt) was \$3.8 billion at December 31, 2003, \$4.5 billion at December 31, 2002 and \$3.7 billion at December 31, 2001. Table 16 summarizes consolidated long-term debt by industry segment.

Consolidated Long-term Debt, Without Recourse to Onex

	2003	2002	2001
Electronics Manufacturing Services	-	-	228
Customer Management Services	206	237	210
Theatre Exhibition	702	1,008	-
Automotive Products	2,577	2,982	2,968
Other ^(a)	281	272	340
	3,766	4,499	3,746
Long-term debt of ClientLogic and PLG, reclassified as current	(256)	(25)	(22)
Current portion of long-term debt of operating companies, excluding ClientLogic and PLG	(82)	(178)	(257)
Total	3,428	4,296	3,467

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

In 2003, Loews Cineplex paid down a significant portion of its debt with the \$216 million in proceeds the company received as part of the Cineplex Galaxy Income Fund initial public offering. In addition, the decline in value of the U.S. dollar relative to the Canadian dollar in 2003 and the currency translation of the U.S.-dollar-denominated debt were contributing factors to the overall decline in long-term debt. Partially offsetting this decline was \$64 million in long-term debt assumed with the acquisitions completed in 2003, as discussed earlier.

Performance Logistics Group ("PLG") was out of compliance with its debt covenants at December 31, 2003.

Contractual Obligations

	Total	Payments Due by Period			
		Less than 1 year	1-3 years	4-5 years	After 5 years
Long-term debt, without recourse to Onex	3,766	338	921	961	1,546
Capital and operating leases	3,216	388	645	486	1,697
Total contractual obligations	6,982	726	1,566	1,447	3,243

Additional disclosure on long-term debt and capital and operating leases is provided in notes 9 and 10, respectively, to the consolidated financial statements.

However, the company received a waiver of these covenants from its banking syndicate until February 27, 2004 while PLG pursues other strategic financing alternatives. Accordingly, PLG's debt of \$74 million has been classified as current on Onex' consolidated balance sheet. That debt is without recourse to Onex and its operating companies.

In addition, ClientLogic's long-term debt was recorded as current as at December 31, 2003 because the company's debt matures in October 2004. While management of ClientLogic is confident that long-term financing will be implemented prior to the maturity of the existing debt, accounting rules require that the debt be classified as current, as the maturity is within the next 12 months.

Long-term debt increased to \$4.5 billion at December 31, 2002 compared to \$3.7 billion at December 31, 2001 due primarily to the increase in long-term debt in the theatre exhibition segment. The increase was associated with the acquisitions of Loews Cineplex and Cinemex, which added approximately \$1 billion to the total debt outstanding. Radian also contributed \$29 million to the increase in long-term debt in 2002 as the company borrowed to finance its Oakville, Ontario plant expansion, which started in 2001. Partially offsetting these increases in debt was the elimination of Celestica's long-term debt balance arising from the company's early redemption of its remaining US\$130 million of outstanding 10.5 percent senior subordinated notes, which were due in 2006.

Contractual obligations

As at December 31, 2003, Onex and its operating companies have contractual obligations that require future payments as detailed in Table 17.

Exchangeable debentures

At December 31, 2003, Onex continued to hold four series of debentures exchangeable into shares of Celestica, which

the Company issued in 2000 for an aggregate carrying amount of \$729 million. At the time Onex entered into these transactions in 2000, Celestica's market value had significantly increased, resulting in Onex' ownership interest in Celestica representing, in Onex' view, too large a portion of the Company's 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 of exchange. 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, 2003, the unrealized accounting pre-tax gain with respect to the exchangeable debentures would be \$549 million.

At December 31, 2003, the market value of the exchangeable debentures was \$180 million, down from a market value of \$203 million at December 31, 2002 and \$590 million at December 31, 2001. The market value of the exchangeable debentures is directly tied to the market price of Celestica shares, which declined to \$19.56 per share at December 31, 2003 from \$22.05 per share and \$64.00 per share at December 31, 2002 and 2001, respectively. Up to December 31, 2003, the debentures were adjusted to market value for accounting purposes, with the credit added to "Other liabilities", and therefore have no impact on current earnings.

Off-balance sheet arrangements

In 2000, Onex entered into four series of forward sales agreements relating to the subordinate voting shares of Celestica, of which there were two series outstanding at December 31, 2003. The forward contracts mature in 2025 but may be closed out earlier by Onex. Approximately 1.8 million Celestica shares have been pledged as collateral

for these forward sales agreements and it is contemplated that they will be used to satisfy the agreements. These agreements are off-balance sheet arrangements. At December 31, 2003, if these forward sales agreements relating to Celestica shares had been closed out, Onex, the parent company, would have received cash of \$215 million.

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, 2003, the non-controlling interests balance amounted to \$5.0 billion compared to \$6.7 billion in 2002. Table 18 details the change in the non-controlling interests balance from December 31, 2002 to December 31, 2003.

Change in Non-controlling Interests

TABLE 18 | (\$ millions)

Non-controlling interests as at December 31, 2002	6,693
Non-controlling interests in net losses of operating companies in 2003	(221)
Investments by shareholders other than Onex in:	
Onex Partners	80
ONCAP	25
Other, net	(7)
Foreign currency translation	(885)
Celestica's repurchase of shares under its normal course issuer bid and of LYONs	(691)
Non-controlling interests as at December 31, 2003	4,994

Shareholders' equity

At December 31, 2003, shareholders' equity declined to \$293 million compared to \$1.0 billion at December 31, 2002. Most of this decrease in shareholders' equity was due to Onex' the parent company's, repurchase of \$166 million of Subordinate Voting Shares under its Normal Course Issuer Bids, \$332 million in net loss in 2003 and \$242 million relating to fluctuations in foreign currency translation, essentially all of which were associated with the effect of the decline in value of the U.S. dollar on Onex' net equity in U.S.-based consolidated operating companies. Table 19 provides a reconciliation of the change in shareholders' equity from December 31, 2002 to December 31, 2003.

Change in Shareholders' Equity

TABLE 19 | (\$ millions)

Shareholders' equity as at December 31, 2002	1,044
Regular dividends declared	(17)
Issue of shares – Dividend reinvestment plan and stock options exercised	6
Shares repurchased and cancelled	(166)
Currency translation adjustment on self-sustaining foreign operations	(242)
Net loss for 2003	(332)
Shareholders' equity as at December 31, 2003	293

Further information on the components of shareholders' equity as at December 31, 2003 and 2002 is found in the consolidated statements of shareholders' equity on page 59 of this report.

Shares outstanding

At December 31, 2003, Onex had 148,015,300 Subordinate Voting Shares issued and outstanding. Dividends are paid on the Subordinate Voting Shares. Table 20 shows the change in the number of Subordinate Voting Shares outstanding from December 31, 2002 to December 31, 2003.

Change in Subordinate Voting Shares Outstanding

TABLE 20

Subordinate Voting Shares outstanding at December 31, 2002	159,228,801
Issue of shares – Dividend reinvestment plan	317,599
Issue of shares – Stock options exercised	55,000
Shares repurchased and cancelled under Onex' Normal Course Issuer Bids	(11,586,100)
Subordinate Voting Shares outstanding at December 31, 2003	148,015,300

In addition, Onex has 100,000 Multiple Voting Shares outstanding, which have nominal paid-in value, and 176,078 Series 1 Senior Preferred Shares, which have no paid-in amount reflected in Onex' consolidated financial statements. Note 13 to the consolidated financial statements provides additional information on Onex' share capital. In 2003, there was no change in the number of Multiple Voting Shares and Series 1 Senior Preferred Shares outstanding.

Cash dividends

During 2003, Onex declared dividends of \$0.11 per Subordinate Voting Share to its shareholders, which were paid quarterly at a rate of \$0.0275 per share. The dividends are payable on or about January 31, April 30, July 31 and October 31 of each year. The dividend rate remained unchanged from that of 2002 and 2001. The total payments for dividends have decreased with the repurchase of shares under the Normal Course Issuer Bids as discussed below.

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 five percent discount to a market-related price at the time of reinvestment. The Plan was amended in March 2004 to remove the discount to market so that future shares acquired would be determined based on market value. In 2003, Onex issued 317,599 Subordinate Voting Shares under the Plan at an average cost of \$14.343 per share, creating cash savings of approximately \$5 million for investors. During 2002, 189,281 Subordinate Voting Shares were issued under the Plan at an average cost of \$19.49 per share, creating cash savings of approximately \$4 million in that year. During 2001, Onex issued 144,564 Subordinate Voting Shares under the Plan at an average cost of \$19.92 per share, creating cash savings that year of approximately \$3 million.

Stock options exercised

During 2003, Onex issued 55,000 Subordinate Voting Shares arising from the exercise of options at a value of approximately \$1 million. In comparison, Onex issued 50,000 Subordinate Voting Shares from the exercise of options at a value of approximately \$1 million during 2002 and 192,000 shares in 2001 at a value of about \$1 million.

Normal Course Issuer Bids

Onex had Normal Course Issuer Bids (the "Bids") in place during 2003 that enabled it to repurchase up to 10 percent of its public float of Subordinate Voting Shares. Onex believes that it is advantageous to Onex and its shareholders to continue to repurchase Onex' Subordinate Voting Shares from time to time when the shares are trading at prices that reflect a significant discount to their intrinsic value. During 2003, Onex repurchased 11,586,100 Subordinate Voting Shares under the Bids at a total cost

of \$166 million. Under similar Bids, Onex repurchased 1,587,100 shares at a total cost of \$26 million in 2002 and 2,242,800 shares at a total cost of \$39 million in 2001.

Currency translation adjustment

The currency translation adjustment component decreased shareholders' equity by \$242 million in 2003 compared to a decrease of \$13 million in 2002. Changes in the currency translation adjustment primarily represent the cumulative effect of changes in foreign currency rates on the value of Onex' ownership in U.S.-based operating companies, which have operating currencies other than the Canadian dollar, from their respective acquisition dates.

LIQUIDITY AND CAPITAL RESOURCES

This section should be read in conjunction with the consolidated statements of cash flows on page 60, and related notes to the consolidated financial statements.

Onex believes that maintaining a strong financial position at the parent company with substantial liquidity enables the Company to pursue new opportunities to create long-term value and support Onex' existing operating companies in managing their businesses during adverse industry or economic conditions.

Major Cash Flow Components

TABLE 21	(\$ millions)	2003	2002
Cash from operating activities, excluding changes in non-cash net working capital and other liabilities		321	883
Changes in non-cash net working capital and other liabilities		(362)	942
Cash used in financing activities		(849)	(193)
Cash used in investing activities		(299)	(790)
Cash from discontinued operations		10	47
Consolidated cash		2,800	4,642

Cash from (used in) operating activities

Cash provided by operations, excluding changes in working capital and other liabilities, totalled \$321 million in 2003. This compares to \$883 million of cash provided in 2002. Table 22 provides a breakdown of cash flow from (used in) operating activities, excluding changes in non-cash net working capital and other liabilities, by industry segment.

The decrease was primarily due to lower operating results in 2003 at many of Onex' operating companies, in particular at Celestica and some of the automotive companies. A detailed discussion of the consolidated operating results by industry segment can be found under the heading "Consolidated Operating Results" beginning on page 21 of this MD&A.

Cash from (used in) operating activities

TABLE 22	(\$ millions)	2003	2002
Electronics Manufacturing Services		128	430
Customer Management Services		(1)	36
Theatre Exhibition		152	158
Automotive Products		150	313
Other ^(a)		(108)	(54)
Total		321	883

(a) Other includes Radian, InsLogic, ONCAP and parent company.

Non-cash net working capital related to operations and other liabilities used cash of \$362 million in 2003 compared to cash provided of \$942 million in 2002. In 2003, most of the cash used was to support higher inventory levels, primarily at Celestica, due to stronger demand at the end of 2003 compared to the end of 2002. The cash provided by non-cash working capital items and other liabilities in 2002 was primarily due to tighter working capital management controls implemented at Celestica in response to difficult economic conditions.

Cash used in financing activities

Cash used in financing activities was \$849 million in 2003, up significantly from cash used of \$193 million in 2002. Onex, the parent company, used \$166 million in cash for the repurchase of its Subordinate Voting Shares under its Normal Course Issuer Bids in 2003, up \$140 million from \$26 million of cash used for repurchases in 2002. In addition, Celestica's repurchase of some of its shares under that company's normal course issuer bid and the repurchase of a portion of its Liquid Yield Option Notes accounted for \$691 million of cash used in financing activities in 2003. Included in cash used in financing activities in 2002 was Celestica's redemption of its entire US\$130 million of outstanding senior subordinated notes, which were due in 2006.

Cash used in investing activities

Cash used in investing activities totalled \$299 million in 2003, a decrease of \$491 million from cash used in investing activities of \$790 million in 2002. The decline was primarily due to \$180 million of cash used for acquisitions in 2003, down \$300 million from \$480 million expended for acquisitions in 2002. Note 2 to the consolidated financial statements discloses the amount of cash invested in each acquisition completed during 2003 and 2002. Table 15 on page 37 provides details on the acquisitions completed in 2003, 2002 and 2001. In addition, cash provided from investing activities included proceeds from sales of shares of operating companies of \$256 million in 2003 compared to \$26 million in 2002. Essentially all of the cash received on proceeds from sales of shares was from the initial public offering of the Cineplex Galaxy Income Fund.

Onex' operating companies spent an additional \$74 million on property, plant and equipment expenditures in 2003 over such expenditures in 2002. Table 23 details property, plant and equipment expenditures by industry segment.

Property, Plant and Equipment Expenditures

	2003	2002
Electronics Manufacturing Services	234	235
Customer Management Services	26	31
Theatre Exhibition	135	61
Automotive Products	163	140
Other ^(a)	17	34
Total	575	501

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

Celestica recorded \$234 million in property, plant and equipment expenditures relating to the expansion of its manufacturing capacity in Asia and the purchase of a facility in Fort Collins, Colorado that was previously leased. The opening of ClientLogic's new facility in Bangalore, India and the company's continuous upgrade of its various North American contact facilities to enhance service and accommodate new business resulted in the company recording \$26 million in property, plant and equipment expenditures. The theatre exhibition group spent \$135 million in capital expenditures in 2003 related to the construction of new theatres as well as various renovations, refurbishments and expansions to several of

its existing theatres. Dura Automotive recorded capital expenditures of \$91 million primarily related to equipment and dedicated tooling purchases for new and replacement programs. J.L. French's capital expenditures of \$62 million were related to the company's new programs with its existing customers and cost-reduction initiatives.

Commitments

As at December 31, 2003, Onex and its operating companies had total commitments as follows:

Commitments

Corporate investments	243
Capital expenditures	176
Letters of credit, letters of guarantee and surety and performance bonds	161
Joint-venture guarantees	108
Total commitments	688

The corporate investments commitments primarily include the \$132 million investment in Magellan Health Services, Inc. ("Magellan"), of which Onex committed to invest \$50 million initially. Magellan is the leading managed behavioural healthcare organization in the United States, with customers that include health plans, corporations and government agencies. This transaction closed on January 5, 2004 and was the first acquisition through Onex' new fund, Onex Partners LP. The initial investment in Magellan by Onex of \$50 million was reduced by \$19 million to \$31 million with the final closing of Onex Partners LP, which occurred in early February 2004, as other investors participated.

Capital expenditures are those of Onex' operating companies. Celestica has committed \$24 million in capital expenditures, principally for machinery and equipment and facilities in Asia, which will be funded from cash on hand. The theatre exhibition segment had \$121 million in capital expenditure commitments related to the construction and opening of new theatres in North America, Mexico, Europe and South Korea. These theatre openings are discussed in greater detail in the Outlook section of this report on page 48.

Contingent liabilities in the form of letters of credit, letters of guarantee, and surety and performance bonds are provided by certain operating companies to

various third parties and include certain bank guarantees. In addition, certain operating companies have also made guarantees with respect to the liabilities of joint ventures. At December 31, 2003, the commitments with respect to these guarantees collectively totalled \$161 million. These guarantees are without recourse to Onex. Note 24 to the consolidated financial statements, which provides disclosure on the long-term debt of each operating company, includes additional disclosure on the letters of credit by operating company.

At December 31, 2003, Loews Cineplex had guarantees of \$108 million related to future minimum lease payments under lease agreements entered into by its joint-venture company, Magic Johnson Theatres, that will expire between 2005 and 2030.

Cash from discontinued operations

Cash from discontinued operations represents the proceeds from the sale of businesses less the cash recorded on the books of those businesses. Cash from discontinued operations was \$10 million compared to \$47 million reported last year. The cash from discontinued operations in 2003 was the net proceeds on the sale of the RSIF trust units in July 2003 of \$90 million, less \$5 million of cash paid under the MIP for the RSIF sale. From this is deducted the \$75 million of cash that was recorded on the books of RSIF, MAGNATRAX and certain operations of Dura Automotive at the beginning of 2003. Note 3 to the consolidated financial statements provides additional information on cash flows from discontinued operations.

Consolidated cash

At December 31, 2003, consolidated cash was \$2.8 billion compared to \$4.6 billion in 2002. Onex, the parent company, had approximately \$1 billion of cash, and Celestica had more than \$1.3 billion of cash on hand. Onex, the parent company, has a conservative cash management policy that limits investment to short-term low-risk money-market products.

Additional source of financing

In early February 2004, Onex completed the final closing of a new fund, Onex Partners LP, with total commitments of \$2.2 billion (US\$1.65 billion). The Fund will provide capital for future Onex-sponsored acquisitions not related to Onex' existing operating companies or ONCAP. Onex controls the General Partner and Manager of the Fund

and has pledged \$525 million (US\$400 million) to Onex Partners LP. The Fund has a diverse group of limited partner investors, including public and private pension funds, banks, insurance companies and endowment funds from the United States, Canada, Europe and Asia. This substantial pool of committed funds will enable Onex to be more flexible and timely in responding to investment opportunities.

During the investment period (up to six years), Onex will receive a management fee of two percent on the US\$1.25 billion of committed capital provided by third-party investors. Thereafter, a one percent management fee is payable on invested capital. The Fund's General Partner will also receive a carried interest of 20 percent on the realized gains of third-party limited partners, subject to an eight percent compound annual preferred return to such limited partners on all amounts contributed to the Fund. This carried interest will be based on the overall performance of the Fund and includes typical catch-up and clawback provisions. Consistent with market practice, Onex, as sponsor of the Fund, will be allocated 40 percent of the carried interest with 60 percent allocated to the Onex principals. The Onex principals have made a one percent (US\$16.5 million) capital commitment to the Fund and may provide up to an additional three percent of the total capital invested by the Fund.

Related party transactions

Related party transactions are primarily investments by the management of Onex and of the operating companies in the equity of the operating companies acquired.

Onex has a Management Incentive Plan (the "MIP") in place that requires its management members to invest in each of the operating companies acquired by Onex. The funds required for investments under the MIP are not loaned to the management members or guaranteed by Onex or the operating companies. During 2003, due to limited acquisition activity, less than \$1 million in MIP investments were made by management. Note 24(d) to the consolidated financial statements provides additional details on the MIP.

Members of management and the Board of Directors of Onex can invest limited amounts in partnership with Onex on all acquisitions at the same cost as Onex and other outside investors. During 2003, less than \$1 million in investments were made by Onex management and the Board collectively, which consisted primarily of

ONCAP's acquisition of Western Inventory Service; this compares to \$54 million in investments made in 2002 by management and the Board, primarily in relation to the acquisition of the Loews Cineplex Group and related companies.

Although Onex does not guarantee the debt on behalf of any of its operating companies, nor are there any cross-guarantees between operating companies, Onex does hold certain debt of its operating companies, which amounted to \$171 million in 2003 compared to \$156 million in 2002. Note 9 to the consolidated financial statements provides information on the debt of operating companies held by Onex.

In November 2003, Onex established Onex Partners LP, a \$2.2 billion (US\$1.65 billion) fund to provide committed capital for future Onex-sponsored acquisitions. As mentioned earlier on page 44 and indicated in note 25 to the consolidated financial statements, this new fund structure also has an incentive-based plan for Onex management to invest in all future Onex-sponsored acquisitions. This incentive-based funding structure will apply only to those acquisitions completed by Onex Partners LP.

Note 24 to the consolidated financial statements describes related party transactions.

Other matters

Onex Corporation's financial filings, including its 2003 Annual Report and interim quarterly reports, Annual Information Form and Management Information Circular,

are available on the Company's website at www.onex.com or on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

Fourth quarter 2003 results

There were a number of significant items that affected the fourth quarter results. In the fourth quarter, there was a \$274 million accounting gain from the wind-up of the bankruptcy proceeding of MAGNATRAX. This gain resulted from having a negative \$274 million investment book value in MAGNATRAX, which arose from losses and write-offs taken by Onex in prior years that exceeded Onex' cash investment of \$173 million. This gain was reported in earnings from discontinued operations in Onex' consolidated financial statements as Onex ceased to effectively control MAGNATRAX in the fourth quarter.

In addition, in the fourth quarter of 2003 the \$118 million gain on the initial public offering of the Cineplex Galaxy Income Fund was recorded. This transaction is discussed on page 31 under the heading Accounting gains on shares of operating companies.

Partially offsetting these positive contributions to the fourth quarter results was a \$142 million writedown of goodwill and intangible assets recorded by PLG and a \$70 million writedown of long-lived assets recorded by Celestica. These charges are discussed in detail on page 33 of this report under the full-year discussion of writedowns of goodwill and intangible assets and writedowns of long-lived assets.

SUMMARY QUARTERLY INFORMATION

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

TABLE 25 (\$ millions except per share amounts)		2003				2002			
		Dec.	Sept.	June	Mar.	Dec.	Sept.	June	Mar.
Revenues		4,473	4,078	4,160	4,397	5,167	5,015	5,687	5,138
Earnings (loss) from continuing operations		(119)	(287)	(140)	(16)	(205)	39	58	32
Net earnings (loss)		154	(289)	(162)	(35)	(250)	34	49	22
Earnings (loss) per Subordinate Voting Share									
Basic:	Continuing operations	(0.78)	(1.87)	(0.91)	(0.10)	(1.27)	0.24	0.36	0.20
	Net earnings (loss)	1.01	(1.88)	(1.06)	(0.23)	(1.56)	0.21	0.31	0.14
Diluted:	Continuing operations	(0.78)	(1.87)	(0.91)	(0.10)	(1.27)	0.24	0.35	0.19
	Net earnings (loss)	1.01	(1.88)	(1.06)	(0.23)	(1.56)	0.20	0.30	0.13

RECENT ACCOUNTING DEVELOPMENTS

Variable interest entities In June 2003, the CICA issued Accounting Guideline (“AcG”) 15, “Consolidation of Variable Interest Entities”. AcG 15 addresses the application of consolidation principles to certain entities that are subject to control on a basis other than ownership of voting interests. This guideline is effective for annual and interim periods beginning on or after November 1, 2004. There are, however, certain disclosure requirements that are effective for the interim and annual periods beginning on or after January 1, 2004. The Company expects that the adoption of this guideline will not have a material impact on its consolidated financial results.

Hedging relationships In 2003, the CICA issued and amended AcG 13, “Hedging Relationships”, which becomes effective for the Company on January 1, 2004. This guideline addresses the identification, designation, documentation and effectiveness of hedging relationships for the purpose of applying hedge accounting. AcG 13 also establishes certain conditions for applying hedge accounting and deals with discontinuance of hedge accounting. The Emerging Issues Committee Abstract EIC-128, “Accounting for Trading, Speculative or Non-hedging Derivative Financial Instruments”, requires that any derivative financial instrument that is not designated within a compliant hedge relationship under AcG 13 be measured at fair value, with changes in fair value recorded in current year income.

Onex and its operating companies are presently investigating the impact of this accounting guideline. At this time, the operating companies have not completed assessments with regard to their businesses. However, Onex, the parent company, expects that its existing hedge relationships for its Exchangeable Debentures and Forward Contracts, as detailed in note 22 to the consolidated financial statements, will not qualify for hedge accounting under AcG 13 and thus, on a prospective basis, the changes in fair values of these instruments from January 1, 2004 will be reflected in the statements of earnings.

Generally accepted accounting principles In July 2003, the CICA amended *Handbook* Section 1100, “Generally Accepted Accounting Principles”. The section establishes standards for financial reporting in accordance with GAAP and provides guidance on sources to consult when selecting accounting policies and determining the appropriate disclosures when a matter is not explicitly dealt with in the primary sources of GAAP. Onex will implement the new section prospectively beginning on January 1, 2004. The Company does not expect that this new section will have a significant impact on its consolidated financial statements.

Asset retirement obligations In March 2003, the CICA issued *Handbook* Section 3110, “Asset Retirement Obligations” that establishes standards for the recognition, measurement and disclosure of liabilities for asset retirement obligations and the associated retirement costs. This section applies to all legal obligations associated with the retirement of a tangible long-lived asset that results from its acquisition, construction, development or normal operation. This section is effective beginning January 1, 2004. At this time, the Company does not anticipate that it will have a material impact on its future consolidated results.

Stock-based payments During 2003 the CICA revised *Handbook* Section 3870, “Stock-based Compensation and Other Stock-based Payments”, requiring that a fair value-based method of accounting be applied to all stock-based compensation payments to both employees and non-employees. Previously only awards that called for settlement in cash or other assets, or stock appreciation rights that called for settlement by the issuance of equity instruments, were required to be recorded as compensation expense. Onex has been recording the change in value of options on its shares and investment rights under the Management Incentive Plan as a charge or credit to earnings since January 1, 2002. This change will affect the accounting for certain stock option plans at the operating companies. The operating companies will adopt these new requirements on January 1, 2004 on a retroactive basis for awards made since January 1, 2002 that had not been previously recognized as compensation expense in the consolidated statements of earnings. The Company cannot predict if the new section will have a material impact on its future consolidated results. Future results will depend upon options issued by subsidiary companies such as Celestica.

Outlook

PARENT COMPANY OUTLOOK

Early in 2004, Onex completed the final closing of its acquisition fund, Onex Partners LP (the “Fund”), with commitments of \$2.2 billion (US\$1.65 billion). Onex’ commitment is \$525 million (US\$400 million). As described elsewhere in this report, the Fund will provide capital for Onex-sponsored acquisitions not related to our existing operating companies or to ONCAP. The Fund will provide Onex with immediate and long-term advantages in pursuing attractive opportunities to create long-term value for both Onex shareholders and Fund partners. It will provide ready access to a substantial pool of committed funds so we can be more flexible and timely in responding to investment opportunities. Onex will earn management fees from co-investors that will cover a substantial portion of the Company’s corporate overhead costs. Onex may also earn a carried interest on the returns of our partners, which will enhance our total returns in the future.

We are enthusiastic about the long-term potential of Magellan Health Services, Inc. (“Magellan”), in which we acquired an equity interest in January 2004 with US\$101 million in funding from Onex Partners LP. Magellan is the leading managed behavioural healthcare organization in the United States. The company, which emerged from voluntary reorganization with the help of Onex, entered 2004 in a strong financial position from which it intends to pursue prudent growth based on its industry leadership.

While Onex Partners LP will be the focus of Onex’ new acquisition activity during its life, building the value of our existing operating companies will continue to be an important part of our work. Most of Onex’ existing companies have come through the economic downturn of 2001 to 2003 as stronger, more efficient competitors, and we are optimistic that their operating performance will improve as demand in their industries gains momentum. The specific outlook for each sector follows.

Onex, the parent company, has approximately \$1 billion in cash to meet its commitments to Onex Partners LP and ONCAP, and to support the growth plans of our operating companies. More importantly, the creation of Onex Partners LP will free up a substantial amount of time and resources previously dedicated to finding investment partners for major transactions. This will enable us to evaluate additional opportunities to create value for Onex shareholders and the investors in Onex Partners LP.

Certification of disclosures

In early 2004, the Canadian Securities Association issued a proposed multilateral instrument 52-109 related to the certification of disclosures and other matters in issuers’ annual and interim filings. This instrument requires CEOs and CFOs of all reporting issuers to personally certify the accuracy and completeness of the annual and interim filings of the issuer. Onex, the parent company, has been addressing the requirements under this proposed instrument and anticipates that it will have implemented all necessary procedures to meet this new requirement as it becomes effective.

OPERATING COMPANIES

Electronics Manufacturing Services (“EMS”)

Onex and Celestica’s management believe that the worst days of the technology depression are over. Despite the year-over-year decline in revenues in 2003, the company experienced quarterly sequential growth in each quarter during 2003, primarily due to new outsourcing wins from both new and existing customers. Included in this new business are wins from sectors other than its traditional telecommunications and information technology markets, such as the automotive, industrial, medical and aerospace markets.

As 2004 begins, demand from Celestica’s customers in its key end-markets of computing and communication infrastructure products has stabilized and is showing signs of improvement. Revenues will be further enhanced in 2004 with the acquisition of Manufacturers’ Services Limited (“MSL”). The transaction closed in March 2004. MSL is a full-service supplier of EMS and supply-chain services, with more than US\$800 million in annual revenues. The company has a broad customer base in diversified end-markets such as industrial, peripherals and avionics, and extends Celestica’s service offering in build-to-order manufacturing, logistics and fulfillment.

With an improving trend in revenues, Celestica anticipates that it will start to show improved operating earnings performance as it benefits from previously completed restructuring programs, transfer activities to lower-cost geographies and from its lean manufacturing and six sigma cost efficiency initiatives. The company will continue to address any capacity utilization issues and

make assessments as to potential further plant rationalizations when the need arises.

Onex continues to believe that the outsourcing model presents a very compelling opportunity for value creation over the medium to long term. The EMS industry is expanding, with significant growth opportunities ahead as customers continue to adopt this highly flexible and responsive manufacturing model.

Customer Management Services

ClientLogic's management has a three-part strategy to return the company to profitability. While major cost inefficiencies were eliminated by late 2003, cost reduction will continue to be an important focus during 2004. Operational quality and productivity is another key theme for the year and will encompass initiatives such as focused training for managers and supervisors and incentive-based compensation for site managers. ClientLogic is also reorganizing its sales and marketing efforts to focus more on vertical markets where it has expertise.

ClientLogic entered 2004 with a strong pipeline of potential new business and a compelling value proposition with which to win attractive opportunities. With stronger margins in evidence by year-end 2003, we expect the company to use new business wins and further cost reductions to improve operating earnings in the coming year. The acquisition of Service Zone Holdings will also add to revenues and operating earnings in 2004.

Theatre Exhibition

The theatre exhibition industry is anticipating a stronger slate of films in 2004, with North American attendance expected to be about equal to that of 2003. International attendance should rebound substantially from 2003 levels if films such as *Shrek 2*, *Spider-man II*, *CatWoman* and *Harry Potter 3* perform as well in those markets as they are expected to domestically. Overall, management of the Loews Cineplex Group is optimistic that revenues will resume their normal growth trend.

Loews Cineplex Group

With its strong balance sheet, liquidity and free cash flow, Loews Cineplex is well positioned to grow through prudent investment in new revenue-generating assets. In 2004, a well-marketed, high-quality slate of films from major studios, combined with new theatre openings, should

boost full-year revenues. Loews Cineplex will open two new theatres in the United States: in Portchester, New York and the Washington, D.C. region. Megabox Cineplex intends to open two theatres in South Korea. Cinemex continues to prioritize its investments in Mexico City to further enhance its leadership in the most important theatre market in the Spanish-speaking world; it plans to open five theatres with 59 screens during 2004. During 2004, Cineplex Galaxy Income Fund intends to open new theatres in Orillia, Ontario and Maple Ridge, British Columbia; it will also expand an existing Cineplex Odeon theatre in Lethbridge, Alberta by four screens and rebrand it as a Galaxy Entertainment theatre. The Loews Cineplex Group anticipates that a stronger slate of films and newly built theatres will provide the major portion of anticipated revenue increases.

Onex expects that the work accomplished by management of the Loews Cineplex Group in reducing costs and improving profitability during the past two years will have a beneficial impact on profitability during 2004 and beyond. Cost management is an ongoing project at the Loews Cineplex Group, as is revenue growth. In the coming year, the company will focus on growing revenues through value-added services, increasing ancillary revenues from on-screen advertising and alternative uses, and winning additional market share with innovative marketing and customer loyalty programs.

Automotive Products

Automotive Sector HCI's outlook for the foreseeable future suggests a continuation of the dynamics that have influenced OEM production and new vehicle sales during the past two to three years. Return on investment is expected to remain a key focus for domestic North American manufacturers, who will in turn continue to apply pressure to suppliers through cost transfers and pricing concessions. HCI believes that North American retail sales should stay relatively steady at between 16 million and 16.5 million units annually as new drivers, vehicle replacement and attractive OEM purchase incentives continue to create demand. European production is expected to increase in the coming years as growing incomes in eastern European countries make automobile purchases a new possibility for many.

In 2001, HCI embarked on a multi-year plan to ensure our companies would survive in the rapidly changing OEM supply business. It set out to improve cash flow, productivity and cost structures; facilitate clear strategic directions for each business; capitalize on our companies' leading market positions for organic growth; and ensure capital structures that would support that growth. As discussed in the 2003 review earlier in this report, many aspects of these broad strategies have been accomplished, but there is more work to be done in each area. Revenue growth will be a primary focus in 2004. Deeper penetration of existing platforms, combined with new work and new customers won with superior quality and delivery, should lead to higher revenues. Given the far more efficient cost structure that is now in place at our automotive companies, we expect that higher revenues will lead to better relative profitability than most competitors and, eventually, to value creation.

In late February 2004, Onex ceased to have control of Dura Automotive following the sale of shares by certain Dura Automotive shareholders, other than Onex, whose shares Onex had the right to vote. At that time, Onex filed a notice of intent with the U.S. Securities Commission to sell its remaining Dura Automotive shares during 2004. As Onex no longer controls Dura Automotive, Onex will not consolidate that company's financial results in 2004. Dura Automotive represented \$3.3 billion, or 19 percent, of Onex' consolidated 2003 revenues and \$2.8 billion, or 19 percent, of Onex' consolidated assets at December 31, 2003.

Doing more with less means cost reduction will continue as a major management focus at J.L. French in 2004. The company intends to pursue further reductions in its manufacturing footprint so it can lower fixed costs and leverage its available capacity; systematic elimination of inefficiencies and cost reductions are expected to boost margins over 2003 levels. With some competitors unable to maintain quality and delivery due to OEM pricing pressures, J.L. French expects to win an increasing amount of takeover business and will pursue it aggressively with both existing and potential customers. The longer-term trend toward lighter, more fuel-efficient vehicles continues to gain momentum, albeit slowly, which suggests that OEMs will use an increasing amount of aluminum in order to reduce vehicle weight.

Management of PLG will expand the work begun late in 2003 to pursue cost improvement opportunities

across the entire business and to enhance its logistics capabilities in the face of variable OEM demand.

Commercial Vehicle Sector Industry estimates suggest that the demand for Class 8 trucks has reached its nadir and should begin to climb to more normal levels in 2004 and beyond; estimates are for production levels of about 225,000 units in 2004. HCI's commercial vehicle businesses are very well-positioned to be prime beneficiaries of virtually any increase in demand from current levels. Bostrom's and Trim Systems' management teams have negotiated through three years of cost reduction, operational restructuring and debt reduction, and at the same time have improved their quality and delivery metrics. With their breakeven costs substantially lower, a market recovery in heavy vehicles should have a salutary effect on profitability.

With many competitors in the sector struggling both operationally and financially, Bostrom and Trim Systems expect to gain market share as OEMs expand their relationships with stable suppliers that can offer better overall service. Both companies intend to leverage their industry-leading quality and capabilities to expand their product offerings and geographic presence to drive organic growth in 2004.

Managed Healthcare

With 2004 revenues largely secured, Magellan management is continuing to concentrate on its cost reduction efforts and will focus on 2005 and beyond to expand its core businesses. The company has engaged new sales management and given it the mandate to reassert Magellan's market leadership through increased sales of existing products and the development of new products.

Other Businesses

Communications Infrastructure Some industry analysts estimate that wireless carrier spending has stabilized and will increase in 2004. This is based on assumptions that carriers will invest to upgrade their networks in the face of continued significant and costly customer churn, particularly with the introduction of wireless number portability in the United States; to accommodate growing minutes of use; and to facilitate an increase in demand for wireless data that will accompany the introduction of devices using third- and fourth-generation technologies.

Building international and government sector revenues is a key priority for Radian in 2004. Late in 2003, Radian was the successful bidder on a two-year agreement for the supply and installation of telecommunications towers with a buying group of six states in the U.S. West. Additionally, a new relationship with an international network of tower sales agents should build on the success Radian had in sales of towers and tower accessories to international markets during the second half of 2003.

The company will also continue to take advantage of selective acquisition opportunities arising from the rationalization and consolidation taking place in the infrastructure services sector. Acquisitions, like the recent purchase of assets of ROHN Industries, are particularly attractive as they leverage Radian's investments in processes and facilities that were made during the past two years.

Small-Capitalization Opportunities CMC Electronics entered 2004 with a good order backlog. More importantly, it is participating in a business environment characterized by rising U.S. defence spending and continuing demand for avionics upgrades by both military customers and commercial airlines. With its strategic focus on aviation electronics and infrared sensors – and its reputation and leadership in certain segments – CMC Electronics is well positioned to grow steadily by winning new business and adding new platforms. The company is also exploring opportunities to broaden its product offering through add-on acquisitions. Early in 2004, CMC Electronics appointed William J. Allison as Chairman of the Board of Directors. Mr. Allison has more than 25 years of experience in the development and implementation of aerospace and defence electronics products and systems. In addition, he has extensive capabilities in leading and managing organizational change in the complex environment of multiple geographic locations and cultures, strategy development and implementation, team-building and bringing advanced technology products to market.

Barring surges in spending in the forestry, agriculture and infrastructure segments, Armtec expects market demand to be similar to levels experienced in 2003 and 2002. ONCAP and Armtec management will continue to refine the company's cost structure and capital utilization to maximize cash flow and reduce debt. When spending by major customers does return to normal levels, the disciplined work Armtec has done during the past two years to improve the efficiency of its operations should lead to substantial increases in profitability. The company is also exploring new opportunities to broaden its product offering through add-on acquisitions.

Western Inventory Service intends to continue to grow organically during 2004 by leveraging its strengths in customer service and proprietary technologies. Longer term, ONCAP believes that Western Inventory Service will be a beneficiary of the trend to outsource business services in North America. The company also intends to diversify its business base by adding new services and developing relationships with customers outside its traditional focus on retailers. Western Inventory Service can provide customers with more efficiency at lower cost, as well as greater accuracy of information. These strengths are also expected to be attractive to major companies wanting independent verification of factual content for their public financial reporting.

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 the ownership of 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 returns. 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 have equity partners with whom we can share the risk of ownership, especially on large-scale transactions. The creation of Onex Partners LP during 2003 streamlined Onex' process of sourcing and finalizing commitments from major equity partners.

We do not burden an acquired company with more debt than it can likely sustain, 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 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, and 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 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 to use new equity investment, when financial markets are favourable, to prepay existing debt and absorb related penalties.

Specific strategies and policies to manage business risk at Onex and its operating companies 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 of 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 guaranteed 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, or its operating companies 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 shareholders 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 or to provide adequate financial flexibility for growth. In such circumstances, additional investment by the equity partners, including Onex, may be required. In severe circumstances, the recovery of Onex' equity and any other investment in that operating company is at risk.

Timeliness of investment commitments

Onex' ability to create value for shareholders is dependent in part on our ability to be the successful party on large acquisitions, which may be handled through an auction or bidding process with multiple potential purchasers. Bidding is often very competitive for the large-scale acquisitions that are Onex' primary interest, and the ability to make knowledgeable, timely investment commitments is a key component of successful purchases. Our preferred course is to complete acquisitions on an exclusive basis. In such instances, the vendor often establishes a relatively short time frame for Onex to respond definitely. In order to improve the efficiency of Onex' internal processes on both auction and exclusive acquisition processes, and so reduce the risk of missing out on high-quality acquisition opportunities, during 2003 we created Onex Partners LP. Onex Partners LP is a US\$1.65 billion pool of capital raised from Onex and major institutional co-investors in North America, Europe and Asia. Onex has committed US\$400 million to the Fund and controls the General Partner and Manager. The Fund is expected to substantially improve Onex' flexibility and timeliness in making purchase commitments.

Financial and commodity risks

In the normal course of business activities, Onex and its operating companies may face a variety of risks related to financial management. Individual operating companies may also use financial instruments to offset the impact of anticipated changes in commodity prices related to the conduct of their businesses. In all cases, it is a matter

of Company policy that neither Onex nor its operating companies engage in derivatives trading or other speculative activities.

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

It has generally been Onex' policy to have its operating companies either fix the interest on some or all of the term debt at the time it is entered into or otherwise minimize the effect of interest rate increases on a substantial 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 obtainable or may only be achieved at the cost of penalties to terminate existing arrangements. There is also the risk that the counterparty on an interest rate swap agreement may not be able to meet its commitments. Guidelines are in place that specify the nature of the financial institutions that operating companies can deal with on interest rate contracts.

At the end of 2003, approximately 48 percent of Onex' consolidated long-term debt was at fixed rates and an additional approximately nine percent had contracts in place to fix interest rates.

Currency fluctuations The majority of the operations of Onex' operating companies were conducted outside Canada during 2003. As discussed, approximately 37 percent of consolidated revenues and 30 percent of consolidated assets were in the United States. Approximately 46 percent of consolidated revenues were from outside of North America; however, a substantial portion of that business is actually based on U.S. dollars. This makes the value of the Canadian dollar relative to the U.S. dollar the primary currency relationship affecting Onex' operating results. Onex' operating companies may use currency derivatives in the normal course of their business to hedge against adverse fluctuations in key operating currencies but, as noted above, speculative activity is not permitted.

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 2003, \$242 million of the net decrease in shareholders' equity reflected 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. The most significant of these is Celestica, which purchases a substantial 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.

Integration of acquired companies

An important aspect of Onex' strategy for value creation is to acquire what we consider to be "platform" companies. Such companies typically have distinct competitive advantages in products or services in their industry that we believe provide a solid foundation for growth in scale and value. In these instances, Onex works with company management to identify and purchase attractive add-on acquisitions that would enable the platform company to achieve its planned goals more quickly than by focusing solely on the development and/or diversification of its customer base, which is known as organic growth. Growth by acquisition, however, carries more risk than organic growth. While as many of these risks as possible are considered in the acquisition planning, in Onex'

experience our operating companies also face risks such as unknown expenses related to the cost-effective amalgamation of operations, the retention of key personnel and customers, the future value of goodwill paid as part of the acquisition price, and the future value of the acquired assets and intellectual property. Onex works with company management to understand and potentially mitigate such risks as much as possible.

Risk-related contracts

With the acquisition of an equity interest in Magellan Health Services, Inc. ("Magellan") in January 2004, Onex entered an industry that poses substantially different risks than those of the manufacturing industries that are the major portion of the Company's assets. Magellan faces a variety of risks in the normal course of its business, including responsibility for risk-related products, reliance on major contracts with a limited number of customers, evolving state and federal regulations, claims for professional liability, and dependence on government spending for managed healthcare. Of these, Magellan's management believes Magellan's responsibility for risk-related products, which account for more than 85 percent of the company's revenues, is the most significant risk factor.

In general terms, the major portion of Magellan's revenues is derived primarily from contracts under which it assumes all or some of the responsibility for providing behavioural healthcare treatment services in exchange for a fixed, per-member monthly fee. In order for these contracts to be profitable, the company must accurately estimate the rate of service utilization by beneficiaries and control the costs of treatment services in relation to contract pricing. Increases in behavioural healthcare costs or higher-than-anticipated utilization rates – significant aspects of which are outside Magellan's control – may cause expenses to exceed revenues on certain contracts. Onex' due diligence prior to the acquisition of the company suggests that Magellan's management has the skill and the procedures in place to deal effectively with the aspects of its risk contracts that are under its control. It should also be noted that, as a provider of managed behavioural healthcare, Magellan is not burdened by the "catastrophic" claim risk that characterizes the business of healthcare for physical conditions.

Significant customers

Onex has acquired major operating companies 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.

Certain Onex operating companies have major customers that represent more than 10 percent of annual revenues. The table in note 23 to the consolidated financial statements provides information on the concentration of business the operating companies have with major customers.

Environmental considerations

Onex has an 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 regulations 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 have occurred prior to Onex' acquisition of those companies. The estimated costs of remedial work and related activities are to be provided for either under agreement by the vendor of the company or through 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

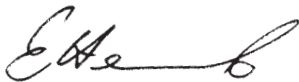
The accompanying consolidated financial statements have been prepared by management and approved by the Board of Directors of the Company. Management is responsible for the information and representations contained in these financial statements and in other sections of this Annual Report.

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 12, 2004



Donald W. Lewtas
Managing Director

Auditors' Report

To the Shareholders of Onex Corporation:

We have audited the consolidated balance sheets of Onex Corporation as at December 31, 2003 and 2002 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, 2003 and 2002 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 12, 2004

Consolidated Balance Sheets

As at December 31 <i>(in millions of dollars)</i>	2003	2002
Assets		
Current assets		
Cash and short-term investments	\$ 2,800	\$ 4,567
Accounts receivable	1,807	2,100
Inventories (note 5)	1,677	1,603
Other current assets	630	559
Current assets held by discontinued operations (note 3)	-	483
	6,914	9,312
Property, plant and equipment (note 6)	3,425	4,102
Investments and other assets (note 7)	843	1,143
Goodwill	2,937	3,870
Intangible assets (note 8)	502	736
Long-lived assets held by discontinued operations (note 3)	-	727
	\$ 14,621	\$ 19,890
Liabilities and Shareholders' Equity		
Current liabilities		
Bank indebtedness, without recourse to Onex	\$ 1	\$ 40
Accounts payable and accrued liabilities	3,400	3,971
Current portion of long-term debt and obligations under capital leases of operating companies, without recourse to Onex	360	224
Current liabilities held by discontinued operations (note 3)	-	784
	3,761	5,019
Long-term debt of operating companies, without recourse to Onex (note 9)	3,428	4,296
Obligations under capital leases, without recourse to Onex (note 10)	60	73
Exchangeable debentures (note 11)	180	203
Other liabilities (note 12)	1,081	1,094
Future income taxes (note 20)	824	899
Long-term liabilities held by discontinued operations (note 3)	-	569
	9,334	12,153
Non-controlling interests	4,994	6,693
Shareholders' equity	293	1,044
	\$ 14,621	\$ 19,890

Commitments and contingencies are reported in notes 10 and 24.

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>	2003	2002
Revenues	\$ 17,108	\$ 21,007
Earnings Before the Undernoted Items	\$ 1,082	\$ 1,630
Amortization of property, plant and equipment	(649)	(722)
Amortization of intangible assets and deferred charges	(102)	(181)
Interest expense of operating companies (note 15)	(353)	(362)
Interest and other income	59	80
Foreign exchange gains (loss)	(130)	17
Stock-based compensation (note 14)	14	142
Gains on shares of operating companies, net (note 4)	129	21
Acquisition, restructuring and other expenses (note 16)	(178)	(715)
Debt prepayment costs (note 17)	(15)	(34)
Writedown of goodwill and intangible assets (note 18)	(402)	(425)
Writedown of long-lived assets (note 19)	(88)	-
Loss before income taxes, non-controlling interests and discontinued operations	(633)	(549)
Provision for income taxes (note 20)	(150)	(11)
Non-controlling interests in operating companies	221	484
Loss from continuing operations	(562)	(76)
Earnings (loss) from discontinued operations (note 3)	230	(69)
Net Loss for the Year	\$ (332)	\$ (145)
Net Earnings (Loss) per Subordinate Voting Share (note 21)		
Basic:		
Continuing operations	\$ (3.66)	\$ (0.47)
Discontinued operations	\$ 1.50	\$ (0.43)
Net loss	\$ (2.16)	\$ (0.90)
Diluted:		
Continuing operations	\$ (3.66)	\$ (0.47)
Discontinued operations	\$ 1.50	\$ (0.43)
Net loss	\$ (2.16)	\$ (0.90)

Consolidated Statements of Shareholders' Equity

<i>(in millions of dollars except per share data)</i>	Share Capital (note 13)	Retained Earnings (note 13)	Cumulative Translation Adjustment	Total Shareholders' Equity
Balance – December 31, 2001	\$ 659	\$ 462	\$ 120	\$ 1,241
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
Dividends declared ^(a)	-	(17)	-	(17)
Issue of shares – dividend reinvestment plan and exercise of options	6	-	-	6
Purchase and cancellation of shares	(46)	(120)	-	(166)
Currency translation adjustment	-	-	(242)	(242)
Net loss for the year	-	(332)	-	(332)
Balance – December 31, 2003	\$ 618	\$ (190)	\$ (135)	\$ 293

(a) Dividends declared per Subordinate Voting Share during 2003 totalled \$0.11 (2002 – \$0.11).

Consolidated Statements of Cash Flows

Year ended December 31 <i>(in millions of dollars)</i>	2003	2002
Operating Activities		
Net loss for the year from continuing operations	\$ (562)	\$ (76)
Items not affecting cash:		
Amortization of property, plant and equipment	649	722
Amortization of intangible assets and deferred charges	102	181
Writedown of goodwill and intangible assets	402	425
Writedown of long-lived assets	88	-
Non-cash component of acquisition, restructuring and other expenses	(3)	384
Non-controlling interests in results of operating companies	(221)	(484)
Future income taxes (note 20)	88	(57)
Stock-based compensation	(14)	(142)
Gains on shares of operating companies, net (note 4)	(129)	(21)
Other	(79)	(49)
	321	883
Increase in other liabilities	15	9
Changes in non-cash working capital items:		
Accounts receivable	(16)	501
Inventories	(342)	1,013
Other current assets	(25)	107
Accounts payable and accrued liabilities	6	(688)
Decrease (increase) in non-cash net working capital related to operations	(377)	933
	(41)	1,825
Financing Activities		
Issuance of long-term debt	793	1,847
Repayment of long-term debt	(831)	(2,073)
Cash dividends paid	(12)	(14)
Repurchase of share capital	(166)	(26)
Issuance of share capital by operating companies	116	279
Repurchase of share capital by operating companies	(691)	(174)
Decrease in other financing activities	(58)	(32)
	(849)	(193)
Investing Activities		
Acquisition of operating companies, net of cash in acquired companies of \$11 (2002 - \$201) (note 2)	(180)	(480)
Purchase of property, plant and equipment	(575)	(501)
Proceeds from sales of shares of operating companies	256	26
Net decrease in investments and other investing activities	200	165
	(299)	(790)
Cash from discontinued operations (note 3)	10	47
Increase (Decrease) in Cash and Short-term Investments for the Year	(1,179)	889
Decrease in cash and short-term investments due to changes in foreign exchange rates	(663)	(27)
Cash and short-term investments - beginning of the year*	4,642	3,780
Cash and Short-term Investments - End of the Year	\$ 2,800	\$ 4,642

*Includes cash from discontinued operations of \$75 at December 31, 2002 (note 3).

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, 2003		December 31, 2002	
	Ownership	Voting	Ownership	Voting
Celestica	19%	85%	18%	84%
ClientLogic	71%	89%	69%	88%
Loews Cineplex Group	51%	96%	51%	97%
Dura Automotive	8%	51%	8%	52%
J.L. French				
Automotive Castings	56%	100%	56%	100%
Performance				
Logistics Group	50%	100%	50%	100%
Bostrom	49%	100%	49%	100%
Trim Systems	79%	100%	78%	100%
Radian	71%	80%	71%	80%
InsLogic	52%	57%	51%	58%
ONCAP	25%	100%	25%	100%
Lantic Sugar/Rogers Sugar	-	-	28%	60%
MAGNATRAX	-	-	92%	100%
Galaxy Entertainment	-	-	73%	79%

The ownership percentages are before the effect of any potential dilution relating to the Management Investment Plans as described in note 24(d).

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 11 and 22(b). The dilutive effect of these instruments, if exercised, as well as the effect of the Management Investment Plans as described in note 24(d), would be to reduce the above ownership and voting percentages to 13% (2002 – 12%) and 80% (2002 – 78%), respectively.

The voting interest includes shares that 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 boards 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 \$193 (2002 – \$105), net liabilities of \$3 (2002 – \$2) and net earnings before income taxes of \$2 (2002 – \$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.

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 suggest that the carrying amount of an asset may not be recoverable. Effective January 1, 2003, the Company adopted the new *CICA Handbook* Section 3063, “Impairment or Disposal of Long-lived Assets” and the revised Section 3475, “Disposal of Long-lived Assets and Discontinued Operations”. The new standards harmonize Canadian and U.S. GAAP. 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 undiscounted 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 for these assets to 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.

Previously, long-lived assets were written down to net recoverable value if the undiscounted future cash flows were less than net book value. Under the new standard, assets must be classified as either held for use or available for sale. Impairment losses for assets held for use are measured based on fair value which is measured by discounted cash flows. Available for sale assets are measured based on the lower of cost and expected proceeds less direct costs to sell.

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. Gains and losses are included in the income statement.

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. Essentially all of the goodwill and intangible asset amounts that appear on the consolidated balance sheets were recorded by the operating companies. The recoverability of goodwill and intangible assets with indefinite lives is assessed annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment is tested at the reporting unit level by comparing the carrying value to the fair value. When the carrying value exceeds the fair value, an impairment of goodwill exists. The impairment is measured by comparing the fair value of the goodwill, determined in a manner similar to that for a purchase price allocation, to the carrying amount.

Intangible assets, including intellectual property, are recorded at their allocated cost at the date of acquisition of the related operating company. Amortization is provided for intangible assets, including intellectual property, on a straight-line basis over their estimated useful lives, which range from five to 25 years. The weighted average period of amortization at December 31, 2003 was approximately 10 years (2002 – eight 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, 2003.

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.

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 revenues.

Revenue from product sales is primarily in the electronics manufacturing services and automotive products segments. Product sales revenue is recognized upon shipment, since title has passed to the customer. Certain operating companies in the automotive segment enter into agreements to produce products for their customers at the beginning of a given vehicle's production cycle. Once such agreements are entered into by the company, fulfillment of the customers' purchasing requirements is the obligation of the company for the entire production life of the vehicle, often with terms averaging seven years and no provisions to terminate such contracts. In certain instances, the operating company is committed under existing agreements to supply products to its customers at selling prices that are not sufficient to cover the costs to produce such products. In such situations, the operating company records a liability for the estimated future amount of the losses. Such losses are recognized at the time that the loss is probable and reasonably estimable and are recorded at the minimum amount necessary to fulfill the company's obligation to the customer.

Depending on the terms under which the operating companies supply product, the operating companies may also be responsible for some or all of the repair or replacement costs of defective products. The companies establish reserves for issues that are probable and estimable in amounts management believes are adequate to cover ultimate projected claim costs. The final amounts determined to be due related to these matters could differ significantly from recorded estimates.

In the electronics manufacturing services segment, Celestica has contractual arrangements with certain customers that require the customer to purchase certain inventory that Celestica has purchased to fulfill forecasted manufacturing demand provided by that customer. Celestica accounts for raw material returns as reductions in inventory and does not record revenue on these transactions.

Revenue from services is primarily in the customer management services and theatre exhibition segments. Service revenue is recognized primarily as services are performed and, for the theatre exhibition segment, when admission and concession sales are received at the theatres.

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 2003 were \$36 (2002 – \$115). 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". This standard 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, 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 13(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. The Company has recorded a liability for the potential future settlement of the value of vested options at the balance sheet date by reference to the value of Onex shares at that date. On a quarterly basis, the liability is adjusted up or down for the change in the market value of the underlying shares, with the corresponding amount reflected in the consolidated statements of earnings.

The second type of plan is the Management Investment Plan (the "MIP"), which is described in note 24(d). 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 statements of earnings.

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-based 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-based method. This information is included in note 14.

Use of estimates

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management of Onex and its operating companies to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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 2003 and 2002 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.

2003 ACQUISITIONS**a) Dura Automotive**

In July 2003 Dura Automotive completed the acquisition of the Creation Group. The Creation Group is headquartered in Indiana, United States, and is a premier designer and manufacturer of windows, doors and specialty products for the North American recreational vehicle, motor vehicle accessories and manufactured housing markets. The total purchase price of \$81 was financed with cash on hand at Dura Automotive.

b) ONCAP

In March 2003 ONCAP completed the acquisition of Western Inventory Service Ltd. ("WIS"). WIS is a leading North American provider of data collection and inventory counting services, headquartered in Ontario, Canada. The total purchase price of \$73 was financed with \$61 of borrowings, which are without recourse

to Onex or ONCAP, and \$12 of equity. ONCAP invested \$18 in the debt and \$12 in the equity of WIS, of which Onex' share was \$4 and \$3, respectively. Onex has indirect voting control of WIS.

c) ClientLogic

In December 2003 ClientLogic completed the acquisition of Service Zone Holdings, Inc. ("Service Zone"), headquartered in Florida, United States. Service Zone is a low-cost provider of high-quality call centre operations. The net purchase price of \$27 was financed with cash on hand at ClientLogic. Onex invested approximately \$24 in the equity of ClientLogic to provide a significant portion of the funds required for the acquisition.

d) Radian

In December 2003 Radian acquired certain assets from ROHN Industries, Inc. located in the United States. The total purchase price of \$10 was funded with cash borrowed by Radian from Onex.

e) 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 2003 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 dates 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 nil. As at December 31, 2003, accounts payable and accrued liabilities and long-term liabilities include \$8 and \$20, respectively, for these and earlier acquisitions.

Details of the 2003 acquisitions, which are all accounted for as purchases, are as follows:

2003 Acquisitions

	Dura Automotive ^(a)	ONCAP ^(b)	ClientLogic ^(c)	Radian ^(d)
Cash	\$ -	\$ 6	\$ 5	\$ -
Current assets	39	8	20	4
Goodwill	25	50	8	-
Intangible assets	12	20	10	-
Property, plant and equipment and other long-term assets	26	8	47	6
	102	92	90	10
Accounts payable and accrued liabilities	(21)	(12)	(24)	-
Acquisition financing	-	(61)	-	-
Other long-term liabilities	-	(7)	(39)	-
	81	12	27	10
Non-controlling interests in net assets	-	(9)	-	-
Interest in net assets acquired	\$ 81	\$ 3	\$ 27	\$ 10

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 world's 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 the Loeks-Star Partnership ("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, primarily in metropolitan Detroit, with 10 theatres and a total of 156 screens at the time of acquisition.

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 invested a total of \$489 for a 51% equity ownership at the time of acquisition, and retains voting control of Loews Cineplex, Loeks-Star and Cinemex. Onex held \$40 face value of Loews Cineplex' restructured bank debt, which was eliminated upon consolidation at December 31, 2002.

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

c) ONCAP

In July 2002 ONCAP's subsidiary, CMC Electronics Inc. ("CMC"), 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.

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 dates of acquisition.

The cost of acquisitions made during 2002 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
Accounts payable and accrued 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 was 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. In fiscal 2003 Onex sold its interest in RSIF as described in note 3.

3. EARNINGS (LOSS) FROM DISCONTINUED OPERATIONS

a) In June 2003 the Company entered into an agreement to sell its remaining interest in RSIF and the transaction was completed on July 14, 2003. The net proceeds from the sale amounted to \$90. The gain on the disposition of the units amounted to \$55 before a tax provision of \$2. Onex’ share of the net earnings of Lantic Sugar and Rogers Sugar up to the date of the sale amounted to \$13 (2002 – \$1). This includes an accounting dilution gain in 2003 of \$12 as a result of an 11.4 million trust unit offering by RSIF in February 2003. These combined items resulted in net earnings from discontinued operations in 2003 of \$66 (2002 – \$1). The revenue from these operations amounted to \$200 up until July 14, 2003, and \$377 for the year ended December 31, 2002.

Under the terms of the Management Investment Plan (the “MIP”) as described in note 24(d), management members participated in the realizations the Company achieved on RSIF. Amounts paid on account of the RSIF sale related to the MIP amounted to \$5 and are included in discontinued operations. The discontinued amount also includes \$5 of other costs.

b) In September 2003 the Canadian operations of MAGNATRAX emerged from bankruptcy protection. Both MAGNATRAX and Onex relinquished essentially all of their ownership interests and ceased to control the Canadian operations at that time. MAGNATRAX’ U.S. operations received court approval of its reorganization plan filed in Bankruptcy Court in the fourth quarter of 2003. As a result, under the approved plan Onex ceased to have effective control of MAGNATRAX and thus the operations were reported as discontinued in 2003. Onex’ share of MAGNATRAX’ operational loss in 2003 amounted to \$110. Included in the 2003 results is a \$274 accounting gain resulting from the write-off of Onex’ negative investment in MAGNATRAX. The net of these two amounts is earnings from discontinued operations attributable to MAGNATRAX of \$164. There were no taxes attributable to these transactions. The net loss for the year ended December 31, 2002 was \$61. Revenue from MAGNATRAX amounted to \$677 and \$1,087 for the nine months ended September 30, 2003 and the year ended December 31, 2002, respectively.

c) During 2003 certain operations in the automotive segment were sold. Revenue from these operations amounted to \$21 and \$174 for the years ended December 31, 2003 and 2002, respectively.

The results of these operations have been reclassified in the audited consolidated statements of earnings and audited consolidated statements of cash flows for the year ended December 31, 2002 as discontinued operations. The amounts for discontinued operations included in the December 31, 2002 consolidated balance sheets are as follows:

As at December 31	2002			
	RSIF ^(a)	MAGNATRAX ^(b)	Automotive ^(c)	Total
Cash and short-term investments	\$ 52	\$ 23	\$ -	\$ 75
Accounts receivable	37	140	38	215
Inventories	42	101	14	157
Other current assets	7	28	1	36
Current assets held by discontinued operations	138	292	53	483
Property, plant and equipment	196	122	-	318
Other assets	51	19	-	70
Goodwill	243	60	-	303
Intangible assets	-	36	-	36
Long-lived assets held by discontinued operations	490	237	-	727
Accounts payable and accrued liabilities	(63)	(172)	(54)	(289)
Current portion of long-term debt, without recourse to Onex	(13)	(482)	-	(495)
Current liabilities held by discontinued operations	(76)	(654)	(54)	(784)
Long-term debt, without recourse to Onex	(231)	1	-	(230)
Other liabilities and non-controlling interests	(310)	(29)	-	(339)
Long-term liabilities held by discontinued operations	(541)	(28)	-	(569)
Net assets (liabilities) of discontinued operations	\$ 11	\$ (153)	\$ (1)	\$ (143)

4. GAINS ON SHARES OF OPERATING COMPANIES, NET

During 2003 and 2002 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	2003	2002
Gains (loss) on:		
Gain on initial public offering of Cineplex Galaxy Income Fund ^(a)	\$ 118	\$ -
Sale of investment by Vencap ^(b)	16	13
Other, net	(5)	8
	\$ 129	\$ 21

a) In November 2003, an initial public offering was made of Cineplex Galaxy Income Fund ("CGIF") of 19.4 million units priced at \$10 per unit. The proceeds of this offering were used by CGIF to invest in 46% of the limited partnership units of Cineplex Galaxy Limited Partnership (the "Partnership"), which in turn acquired substantially all of the assets of Cineplex Odeon Canada

("Cineplex Odeon") from Loews Cineplex and all of the shares of Galaxy Entertainment Inc. ("Galaxy"), another Canadian exhibitor controlled by Onex. Loews Cineplex received approximately \$216 of proceeds and Onex received \$20 of proceeds from this transaction. Approximately US\$120 was utilized by Loews Cineplex to pay down outstanding debt as described in note 9. Following the closing, the Company retained a 54% interest in the Partnership. The gain includes both a realized gain arising from the cash received and a dilution component.

b) During 2003 Vencap received proceeds of \$20 (2002 - \$13) on the disposition of its remaining investments.

5. INVENTORIES

Inventories comprised the following:

As at December 31	2003	2002
Raw materials	\$ 1,127	\$ 967
Work in progress	218	240
Finished goods	332	396
	\$ 1,677	\$ 1,603

Notes to Consolidated Financial Statements

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment comprised the following:

As at December 31	2003			2002		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Land and buildings	\$ 2,076	\$ 381	\$ 1,695	\$ 2,263	\$ 281	\$ 1,982
Machinery and equipment	3,454	1,825	1,629	3,791	1,760	2,031
Construction in progress	101	-	101	89	-	89
	\$ 5,631	\$ 2,206	\$ 3,425	\$ 6,143	\$ 2,041	\$ 4,102

The above amounts include property, plant and equipment under capital leases of \$166 (2002 – \$144) and related accumulated amortization of \$75 (2002 – \$60).

As at December 31, 2003, property, plant and equipment included \$72 representing assets available for sale.

7. INVESTMENTS AND OTHER ASSETS

Investments and other assets comprised the following:

As at December 31	2003	2002
Investments:		
Private entities – at cost ^(a)	\$ 42	\$ 77
Public entities – at cost ^(b)	36	86
Marketable securities – at market values ^(c)	34	64
Equity-accounted investments	38	36
Deferred charges:		
Debt issuance costs	29	41
Other ^(d)	150	118
Future income taxes (note 20)	462	644
Other	52	77
	\$ 843	\$ 1,143

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

b) The market value of the public entities as at December 31, 2003 was \$69 (2002 – \$98).

c) Included in marketable securities is a \$33 (2002 – \$55) net investment made by a subsidiary of the Company which involved 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 which manages other similar funds. This net investment consisted at December 31, 2003 of \$244 (2002 – \$293) in convertible securities and cash offset by \$211 (2002 – \$238) 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.

8. INTANGIBLE ASSETS

Intangible assets comprised the following:

As at December 31	2003	2002
Intellectual property with limited life, net of accumulated amortization of \$149 (2002 – \$201)	\$ 105	\$ 204
Intangible assets with limited life, net of accumulated amortization of \$176 (2002 – \$122)	247	345
Intangible assets with indefinite life	150	187
	\$ 502	\$ 736

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 the acquisition of certain facilities.

9. 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		2003	2002
ClientLogic^(a)	Revolving credit facility due 2004	\$ 139	\$ 187
	Other, including debt denominated in foreign currencies	100	50
		239	237
Loews Cineplex Group^(b)	Revolving credit facilities	–	129
	Term loans due 2004 through 2008	718	910
	Other	8	9
	726	1,048	
Dura Automotive^(c)	Revolving credit facility and term loans due 2008	192	235
	9.0% senior subordinated notes due 2009	750	878
	8.6% senior unsecured notes due 2012	519	552
	Mandatory redeemable convertible trust preferred securities	71	87
	Other, including debt denominated in foreign currencies	19	29
	1,551	1,781	
J.L. French^(d)	Revolving credit facility and term loans due 2006 and 2007	507	542
	11.5% subordinated notes due 2009	227	276
	8% redeemable shares	78	95
	Other	39	75
	851	988	
Performance Logistics Group^(e)	Revolving credit facility due 2006	16	17
	Term loan due 2006	58	74
	74	91	
Bostrom^(f)	Revolving credit facility and term loans due 2006	86	96
	Other	16	29
	102	125	
Trim Systems^(g)	Revolving credit facility and term loans due 2006	53	57
	Other	10	12
	63	69	
Radian^(h)	Revolving credit facility and term loan due 2005	32	29
	Subordinated secured notes due 2007	15	–
	47	29	
InsLogic⁽ⁱ⁾	Redeemable, convertible preferred shares and other	93	99
ONCAP companies^(j)	Revolving credit facilities and term loans due 2004 to 2015	143	135
	Other	47	52
	190	187	
Other		1	1
Less: long-term debt held by Onex		(171)	(156)
		3,766	4,499
Current portion of long-term debt of operating companies		(338)	(203)
Consolidated long-term debt of operating companies, without recourse to Onex		\$ 3,428	\$ 4,296

Onex does not guarantee the debt 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 sale of assets. In addition, certain financial covenants must be met by each of the operating companies.

Future changes in business conditions may result in non-compliance with certain covenants. No adjustments to the carrying amount or classification of assets or liabilities of these entities have been made in the consolidated financial statements with respect to this possible non-compliance.

The revolving credit facility of ClientLogic Corporation ("ClientLogic") matures in October 2004, and has accordingly been classified as current in these financial statements. ClientLogic believes that existing cash and cash equivalents, along with cash funded through operations and credit availability under its bank credit facility, will be sufficient to support its operations through the maturity of its current credit facility. The company has commenced discussions with various parties and is confident that financing sources will be available to support growth and expansion initiatives following the maturity of the credit facility. There can be no assurance, however, that the required financing will be available on acceptable terms. Onex has provided a funding commitment of US\$55 that the company may call upon. Information on the existing borrowings is discussed in paragraph (a) below.

Performance Logistics Group ("PLG") did not achieve compliance with its debt covenants as at December 2003 and received a waiver from its financial institutions which extends to February 27, 2004. Management of PLG is not certain that the company will be able to achieve compliance with its current debt covenant requirements through to December 2004. Accordingly, all of PLG's long-term debt of US\$57 has been classified as current on the consolidated balance sheet as at December 31, 2003. The company is in discussions with its lenders and other parties on alternate solutions that would enable the company to achieve compliance with debt covenant requirements and ensure adequate liquidity in the future. While management of PLG believes that a satisfactory resolution can be achieved, accounting rules require that the debt be classified as current until an agreement is reached. The debt of PLG is without recourse to Onex. No adjustment has been made in the consolidated financial statements to the carrying value of PLG. The net book value of the investment in PLG in the consolidated financial statements at December 31, 2003 was negative \$58. Information on the existing borrowings is provided in paragraph (e) which follows.

a) ClientLogic

ClientLogic Corporation ("ClientLogic") has up to US\$125 available under the terms of an amended and restated revolving credit facility. The facility 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 facility, US\$125 is due in October 2004. At December 31, 2003 and 2002 the company had US\$16 and US\$5, respectively, available under this facility. The credit facility bears interest at the lender's base rate or LIBOR plus a margin, depending on certain financial ratios. At December 31, 2003, there were US\$107 (2002 – US\$119) in borrowings outstanding at a weighted average interest rate of 3.8% (2002 – 5.0%). 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 facility. The holders of the notes may elect to be paid in cash or in shares of Class A voting common stock of ClientLogic at their market value on each respective payment date.

ClientLogic has US\$23 (2002 – 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 12.0%. Interest compounds and is added to the notes. The amount of accrued interest at December 31, 2003 was US\$3 (2002 – US\$2).

ClientLogic has US\$54 (2002 – US\$11) in other debt instruments with varying terms. Included in this amount is a demand note of US\$25 (2002 – US\$3) to Onex.

ClientLogic has entered into an interest rate swap agreement that effectively fixes the interest rate at 4.6% on US\$70 of borrowings under the revolving credit facility. The interest rate swap agreement expires in 2006.

b) Loews Cineplex Group

In March 2002 Loews Cineplex entered into a US\$680 term loan agreement that matures in February 2008. The agreement 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, 2003 were US\$307 (2002 – US\$426). The average interest rate on the term loan facility was 4.9% in 2003 (2002 – 5.7%).

In March 2002 Loews Cineplex also entered into a credit agreement comprised of a US\$85 exit revolving credit facility and a US\$55 exit term loan including US\$10 and US\$20, respectively, available in Canada. U.S.-dollar loans under the exit term loan bear interest at either the base rate plus 2.75% or at an adjusted euro rate plus 3.75%. Canadian-dollar 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 U.S. dollar portion of the exit term loan were US\$31 at December 31, 2003 (2002 – US\$35). The average interest rate on the U.S. dollar borrowings under the credit agreement was 5.1% (2002 – 5.6%). At December 31, 2002, Loews Cineplex had a US\$20 exit term loan that was repaid in 2003 as part of the permanent reduction in Loews Cineplex' credit facilities.

Borrowings under the term loan and revolving credit facility are collateralized by the assets of Loews Cineplex and its subsidiaries and are without recourse to Onex.

In September 2003 Loews Cineplex received an amendment from its bank syndicate that permitted the company to (i) sell assets of Cineplex Odeon; (ii) utilize proceeds to return up to US\$80 in capital to shareholders; and (iii) have Cineplex Odeon released from obligations under the credit facilities. Additionally, the company agreed to utilize US\$120 of the proceeds from such asset sales for repayment and permanent reduction of the amounts available under its credit facilities. This amendment became effective on September 26, 2003. On November 26, 2003, Loews Cineplex received approximately US\$164 in proceeds relating to the closing of the Cineplex Galaxy Income Fund and utilized US\$120 of these proceeds to repay and permanently reduce its credit facilities (see note 4).

In November 2003 Loews Cineplex sold substantially all of the assets in its Canadian subsidiary, Cineplex Odeon, to the Cineplex Galaxy Income Fund ("CGIF"). In connection with that transaction, CGIF entered into new credit facilities, comprised of a \$110 senior secured term facility that matures in November 2006 as well as two senior secured revolving credit facilities, one in the principal amount of \$20 (the working capital facility) and the other in the principal amount of \$40 (the development facility). As of December 31, 2003, \$110 was outstanding. Both senior secured revolving credit facilities are three-year revolving term loans and are payable at maturity. The senior secured term facility requires that the principal be paid at maturity and bears interest at the prime business rate plus a margin, depending on certain financial ratios. The average interest rate on the senior secured term facility was 5.4% in 2003. The senior secured revolving credit facilities bear interest at the prime business rate plus a margin, depending on certain financial ratios. There were no balances outstanding against the revolving portion of this credit facility.

In December 2003 the Cineplex Galaxy Limited Partnership entered into an interest rate swap at an interest rate of 4.29%. The swap is for a term of three years and the initial principal outstanding is \$44.

Borrowings under the CGIF credit agreement are collateralized by CGIF's assets and are without recourse to Onex.

Loews Cineplex had US\$6 (2002 – US\$5) in mortgages on various properties as at December 31, 2003.

Grupo Cinemex, S.A. de C.V. ("Cinemex") has a credit facility providing for one billion Mexican pesos (US\$89) that was fully drawn at both December 31, 2003 and 2002. The term credit facility bears interest at the Mexican Tasa de Interes Interbancaria de Equilibrio ("TIIE") rate plus a margin, payable monthly, and matures in December 2007. Semi-annual repayments commence in December 2004. The effective interest rate for 2003 was 7.9% (2002 – 10.2%).

During 2003, Cinemex entered into an interest rate swap agreement that became effective June 19, 2003 to convert variable rate debt based on the TIIE of one billion Mexican pesos to 8.5% fixed rate debt due December 26, 2007.

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 matured in May 2003 and was fully repaid.

c) Dura Automotive

Dura Automotive Systems, Inc. ("Dura Automotive") has a credit agreement that provides for a revolving credit facility of US\$175 due in October 2008 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 agreement bears interest based on LIBOR and was 3.7%. The balance outstanding on the term loans at December 31, 2003 was US\$148 (2002 – US\$149). There were no borrowings against the revolving credit facility at December 31, 2003 (2002 – nil). The weighted average interest rate on the revolving credit facility and term loans was 3.8% in 2003 (2002 – 4.9%). Borrowings under the credit agreement are collateralized by substantially all of the assets of Dura Automotive.

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. The company completed an additional offering of US\$50 8.6% senior unsecured notes ("2003 senior notes") that mature in April 2012. The interest on the 2003 senior notes is payable semi-annually beginning April 15, 2004. As at December 31, 2003, there was US\$400 in 8.6% senior unsecured notes outstanding.

Net proceeds from this offering of approximately US\$48.5 were used to replenish cash balances used to fund the acquisition of the Creation Group. In conjunction with this transaction, Dura Automotive amended and restated its revolving credit facility. The new revolving credit facility will provide US\$175 of revolving credit until October 2008. Dura Automotive also entered into a fixed to floating interest rate swap (notional amount of US\$75) with various financial institutions that more closely mirrors the cost of its bank debt. In connection with the termination of Dura Automotive's existing Credit Agreement, Dura Automotive wrote off debt issuance costs of approximately US\$3 during the fourth quarter of 2003. See note 17 for debt prepayment costs.

At December 31, 2003, Dura Automotive had US\$579 of 9% senior subordinated notes that mature in May 2009 and are payable semi-annually. The notes are collateralized by guarantees of certain Dura Automotive subsidiaries.

Dura Automotive had US\$55 of 7.5% redeemable convertible trust preferred securities outstanding at December 31, 2003. 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.

As at December 31, 2003, Dura Automotive had other long-term debt with varying terms outstanding of US\$15 (2002 – US\$18).

d) 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\$230 (2002 – US\$223). The weighted average interest rate on the term loans was 8.7% in 2003 (2002 – 7.8%). The revolving credit facility bears interest at prime or LIBOR plus a margin and is payable quarterly. At December 31, 2003, borrowings under the revolving credit facility were US\$60 (2002 – US\$27). The average interest rate on borrowings under the revolving credit facility was 6.5% (2002 – 6.4%). 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.

Under the refinancing completed in December 2002, J.L. French issued a second secured lien term loan of US\$96, the net proceeds of which were US\$94. Of the outstanding debt balance, US\$7 is accrued interest paid in kind. As at December 31, 2003, US\$101 (2002 – US\$94) was outstanding. The second lien term loan matures in December 2007 and bears interest at 12.0%, payable quarterly. In addition, deferred interest at 7.0% 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 2003 or 2002.

J.L. French has US\$60 of Class P redeemable 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 redeemable 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.

J.L. French has US\$175 of 11.5% senior subordinated notes due in 2009 outstanding from its May 1999 offering. As at December 31, 2003, J.L. French had US\$30 (2002 – US\$62) in other long-term debt with various terms.

e) 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 the term loan bear interest at LIBOR plus a margin. The outstanding borrowings on the revolving credit facility at December 31, 2003 were US\$12 (2002 – US\$11) and on the term loan were US\$45 (2002 – US\$47). The weighted average interest rate on borrowings under the credit agreement for 2003 was 4.9% (2002 – 5.1%). Quarterly repayments are required on borrowings under the term loan. Borrowings under the credit agreement are collateralized by substantially all of the assets of PLG.

f) Bostrom

In March 2003 CVS Holdings, Inc. merged with a subsidiary of Bostrom Holding, Inc. ("Bostrom"). In connection with this merger the credit agreement was amended and restated, increasing the amount of availability under the revolving credit facilities to US\$35 and under the term loan to US\$56. The amended and restated credit agreement matures in January 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, 2003, total borrowings outstanding on the revolving credit facility were US\$23 (2002 – US\$20), of which US\$7.6 (2002 – US\$5) was denominated in pounds sterling. At December 31, 2003, the company had borrowings outstanding on the term loan of US\$43 (2002 – US\$41), of which US\$10.3 (2002 – US\$4) were denominated in pounds sterling. The weighted average interest rates on the revolving credit facility and term loans ranged from 4.9% to 7.8% during 2003 (2002 – 4.9% to 7.3%). Quarterly repayments are required on borrowings under the term loans. The assets of Bostrom collateralize borrowings under the credit agreement.

In August 2002 the company issued subordinated debt in the amount of US\$2.5. The debt bears interest at 12% and matures in September 2006. Accrued interest over the term of the obligation is payable in kind until maturity. At December 31, 2003, the company recorded US\$3 (2002 – US\$2.5) in principal and interest.

In connection with the purchase of Bostrom, sterling loan notes were issued in exchange for certain shares acquired by the company. The notes bear interest at LIBOR and are due in December 2004. At December 31, 2003, there were US\$3 (2002 – US\$9) in notes outstanding. As well, there was an industrial bond in the amount of US\$6.5 outstanding at December 31, 2003 and 2002.

Bostrom had entered into an interest rate collar agreement that effectively fixed the range of interest rates on US\$23 of variable rate loans at between 4½% and 6.0%. The collar agreement expired in October 2003.

Prior to the merger, CVS Holdings, Inc. entered into an interest rate swap agreement that effectively converted US\$24 of variable rate loans into fixed rate obligations at 10.0%. The interest rate swap agreement expired in March 2003.

g) Trim Systems

Trim Systems, LLC (“Trim Systems”) has available a revolving credit facility of US\$16 and US\$50 of term loans. At December 31, 2003, there were US\$4 and US\$37 (2002 – US\$2 and US\$39), respectively, in outstanding borrowings on the revolving credit facility and term loans. 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 2003 was 5.5% (2002 – 6.2%). Borrowings under the credit agreements are due in June 2006. Principal repayments are based on excess cash flow and began in April 2003 as well as quarterly principal payments beginning in the second quarter of 2004. Borrowings under the credit agreements are collateralized by substantially all of Trim Systems’ assets.

The company has a US\$7 five-year promissory note owed to Onex. Interest is at prime plus 1.25%. The note is collateralized by all of the assets of Trim Systems and is eliminated upon consolidation. At December 31, 2003, principal and interest amounted to US\$8 (2002 – US\$7).

h) Radian

Radian’s credit agreement has a revolving credit facility of \$20 and a term loan of \$15. Borrowings under the credit agreement are due in June 2005. Both the revolving credit facility and term loan bear interest at short-term borrowing rates plus a margin. The outstanding borrowings at December 31, 2003 on the revolving credit facility and term loan were \$17 and \$15 (2002 – \$14 and \$15), respectively. The weighted average interest rate for borrowings under the credit agreement was 6.6% in 2003 (2002 – 6.3%). Borrowings under the credit agreement are collateralized by substantially all of the assets of Radian.

In October 2003 Radian issued \$15 in subordinated secured convertible debentures to Onex. The debentures are convertible at any time, at the option of the holder or at Radian’s option, under certain circumstances, into Class A multiple voting shares 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%, plus applicable credit spread, until December 2004.

i) InsLogic

InsLogic has outstanding US\$69 of redeemable, convertible preferred shares, of which Onex has invested US\$27. These redeemable, convertible preferred shares are convertible into InsLogic common shares, 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 redeemable, convertible preferred shares might request, under certain circumstances on or 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.

In 2003 the company issued further redeemable, convertible preferred shares for US\$6, of which Onex invested US\$4 for approximately 63% of the issue.

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The company also issued a convertible note for US\$3 to holders of the Series D-1 redeemable, convertible preferred shares, of which Onex invested US\$1.9. The maturity date is October 2008 and the annual interest rate, payable at maturity, is fixed at 6%. The note may be prepaid at any time.

j) ONCAP Companies

ONCAP's investee companies include Armtec, CMC and WIS. Each has debt that is included in Onex' consolidated financial statements. There are separate arrangements for each of the investee companies with no cross-guarantees between the companies or by Onex.

Under the terms of credit agreements, combined revolving credit facilities of \$41 and term borrowings of \$176 are available. The available facilities bear interest at various rates based on prime, U.S. base or LIBOR plus a margin. During 2003 interest rates ranged from 3.7% to 7.5% (2002 – 4.7% to 8.8%) on borrowings under the revolving credit and term facilities. Quarterly repayments of 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, 2003 were \$143 (2002 – \$135). One of the companies also has available subordinated term credit facilities of \$47, due in 2007, that bear interest at 14.25%, all of which were outstanding at December 31, 2003 and 2002.

One of the investee companies has issued unsecured notes in the total amount of \$21 that bear interest at 18% and are repayable in March 2008, of which Onex owns approximately \$4.

Two of the companies have entered into an interest rate swap agreement that effectively fixes the floating rate on \$94 of variable rate loans at 2.31% to 4.32% until 2007.

k) Celestica

In October 2003 Celestica amended its second global unsecured revolving credit facility from US\$350 to US\$250, maturing October 2004 (from December 2004). 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 2003 or 2002.

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 17 for debt prepayment costs.

Celestica has 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 plus a margin. The facility is repayable in July 2005. There were no borrowings on this facility during 2003 or 2002.

l) The annual minimum repayment requirements for the next five years on long-term debt are as follows:

2004	\$	338
2005	\$	165
2006	\$	756
2007	\$	457
2008	\$	504

10. LEASE COMMITMENTS

The future minimum lease payments are as follows:

	Capital Leases	Operating Leases
For the year:		
2004	\$ 22	\$ 366
2005	21	328
2006	12	284
2007	10	249
2008	6	221
Thereafter	40	1,657
Total future minimum lease payments	\$ 111	\$ 3,105
Less: imputed interest	(29)	
Balance of obligations under capital leases, without recourse to Onex	82	
Less: current portion	(22)	
Long-term obligations under capital leases, without recourse to Onex	\$ 60	

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

11. 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	1.45%	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 a fixed number of subordinate voting shares of Celestica 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 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	2003	2002
Carrying amount (cost)	\$ 729	\$ 729
Deferred amount, included in other liabilities (note 12)	(549)	(526)
Market value	\$ 180	\$ 203

Interest expense related to the exchangeable debentures amounted to \$12 (2002 – \$12) and was netted against interest and other income.

12. OTHER LIABILITIES

Other liabilities comprised the following:

As at December 31	2003	2002
Pension (note 26)	\$ 177	\$ 226
Exchangeable debentures (note 11)	549	526
Stock-based compensation (note 14)	94	115
Acquisition, restructuring and other (notes 2 and 16)	42	55
Other	219	172
	\$ 1,081	\$ 1,094

13. 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.

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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 2003, under the Dividend Reinvestment Plan, the Company issued 317,599 (2002 – 189,281) Subordinate Voting Shares at a total value of \$5 (2002 – \$4). As well, 55,000 (2002 – 50,000) Subordinate Voting Shares were issued upon the exercise of stock options of the Company at a value of \$1 (2002 – \$1).

The Company repurchased and cancelled under Normal Course Issuer Bids 11,586,100 (2002 – 1,587,100) of its Subordinate Voting Shares at a cash cost of \$166 (2002 – \$26) during 2003. The excess of the purchase cost of these shares over the average paid-in amount was \$120 (2002 – \$20), which was charged to retained earnings.

c) At December 31, 2003 the issued and outstanding share capital consisted of 100,000 (2002 – 100,000) Multiple Voting Shares, 148,015,300 (2002 – 159,228,801) Subordinate Voting Shares and 176,078 (2002 – 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, 2003, 15,703,000 (2002 – 15,758,000) Subordinate Voting Shares were reserved for issuance under the Plan, against which options representing 12,259,000 (2002 – 12,250,600) shares were outstanding. The Plan provides that the number of options issued may not exceed 10% of the shares outstanding at the time the options are issued.

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.

Details of options outstanding are as follows:

	Number of Options	Weighted Average Exercise Price
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
Granted	710,000	\$ 14.90
Exercised or surrendered	(596,600)	\$ 7.78
Expired	(105,000)	\$ 18.45
Outstanding at December 31, 2003	12,259,000	\$ 9.66

During 2003 the total cash consideration paid on options surrendered was \$4 (2002 – \$19). 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, 2003 consisted of the following:

Number of Options Outstanding	Exercise Price	Number of Options Exercisable	Exercisable Price	Remaining Life (years)
297,800	\$ 3.32	297,800	\$ 4.15	0.9
4,671,600	\$ 7.30	4,671,600	\$ 9.13	4.1
5,226,600	\$ 8.62	5,226,600	\$ 10.78	4.3
708,000	\$ 20.23	-	\$ 25.29	6.0
680,000	\$ 20.50	-	\$ 25.63	8.5
675,000	\$ 14.90	-	\$ 18.63	9.1
12,259,000		10,196,000		

14. STOCK-BASED COMPENSATION

Included in the consolidated statements of earnings for the year ended December 31, 2003 is a stock-based compensation recovery of \$14, compared to \$142 for the year ended December 31, 2002. The recovery is the result of the change in market value of the shares underlying the options and investment rights.

For the operating companies that do not record the effect of stock options through the statements of earnings, the table below shows pro forma net loss and loss per share adjusted for the effect of options issued since January 1, 2002 under stock option plans at those operating companies.

Pro forma after the effect of operating companies' stock option plans	2003	2002
Pro forma net loss	\$ (351)	\$ (149)
Basic loss per share	\$ (2.28)	\$ (0.93)
Diluted loss per share	\$ (2.28)	\$ (0.93)

15. INTEREST EXPENSE OF OPERATING COMPANIES

Year ended December 31	2003	2002
Interest on long-term debt of operating companies	\$ 315	\$ 335
Interest on obligations under capital leases of operating companies	7	5
Other interest of operating companies	31	22
Interest expense of operating companies	\$ 353	\$ 362

Cash interest paid during the year amounted to \$306 (2002 – \$424).

16. ACQUISITION, RESTRUCTURING AND OTHER EXPENSES

Year ended December 31	2003	2002
Celestica	\$ 128	\$ 636
Dura Automotive	12	24
J.L. French	4	33
Loews Cineplex Group	16	17
ClientLogic	8	-
Other	10	5
	\$ 178	\$ 715

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

The Company records restructuring charges relating to employee terminations, contractual lease obligations and other exit costs in accordance with the new CICA abstracts EIC-134 and EIC-135, which the Company adopted for restructuring activities initiated after March 31, 2003. These standards require the Company to prospectively record any 2003 restructuring charges only when the liability is incurred. Prior to this, the Company recorded restructuring charges based on detailed plans approved and committed to by management. The recognition of these charges requires management to make certain judgments regarding the nature, timing and amounts associated with the planned restructuring activities, including estimating sublease income and the net recovery from equipment to be disposed of. At the end of each reporting period, the Company evaluates the appropriateness of the remaining accrued balances. Restructuring activities relate to the operating companies.

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In January 2003, Celestica recorded a restructuring charge in respect of facility consolidations and a reduction in its workforce as a result of the broad slowdown in technology end-markets being experienced by its customers. Also included were charges in respect of restructuring activities initiated in prior years. The charge included \$93 (2002 – \$195) for employee termination costs, \$33 (2002 – \$99) for lease and other contractual obligations, \$(3) (2002 – \$300) for non-cash asset impairments and \$5 (2002 – \$9) for facility exit costs.

Included in accounts payable and accrued liabilities is \$286 (2002 – \$323) and \$22 (2002 – \$28) in other long-term liabilities relating to various restructuring charges made in the current and prior years, of which \$142 relates to the Celestica transactions described above.

17. DEBT PREPAYMENT COSTS

J.L. French and Dura Automotive incurred costs of \$9 (2002 – \$10) and \$4 (2002 – \$9), respectively, relating to the refinancing of debt for 2003.

Celestica incurred costs related to amending its credit facilities and expensed deferred financing costs of \$2 in 2003. In 2002, related to the redemption of the 10.5% senior subordinated notes, Celestica incurred \$15 in costs.

18. WRITEDOWN OF GOODWILL AND INTANGIBLE ASSETS

Year ended December 31	2003	2002
Celestica ^(a)	\$ 33	\$ 425
J.L. French ^(b)	214	-
PLG ^(c)	142	-
Radian ^(d)	8	-
ClientLogic ^(e)	5	-
	\$ 402	\$ 425

a) During the fourth quarter of 2003, Celestica performed its annual impairment tests in accordance with the new accounting standards. This review resulted in the following writedowns of nil (2002 – \$318) in goodwill, \$24 (2002 – \$42) in intellectual property and \$9 (2002 – \$65) in other intangibles. The impairments in fiscal 2002 arose as a result of the prolonged declines in the computing and communications end-markets affecting the fair value of the reporting units.

b) During the third quarter of 2003, J.L. French completed its annual assessment. Management determined that the fair market value of goodwill associated with certain operating units was lower than the book value of those particular reporting units primarily as a result of lower than anticipated production volumes and a relocation of certain assets within the reporting units. This resulted in an impairment to recorded goodwill at J.L. French of approximately \$214.

c) In 2003 the annual goodwill assessment conducted by the management of PLG resulted in a writedown of \$142. This reflected the reduction in revenue at PLG and the competitive nature of the industry.

d) Radian completed its annual impairment test of goodwill during the third quarter of 2003. The slowdown in the telecommunications sector arising from tightened capital markets and capital-spending restrictions by wireless service providers has impacted revenues and operating results across the sector, resulting in further declines in the fair values of these businesses. As a result, Radian determined that its goodwill was impaired and consequently recognized a goodwill impairment charge of \$8.

e) During ClientLogic's annual assessment of intangible assets, it was determined that a component of the existing client contracts was impaired. This resulted in a writedown of \$5 in 2003.

19. WRITEDOWN OF LONG-LIVED ASSETS

Year ended December 31	2003	2002
Celestica ^(a)	\$ 70	\$ -
J.L. French ^(b)	11	-
Other	7	-
	\$ 88	\$ -

a) In 2003, Celestica recorded an impairment of \$70 against property, plant and equipment, of which \$18 related to the buyout of a leased facility.

b) In 2003, J.L. French's annual assessment of its long-lived assets determined that the Mexican facility was not producing an acceptable profit margin, and it was decided that the business would be resourced to another supplier. This resulted in a \$7 write-down in the carrying value of long-lived assets. The balance of \$4 related to the restructuring of various U.K. operations.

20. INCOME TAXES

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

Year ended December 31	2003	2002
Income tax recovery at statutory rates	\$ 232	\$ 220
Increase (decrease) related to:		
Increase in valuation allowance	(272)	(251)
Amortization of non-deductible items	(60)	(65)
Income tax rate differential of operating companies	10	8
Non-taxable accounting gains	1	5
Other, including permanent differences	(61)	72
Provision for income taxes	\$ (150)	\$ (11)
Classified as:		
Current	\$ (62)	\$ (68)
Future	(88)	57
Provision for income taxes	\$ (150)	\$ (11)

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

As at December 31	2003	2002
Future income tax assets:		
Net operating losses carried forward	\$ 1,178	\$ 1,251
Accounting provisions not currently deductible	243	253
Scientific research deductions and credits	66	80
Property, plant and equipment, intangible and other assets	342	453
Share issue costs of operating companies	28	15
Acquisition and integration costs	59	104
Pension and non-pension post-retirement benefits	28	14
Other	49	77
Less: valuation allowance	(1,440)	(1,473)
	553	774
Future income tax liabilities:		
Property, plant and equipment, intangible and other assets	(239)	(249)
Pension and non-pension post-retirement benefits	(18)	(18)
Gains on shares of operating companies	(590)	(628)
Other	23	(4)
	(824)	(899)
Future income tax liabilities, net	\$ (271)	\$ (125)
Classified as:		
Current asset	\$ 91	\$ 130
Long-term asset	462	644
Long-term liability	(824)	(899)
Future income tax liabilities, net	\$ (271)	\$ (125)

Notes to Consolidated Financial Statements

The Company and its investment-holding operating companies have tax-loss carryforwards of approximately \$363 available to reduce future income taxes to the year 2009.

At December 31, 2003, 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 \$2,965, of which \$557 have no expiry, \$923 are available to reduce future taxes between 2004 and 2008, inclusive, and \$1,485 are available to reduce future taxes over a 15-year period beginning in 2009.

Cash taxes paid during the year amounted to \$62 (2002 – \$73).

21. 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	2003	2002
Numerator:		
Loss from continuing operations	\$ (562)	\$ (76)
Securities in operating companies	-	-
Loss available to subordinate voting shareholders	\$ (562)	\$ (76)
Denominator (in millions):		
Weighted average number of shares – basic	154	160
Weighted average number of shares – diluted	154	160

22. FINANCIAL INSTRUMENTS

a) Fair value of financial instruments

The estimated fair values of financial instruments as at December 31, 2003 and 2002 are based on relevant market prices and information available at the time. The carrying values of cash and short-term investments, accounts receivable, accounts payable and accrued liabilities approximate the fair values 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	2003		2002	
	Carrying Amount	Fair Value/ (Unwind Costs)	Carrying Amount	Fair Value/ (Unwind Costs)
Financial liabilities:				
Long-term debt ⁽ⁱ⁾	\$ 3,428	\$ 3,435	\$ 4,296	\$ 4,067
Foreign currency contracts	\$ -	\$ (51)	\$ -	\$ -
Interest rate swap agreements	\$ -	\$ (9)	\$ -	\$ 75

(i) The fair value of long-term debt is based on quoted market prices for the financial instruments and for others of similar rating and risk. Certain components of 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.

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 and it is contemplated that they will be used to satisfy the agreements. These financial instruments have not been recognized on the balance sheet.

Inception Date	Maturity Date	Number of Celestica Shares	Reference Price per Share	2003 Fair Value	2002 Fair Value
August 2000	August 2025	472,840	\$ 109.88	\$ 43	\$ 41
November 2000	November 2025	1,284,627	\$ 126.90	\$ 138	\$ 132

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, 2003 and 2002 for the number of shares under the contract.

23. 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 these operating companies, the table below shows the number of significant customers and the percentage of revenues they represent.

Year ended December 31	2003		2002	
	Number of Significant Customers	Percentage of Revenues	Number of Significant Customers	Percentage of Revenues
Celestica	4	44%	3	48%
ClientLogic	1	24%	2	39%
Dura Automotive	3	46%	3	52%
J.L. French	2	81%	2	86%
Performance Logistics Group	2	83%	1	75%
Bostrom	1	11%	2	32%
Trim Systems	2	88%	2	81%
Radian	1	14%	2	23%
InsLogic	1	94%	1	87%

Accounts receivable from the above significant customers at December 31, 2003 and 2002 totalled \$877 and \$787, respectively.

24. COMMITMENTS, CONTINGENCIES AND RELATED PARTY TRANSACTIONS

a) Effective January 1, 2003, the Company adopted the new disclosure requirements of Accounting Guideline 14 of the *CICA Handbook* in respect of guarantees.

Contingent liabilities in the form of letters of credit, letters of guarantee, and surety and performance bonds are provided by certain operating companies to various third parties and include certain bank guarantees. At December 31, 2003, the amounts payable in respect of these guarantees amounted to \$161. In addition, certain operating companies have also made guarantees with respect to the liabilities of joint ventures, which amounted to \$108 at December 31, 2003. These guarantees are without recourse to Onex. The Company has commitments in the total amount of approximately \$243 in respect of corporate investments, including those discussed in note 27.

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

The Company and its operating companies continue to have commitments in respect of real estate leases, which are disclosed in note 10. Onex' operating companies have aggregate capital commitments of \$176 as at December 31, 2003, including those discussed in note 27.

A subsidiary of Onex may be required to purchase from Oaktree Capital its approximate 40% interest in Loews Cineplex on or about the third or fifth anniversary of the acquisition of Loews Cineplex. Loews Cineplex was acquired in March 2002. The cost of such purchase on the third or fifth anniversary would be based on a defined calculation referenced to operating earnings of Loews Cineplex with no minimum purchase price commitment.

b) 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 that 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.

c) 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 and its operating companies also have 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 these environmental matters should not have a material adverse effect on the Company's consolidated financial condition.

d) 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 2003 was less than \$1 (2002 – \$7). Investment rights exercisable at the same price for 7.5% (2002 – 7.5%) of the Company's interest in acquisitions were issued at the same time. Advances made to management as at December 31, 2003 on account of past gains realized related to the MIP that have not been distributed amounted to \$9 (2002 – \$10). 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. Realizations under the MIP were \$6 in 2003 and nil in 2002.

e) Members of management and the Board of Directors of the Company invested less than \$1 in 2003 (2002 – \$54) 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.

f) Certain operating companies have made loans to certain directors or officers of the individual operating companies primarily for the purpose of acquiring shares in those operating companies. The total value of the loans outstanding as at December 31, 2003 was \$13. None of these loans are to Directors or officers of the Company.

25. ESTABLISHMENT OF ONEX PARTNERS LP

In November 2003, Onex completed the initial closing of Onex Partners LP (the "Fund"), with funding commitments totalling US\$1,000. The final closing of the Fund was completed in February 2004 with total commitments of US\$1,655. The Fund is to provide committed capital for future Onex-sponsored acquisitions not related to Onex' existing operating companies at December 31, 2003 or to ONCAP. Onex has provided a commitment of US\$400 of the total US\$1,655 of capital committed to the Fund. Onex controls the General Partner and Manager of the Fund. Onex management has committed as a group to invest a minimum of 1% of the Fund.

Onex will receive annual management fees based upon 2% of the capital committed to the Fund by investors other than Onex or by Onex management. The management fee going forward will be reduced by the effect of capital that has been invested by the Fund. Onex will be entitled to receive a carried interest on the overall gains achieved by Fund investors, other than Onex, to the extent of 20% of the gains, as long as the Fund investors have achieved a minimum 8% return on their investment in the Fund. The investment by Fund investors for this purpose takes into consideration management fees and other amounts paid in by the Fund investors.

The returns to the Fund investors are based upon all investments made through the Fund, with the result that initial carried interests achieved by Onex on gains could be recovered from Onex if there are subsequent losses on Fund investments or the overall target return level of 8% is not exceeded. Consistent with market practice, Onex, as sponsor of the Fund, will be allocated 40% of the carried interest with 60% allocated to the management.

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 2003 for defined contribution pension plans were \$47 (2002 – \$62).

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	
	2003	2002	2003	2002	2003	2002
Accrued benefit obligations:						
Opening benefit obligations	\$ 251	\$ 209	\$ 728	\$ 679	\$ 191	\$ 158
Current service cost	1	4	20	24	15	17
Interest cost	9	16	35	43	9	10
Contributions by plan participants	-	1	3	10	-	-
Benefits paid	(9)	(22)	(27)	(43)	(24)	(16)
Actuarial losses in year	5	8	24	3	12	8
Foreign currency exchange rate changes	(1)	-	(59)	44	(11)	(1)
Acquisitions during the year	-	36	-	69	-	18
Discontinued operations (note 3)	(112)	-	(72)	-	(14)	-
Obligations being settled	-	(33)	(7)	-	(4)	-
Special termination benefit distribution	-	7	-	-	-	-
Plan amendments/curtailments	-	9	(8)	(85)	(13)	(2)
Other changes, including assumptions	-	-	-	-	3	(1)
Closing benefit obligations	\$ 144	\$ 235	\$ 637	\$ 744	\$ 164	\$ 191
Plan assets:						
Opening plan assets	\$ 238	\$ 251	\$ 452	\$ 553	\$ -	\$ -
Actual return on plan assets	15	(2)	49	(64)	-	-
Contributions by employer	4	11	66	29	24	16
Contributions by plan participants	-	1	3	10	-	-
Benefits paid	(9)	(22)	(27)	(43)	(24)	(16)
Foreign currency exchange rate changes	(2)	(1)	(38)	31	-	-
Acquisitions during the year	-	37	-	21	-	-
Discontinued operations (note 3)	(94)	-	(40)	-	-	-
Settlement payments	-	(32)	(6)	(85)	-	-
Special termination benefit	-	(5)	-	-	-	-
Closing plan assets	\$ 152	\$ 238	\$ 459	\$ 452	\$ -	\$ -

Notes to Consolidated Financial Statements

The funded status of the plans of the operating subsidiary companies was 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	
	2003	2002	2003	2002	2003	2002
Deferred benefit amount:						
Plan assets, at fair value	\$ 152	\$ 238	\$ 459	\$ 452	\$ -	\$ -
Accrued benefit obligation	(144)	(235)	(637)	(744)	(164)	(191)
Plan surplus (deficit):	\$ 8	\$ 3	\$ (178)	\$ (292)	\$ (164)	\$ (191)
Unamortized past service costs	-	4	(4)	3	5	3
Unamortized net gain or loss	37	52	141	238	22	11
Other unrecognized amounts	-	1	1	2	-	-
Deferred benefit amount - asset (liability)	\$ 45	\$ 60	\$ (40)	\$ (49)	\$ (137)	\$ (177)

The net expense for the plans, excluding discontinued operations, is outlined below:

Year ended December 31	Pension Plans in which Assets Exceed Accumulated Benefits		Pension Plans in which Accumulated Benefits Exceed Assets		Non-Pension Post-Retirement Benefits	
	2003	2002	2003	2002	2003	2002
Net periodic costs:						
Current service cost	\$ 1	\$ 2	\$ 20	\$ 24	\$ 15	\$ 17
Interest cost	9	8	35	42	9	9
Expected return on plan assets	(10)	(11)	(29)	(42)	-	-
Amortization of unrecognized amounts	3	5	7	35	-	3
Settlement gain	-	-	-	-	(9)	-
Other	-	-	1	-	(1)	-
Net periodic costs	\$ 3	\$ 4	\$ 34	\$ 59	\$ 14	\$ 29

The following assumptions were used to account for the plans:

Year ended December 31	Pension Benefits		Non-Pension Post-Retirement Benefits	
	2003	2002	2003	2002
Weighted average discount rate for projected benefit obligations	4.90%-6.75%	4.85%-7.00%	6.60%-7.50%	6.00%-6.90%
Weighted average expected long-term rate of return on plan assets	6.30%-8.00%	7.00%-8.50%	n/a	n/a
Weighted average rate of compensation increase	0%-4.80%	0%-5.00%	0%-2.90%	0%-5.00%
Healthcare cost trend rate	n/a	n/a	3.59%-13.00%	3.59%-10.50%

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

Year ended December 31	1% Increase		1% Decrease	
	2003	2002	2003	2002
Effect on total of service and interest cost components	\$ 3	\$ 3	\$ (2)	\$ (2)
Effect on the post-retirement benefit obligation	\$ 14	\$ 15	\$ (15)	\$ (13)

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 2004, Onex completed the purchase of its equity investment in Magellan Health Services, Inc. ("Magellan"). This is the first investment funded through Onex Partners LP (the "Fund"). The Fund's investment was \$132 (US\$101) for an approximate 24% ownership interest. Onex has control of the Fund and is to have a 25% share of the Fund's investment in Magellan. As this transaction closed soon after the year-end, the \$132 invested by Onex and other members of the Fund was not available for other purposes at December 31, 2003 and, accordingly, was classified as restricted cash in other current assets. Magellan is the leading managed behavioural healthcare organization in the United States. Its customers include health plans, corporations and government agencies.

28. INFORMATION BY INDUSTRY AND GEOGRAPHIC SEGMENT

Onex' 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 2003 and 2002: electronics manufacturing services; customer management services; theatre exhibition; automotive products; and other. 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 Entertainment Corporation, Cinemex and Cineplex Galaxy Income Fund. 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; Bostrom, a manufacturer of seats for the heavy truck, construction and agricultural vehicle markets; and Trim Systems, which produces heavy truck interior trim systems.

Notes to Consolidated Financial Statements

2003 Industry segments

	Electronics Manufacturing Services	Customer Management Services	Theatre Exhibition	Automotive Products	Other ^(a)	Consolidated Total
Revenues	\$ 9,382	\$ 605	\$ 1,772	\$ 4,723	\$ 626	\$ 17,108
Earnings before the undernoted items	\$ 214	\$ 19	\$ 307	\$ 501	\$ 41	\$ 1,082
Amortization of property, plant and equipment	(240)	(44)	(147)	(188)	(30)	(649)
Amortization of intangible assets and deferred charges	(68)	(16)	(6)	(1)	(11)	(102)
Interest expense of operating companies	(8)	(16)	(59)	(252)	(18)	(353)
Interest and other income	14	-	3	3	39	59
Foreign exchange gains (loss)	10	4	3	(6)	(141)	(130)
Stock-based compensation	-	(2)	-	-	16	14
Gains on shares of operating companies, net	-	-	113	-	16	129
Acquisition, restructuring and other expenses	(128)	(8)	(16)	(22)	(4)	(178)
Debt prepayment costs	(2)	-	-	(13)	-	(15)
Writedown of goodwill and intangible assets	(33)	(5)	-	(356)	(8)	(402)
Writedown of long-lived assets	(70)	(3)	6	(15)	(6)	(88)
Earnings (loss) before income taxes, non-controlling interests and discontinued operations	\$ (311)	\$ (71)	\$ 204	\$ (349)	\$ (106)	\$ (633)
Provision for income taxes						(150)
Non-controlling interests in operating companies						221
Loss from continuing operations						\$ (562)
Earnings from discontinued operations						230
Net loss						\$ (332)
Total assets	\$ 6,645	\$ 338	\$ 2,112	\$ 3,581	\$ 1,945	\$ 14,621
Long-term debt ^(b)	\$ -	\$ 206	\$ 702	\$ 2,577	\$ 281	\$ 3,766
Property, plant and equipment additions	\$ 234	\$ 26	\$ 135	\$ 163	\$ 17	\$ 575
Goodwill additions	\$ -	\$ 8	\$ -	\$ 25	\$ 50	\$ 83

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

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

2002 Industry segments

	Electronics Manufacturing Services	Customer Management Services	Theatre Exhibition	Automotive Products	Other ^(a)	Consolidated Total
Revenues	\$ 12,984	\$ 627	\$ 1,422	\$ 5,378	\$ 596	\$ 21,007
Earnings before the undernoted items	\$ 721	\$ 56	\$ 236	\$ 651	\$ (34)	\$ 1,630
Amortization of property, plant and equipment	(334)	(52)	(99)	(199)	(38)	(722)
Amortization of intangible assets and deferred charges	(151)	(17)	(5)	(3)	(5)	(181)
Interest expense of operating companies	(25)	(18)	(59)	(237)	(23)	(362)
Interest and other income	27	-	8	4	41	80
Foreign exchange gains (loss)	-	2	-	(1)	16	17
Stock-based compensation	-	(2)	-	-	144	142
Gains on shares of operating companies, net	-	-	-	-	21	21
Acquisition, restructuring and other expenses	(636)	-	(17)	(57)	(5)	(715)
Debt prepayment costs	(15)	-	-	(19)	-	(34)
Writedown of goodwill and intangible assets	(425)	-	-	-	-	(425)
Earnings (loss) before income taxes, non-controlling interests and discontinued operations	\$ (838)	\$ (31)	\$ 64	\$ 139	\$ 117	\$ (549)
Provision for income taxes						(11)
Non-controlling interests in operating companies						484
Loss from continuing operations						\$ (76)
Loss from discontinued operations						(69)
Net loss						\$ (145)
Total assets ^(b)	\$ 9,161	\$ 338	\$ 2,539	\$ 4,434	\$ 3,418	\$ 19,890
Long-term debt ^(c)	\$ -	\$ 237	\$ 1,008	\$ 2,982	\$ 272	\$ 4,499
Property, plant and equipment additions	\$ 235	\$ 31	\$ 61	\$ 140	\$ 34	\$ 501
Goodwill additions	\$ 22	\$ -	\$ 381	\$ -	\$ 22	\$ 425

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

(b) Parent company includes \$1,210 of discontinued operations (see note 3).

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

Geographic segments

	2003					2002				
	Canada	U.S.	Europe	Other	Total	Canada	U.S.	Europe	Other	Total
Revenue	\$ 2,968	\$ 6,363	\$ 3,685	\$ 4,092	\$ 17,108	\$ 2,840	\$ 9,846	\$ 3,873	\$ 4,448	\$ 21,007
Property, plant and equipment	\$ 614	\$ 1,431	\$ 803	\$ 577	\$ 3,425	\$ 733	\$ 1,723	\$ 791	\$ 855	\$ 4,102
Goodwill	\$ 362	\$ 942	\$ 397	\$ 1,236	\$ 2,937	\$ 346	\$ 1,601	\$ 402	\$ 1,521	\$ 3,870
Intangible assets	\$ 85	\$ 304	\$ 27	\$ 86	\$ 502	\$ 71	\$ 427	\$ 102	\$ 136	\$ 736

Revenues are attributed to geographic areas based on the locations of manufacturing facilities for the electronics manufacturing services and automotive 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 23.

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>	2003	2002	2001	2000	1999
Revenues ^(a)	\$ 17,108	\$ 21,007	\$ 22,111	\$ 20,045	\$ 11,560
Earnings before the undernoted items	\$ 1,082	\$ 1,630	\$ 1,510	\$ 1,218	\$ 721
Amortization of property, plant and equipment	(649)	(722)	(576)	(363)	(206)
Amortization of goodwill, intangible assets and deferred charges	(102)	(181)	(340)	(267)	(163)
Interest expense of operating companies	(353)	(362)	(370)	(338)	(208)
Interest and other income	59	80	125	119	52
Foreign exchange gains (loss)	(130)	17	16	5	(15)
Stock-based compensation	14	142	-	-	-
Gains on shares of operating companies, net	129	21	164	209	207
Acquisition, restructuring and other expenses	(178)	(715)	(474)	(38)	(35)
Debt prepayment costs	(15)	(34)	-	(3)	(19)
Writedown of goodwill and intangible assets	(402)	(425)	(427)	(22)	(33)
Writedown of long-lived assets	(88)	-	-	-	-
Earnings (loss) before income taxes, non-controlling interests and discontinued operations	(633)	(549)	(372)	520	301
Provision for income taxes	(150)	(11)	(7)	(149)	(119)
Non-controlling interests in operating companies	221	484	238	(236)	(91)
Earnings (loss) from continuing operations	(562)	(76)	(141)	135	91
Earnings (loss) from discontinued operations ^(a)	230	(69)	939	53	203
Net earnings (loss) for the year	\$ (332)	\$ (145)	\$ 798	\$ 188	\$ 294
Total assets	\$ 14,621	\$ 19,890	\$ 20,870	\$ 19,719	\$ 12,413
Shareholders' equity	\$ 293	\$ 1,044	\$ 2,219	\$ 1,431	\$ 1,278
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	\$ (3.66)	\$ (0.47)	\$ (0.88)	\$ 0.83	\$ 0.56
Net earnings (loss)	\$ (2.16)	\$ (0.90)	\$ 4.95	\$ 1.15	\$ 1.80
Fully diluted	\$ (2.16)	\$ (0.90)	\$ 4.95	\$ 1.07	\$ 1.71

(a) Earnings from discontinued operations from 1999 to 2001 include the sale of Sky Chefs in June 2001. Earnings from discontinued operations from 1999 to 2003 include the sale of Lantic Sugar/Rogers Sugar in July 2003 and MAGNATRAX. Previously reported consolidated revenues and earnings figures for the years 1999 to 2002 have been restated to classify the results of Sky Chefs, Lantic Sugar/Rogers Sugar and MAGNATRAX 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	2003	2002	2001	2000	1999
The Toronto Stock Exchange	\$ 14.69	\$ 16.00	\$ 22.45	\$ 21.90	\$ 26.13

(a) The share price amounts for the years prior to June 1, 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 Company 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, 2003 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 market-related price 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 that 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 6, 2004 at 10:00 a.m. (Eastern Daylight Time) at Cineplex Odeon Queensway Cinemas, 1025 The Queensway, Etobicoke, Ontario.

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