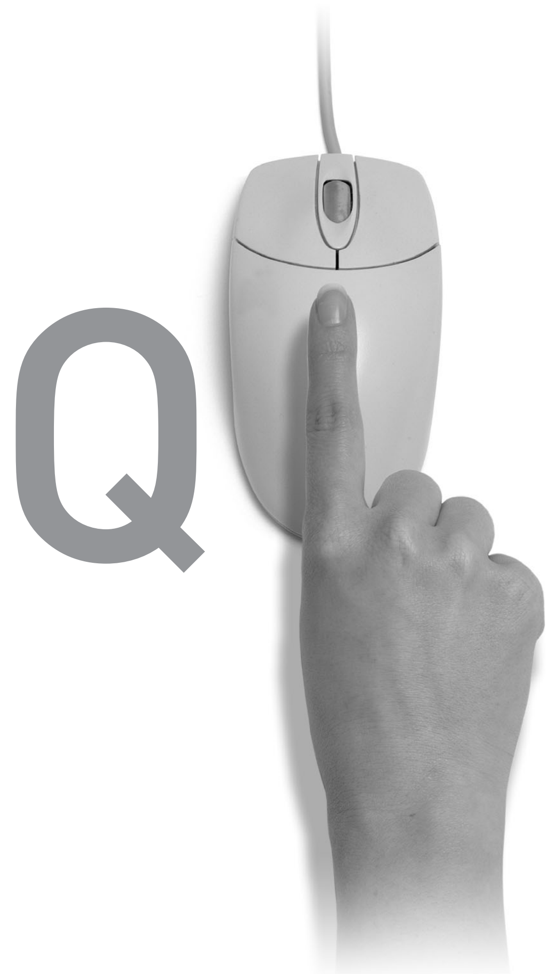

THE WORLD OF ONEX IS AT YOUR FINGERTIPS

GO TO: WWW.ONEX.COM

ONEX

Onex Corporation Report on the First Quarter Ended March 31, 2004

Onex Corporation Report on the First Quarter Ended March 31, 2004

Onex Corporation is a diversified company with annual revenues of approximately $16 billion, assets of $14 billion and 89,000 employees worldwide.

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

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

To Our Shareholders

We were pleased with a number of accomplishments during the first quarter of 2004. The most significant was the final closing of Onex' new fund, Onex Partners LP, in early February. The Fund will provide capital for future Onex-sponsored acquisitions other than those related to Onex' existing companies or to ONCAP (our small-cap fund). We believe Onex Partners will enhance our ability to achieve our primary objective for Onex shareholders – to build the value of Onex over the long term and to have that value reflected in our share price.

We were encouraged by the confidence that international sophisticated investors showed in Onex' approach to value creation. Onex Partners has committed capital of $2.2 billion, of which Onex committed $525 million. The Onex management team is working hard to put that capital to work. We were pleased to report the completion of Onex Partners' first acquisition, Magellan Health Services, in January, and expect to close the second, ResCare, in the next few months.

While there continues to be much work to be done at some of our operating companies, we were pleased by many positive developments that took place during the quarter; these are described in more detail later in this report.

As always, our focus remains on building value for Onex shareholders and partners. In that regard, we have begun the process of exploring strategic alternatives for Loews Cineplex. It is an outstanding business that we have built up significantly, and now may be an appropriate time to realize on the value that has been created.

First Quarter Events

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

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

Final closing of Onex Partners LP

In early February 2004, Onex completed the final closing of Onex Partners LP (the "Fund") as described on the prior page. There are a number of advantages the Fund provides to Onex and its shareholders. Since the formation of Onex 20 years ago, we have brought other equity investors or partners into almost every business we have acquired. The process of raising those co-investments from others on an individual transaction basis was time-consuming and inefficient in many ways. The Fund establishes a committed pool of capital for future investments in new Onex operating companies, which enables us to be more responsive to large-scale investment opportunities. It also provides a two percent management fee to Onex based on the $1.7 billion (US$1.255 billion) of capital committed by the other participants during the Fund's commitment period of up to six years and a one percent management fee on net funded commitments thereafter. In addition, Onex has the ability to share in a portion of the gains generated for Fund investors.

The investors in Onex Partners are a diverse group of limited partners that includes public and private pension funds, banks, insurance companies and endowment funds located in the United States, Canada, Europe and Asia. Onex is an approximate 25 percent limited partner in the Fund and controls the General Partner and Manager of the Fund, and as a result will consolidate all of the Fund's underlying controlled entities, such as Magellan, discussed below.

Magellan acquisition completed

In early January 2004, Onex and Onex Partners LP completed the acquisition of Magellan Health Services, Inc. ("Magellan"), the leading provider of managed behavioural healthcare in the United States. Its customers include health plans, corporations and government agencies. An initial US$101 million investment was made in Magellan for a 24 percent equity interest and effective voting control of the company. Onex first recognized the attractiveness of the managed behavioural healthcare industry in 2002. Corporations and governments are expanding the scope of services that they make available to employees and the general public, and there is increasing demand from an aging population. Onex identified Magellan, a market leader in the business, as the right platform upon which to build in this new industry. While Magellan was under bankruptcy protection, Onex worked with the company's management and was an integral part of the reorganization plan that enabled the company to emerge from bankruptcy in the first quarter of 2004 with a US$600 million debt reduction and an additional equity infusion of US$150 million, which includes the investment made by Onex and Onex Partners. Magellan began public trading on Nasdaq under the trading symbol MGLN upon emergence from bankruptcy. For the first quarter of 2004, Magellan reported revenues of US$409 million and operating earnings of US$31 million. We are pleased with the results of the company for the first quarter, which exceeded our expectations. At March 31, 2004, the market value of the initial US$101 million investment in Magellan had increased to US$238 million.

Onex to acquire equity interest in ResCare

In early March 2004, Onex and Onex Partners LP announced that they had entered into an agreement with Res-Care, Inc. ("ResCare") and certain of its shareholders to acquire an approximate 30 percent equity interest in the company for US$83 million. ResCare is a leading provider of residential, therapeutic, job training, educational and support services to populations with special needs; these include persons with mental and other developmental disabilities, youth with special needs and adults who are experiencing barriers to employment. Annual revenues for ResCare are about US$1 billion. The company is publicly traded on Nasdaq under the trading symbol RSCR. The purchase will consist of a US$50 million equity investment in a new class of convertible preferred stock, issued at a US$10.50 per common share conversion price, and a US$33 million purchase of common stock at US$8.90 per share from certain existing ResCare shareholders. The additional capital investment in ResCare will strengthen the company's financial position and enable it to pursue new growth opportunities. This transaction is expected to close towards the end of the second quarter of 2004 following the receipt of customary approvals, including by ResCare shareholders.

Electronics manufacturing services

In mid-March 2004, Celestica, a world leader in electronics manufacturing services ("EMS"), completed its acquisition of Manufacturers' Services Limited ("MSL"). MSL is a full-service company offering global electronics manufacturing services and supply chain management. As part of this purchase, Celestica issued approximately 14.1 million subordinate voting shares, as well as options and warrants, to MSL common shareholders and certain holders of MSL preferred shares. In addition, the company paid approximately US$52 million in cash to certain MSL preferred shareholders. The acquisition provides Celestica with an expanded customer base and service offerings in markets such as industrial, commercial avionics, automotive, retail systems, communications and network storage, and peripherals. As part of this transaction, Onex recorded an accounting dilution gain of $9 million in the first quarter of 2004 due to the issuance of shares by Celestica.

Celestica's first-quarter revenues increased 27 percent to US$2.0 billion from US$1.6 billion in the first quarter of 2003. Growth in business volumes from some of the company's core customers as well as new business wins increased revenues by approximately 40 percent in the quarter. In addition, the acquisition of MSL accounted for approximately four percent of revenue growth in the quarter. Partially offsetting these positive revenue growth factors was a change in product mix and continued price reductions of components and services that reduced revenues by approximately 17 percent in the first quarter of 2004 compared to the same period last year. Operating earnings declined to US$9 million in the first quarter of 2004 from US$18 million in the same quarter last year due primarily to the inclusion of US$4 million of stock-based compensation expense resulting from the adoption of the revised *CICA Handbook* Section 3870, "Stock-based Compensation and Other Stock-based Payments". The comparative amount for the first quarter of 2003 was recorded against opening retained earnings as at January 1, 2004 under this accounting policy. Lower interest income of approximately US$5 million compared to the same quarter last year also contributed to lower operating earnings in the quarter.

In January 2004, Eugene Polistuk, the chairman and chief executive officer of Celestica, retired after leading the company since 1994, when Celestica was first established as a standalone subsidiary of IBM, through a long period of significant growth. Celestica's board of directors has appointed Stephen W. Delaney as chief executive officer. Mr. Delaney has been with Celestica since 2001, most recently as president of its Americas operations. He has extensive experience in the EMS sector and will lead the company on an aggressive path to expand its customer base and return to profitability.

Exploring strategic alternatives for Loews Cineplex

In mid-March 2004, Onex announced that it has decided to explore strategic alternatives for its operating company Loews Cineplex Entertainment Corporation ("Loews Cineplex"), one of the world's largest theatre exhibition companies. Loews Cineplex has retained the investment banking groups of Citigroup Global Markets Inc. and Credit Suisse First Boston LLC to assist in this process, which may include the sale of the business, excluding the Canadian operations, or other corporate transactions. Onex' objective in this process is to achieve the maximum value for Onex shareholders.

Onex' theatre exhibition segment, which includes the operations of Loews Cineplex, Star Theatres, Cineplex Galaxy Income Fund (Canada), Cinemex (Mexico), Yelmo Cineplex (Spain), Megabox Cineplex (South Korea) and UfA (Germany), reported first-quarter revenues of US$305 million, up US$27 million from the US$278 million reported in the first quarter of 2003. Several factors contributed to the revenue growth in the quarter: improved average ticket and concession prices, which added US$9 million; new theatres opened in the second half of 2003 and the first three months of 2004, which provided US$8 million; and the US$11 million contribution from the inclusion of a full quarter of revenues from UfA, which was acquired in August 2003. Partially offsetting these factors was a US$5 million reduction in revenues related to theatre closures.

Customer management services

ClientLogic, a leading global provider of outsourced business processes that include customer care and warehouse and fulfillment services, reported revenues of US$138 million in the first quarter of 2004, up US$33 million, or 32 percent, from US$105 million reported in the same quarter last year. The revenue increase was due primarily to the inclusion of US$23 million of revenues from Service Zone, Inc. ("Service Zone"), which was acquired in late December 2003. Partially offsetting the revenue growth was a US$8 million decline in call volumes in North America and Europe. The company also reported improved operating earnings of US$10 million in the first quarter of 2004, up US$12 million from the US$2 million operating loss reported in the prior period. The increase was due primarily to the acquisition of Service Zone, which contributed US$2 million of operating earnings, cost reduction programs and a US$6 million one-time benefit from the settlement of previously reserved contingent liabilities.

Automotive products

North American car and light truck production decreased slightly by approximately one percent to 4.1 million units during the first quarter of 2004 from the same quarter of 2003. J.L. French, a leading independent supplier of complex die-cast aluminum components, reported revenues of US$147 million in the first quarter of 2004, a US$3 million increase from the US$144 million reported for the three months ended March 31, 2003. The revenue growth was due primarily to favourable changes in foreign currency translation of US$5 million, generated by the euro's strength relative to the U.S. dollar, and to higher aluminum prices that were passed through to customers under the terms of contracts. Partially offsetting the revenue growth were lower production volumes. Operating earnings grew nine percent to US$16 million due primarily to tighter cost management, the closure of the Grandville, Michigan facility in May 2003 and improved productivity.

Heavy truck production during the first quarter reached an annual run rate of approximately 204,000 units compared to a rate of about 145,000 units in the first quarter of last year. Onex' commercial vehicle sector companies – Bostrom and Trim Systems – reported combined revenues and operating earnings of US$86 million and US$8 million, respectively, for the three months ended March 31, 2004. This compared to US$66 million in revenues and US$4 million in operating earnings for the first quarter of 2003. The growth in revenues and operating earnings was due primarily to higher production volumes.

Performance Logistics Group acquires Leaseway Auto Carrier Group

In late March 2004, Performance Logistics Group ("PLG"), a North American provider of automotive transportation and logistics services for automotive original equipment manufacturers ("OEMs"), acquired Leaseway Auto Carrier Group ("Leaseway") from Penske Truck Leasing Co., L.P. ("Penske") in a share-exchange transaction. Leaseway provides finished vehicle transportation services for OEMs in the United States, Canada and Puerto Rico. This acquisition provides PLG with greater geographic coverage, broadens the company's customer base and enhances customer service levels. PLG is now the second-largest provider of new vehicle transportation services in North America. Onex' equity ownership in PLG was reduced to 26 percent from 50 percent due to the issuance of additional shares by PLG to Penske and Onex ceased to have voting control of the company at that time. The dilution of Onex' investment in PLG resulted in Onex recording a $58 million non-cash gain, which is comprised of a $22 million non-cash accounting dilution gain and $36 million of losses of PLG previously recognized by Onex that were in excess of other shareholders' equity in PLG. At March 31, 2004, PLG's financial results were included in Onex' consolidated financial statements on an equity accounting basis.

Sale of Dura Automotive

In early April 2004, Onex sold its remaining interest in Dura Automotive for proceeds of approximately $23 million. The sale is the culmination of a 13-year partnership between Onex and Dura Automotive, during which Onex received total proceeds of $41 million from its $5 million total investment in that company. Onex' share of the first-quarter financial results for Dura Automotive is not significant and is presented as earnings from discontinued operations on Onex' unaudited interim consolidated statements of earnings. The comparative 2003 first-quarter results of Dura Automotive have been reclassified and presented as discontinued.

Other businesses

Communications infrastructure 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. During the first quarter of 2004, Radian's revenues grew slightly over the first-quarter revenues of last year. The improvement was due primarily to increased tower and tower accessory sales to international and government clients carried over from the fourth quarter of 2003. Ongoing implementation of process controls, improved job execution and strategic cost-reduction initiatives enabled Radian to report higher operating earnings than in the first quarter of last year.

Small-capitalization opportunities In February 2004, ONCAP acquired a controlling interest in Futuremed Health Care Products Inc. ("Futuremed"), Canada's leading supplier of medical supplies and equipment to long-term care facilities. The company's products range from nursing supplies to furniture, equipment and mattresses. Futuremed represents an attractive new opportunity for ONCAP.

ONCAP's operating companies – CMC Electronics Inc. ("CMC Electronics"), Armtec Limited and Western Inventory Service Ltd. ("WIS") – reported combined revenues of $138 million during the first quarter of 2004, a 23 percent increase from the $112 million of revenues reported in the same quarter last year. The revenue growth was largely due to the inclusion of a full quarter of revenues for WIS, which was acquired late in the first quarter of 2003. Despite the revenue growth, ONCAP reported lower operating earnings due primarily to lower operating earnings at CMC Electronics, which were adversely affected by the strength of the Canadian dollar relative to the U.S. dollar. Partially offsetting this was the inclusion of the operating earnings of WIS for a full quarter.

Normal Course Issuer Bid

In the first quarter of 2004, Onex repurchased 3,727,400 Subordinate Voting Shares at an average cost per share of $15.85, for a total cost of approximately $59 million under its Normal Course Issuer Bid (the "Bid"), which expired on April 9, 2004. In total, under the Bid Onex repurchased and cancelled 8,752,500 Subordinate Voting Shares at an average cost of $15.30 per share, for a total cost of approximately $134 million.

In early April 2004, Onex announced that it had renewed its Bid, which permits the Company to purchase for cancellation up to 10 percent of its public float of Subordinate Voting Shares, or approximately 11 million shares. Onex is of the view that it is advantageous for the Company to continue to repurchase its Subordinate Voting Shares for cancellation when the shares are trading at prices that reflect a significant discount to their intrinsic value.

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

Forward-Looking/Safe Harbour and Fair Disclosure Statement

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

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

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

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

All amounts are in Canadian dollars unless otherwise indicated.

Financial Review

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

Accounting policies and estimates

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

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

New accounting policies in 2004

Generally accepted accounting principles

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

Hedging relationships

Effective January 1, 2004, Onex adopted Accounting Standards Board Accounting Guideline 13 ("AcG-13"), "Hedging Relationships", which addresses the identification, designation, documentation and effectiveness of hedging relationships for the purpose of applying hedge accounting. This Guideline also establishes certain conditions for applying hedge accounting and deals with the discontinuation of hedge accounting. Onex also adopted Emerging Issues Committee Abstract 128 ("EIC-128"), "Accounting for Trading, Speculative or Non-Hedging Derivative Financial Instruments", which requires that any derivative financial instrument that is not designated as a compliant hedge under AcG-13 be measured at fair value, with changes in fair value recorded in current year income. The impact of these pronouncements is discussed in further detail in this MD&A under the heading "Derivative instruments", and is disclosed under the same heading in Onex' unaudited interim consolidated statement of earnings for the quarter ended March 31, 2004.

Asset retirement obligations

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

Stock-based compensation and other stock-based payments

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

Revenue recognition

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

CONSOLIDATED OPERATING RESULTS

This section should be read in conjunction with the March 31, 2004 unaudited interim consolidated statements of earnings, the corresponding notes and the December 31, 2003 audited annual consolidated financial statements.

Variability of results

Onex' consolidated annual and quarterly operating results may vary substantially from period to period for a number of reasons, including some of the following: acquisitions or dispositions of businesses by Onex, the parent company; the volatility of the exchange rate between the U.S. dollar and the Canadian dollar; the change in market value of stock-based compensation and derivative instruments; and activities at Onex' operating companies. These activities may include the purchase or sale of businesses; fluctuations in customer demand, materials and employee-related costs; and changes in the mix of products and services produced.

Significant events that affected reported results for the first quarter of 2004

In the first quarter of 2004, the following significant events affected Onex' unaudited interim consolidated operating results and their comparability to results for the first quarter of 2003.

Acquisition of Magellan

In early January 2004, Onex completed the acquisition of Magellan Health Services, Inc. ("Magellan"), the leading provider of managed behavioural healthcare in the United States. Magellan is a new reportable segment – Managed Healthcare – in Onex' unaudited interim consolidated financial statements. Information on this acquisition is reported in note 3 to the unaudited interim consolidated financial statements.

Performance Logistics Group acquisition of Leaseway Auto Carrier Group

In late March 2004, Performance Logistics Group ("PLG") acquired Leaseway Auto Carrier Group from Penske Truck Leasing Co., L.P. in a share-exchange transaction. As a result of the issuance of additional PLG shares for this transaction, Onex' ownership in PLG was reduced to 26 percent from 50 percent and Onex ceased to have voting control of the company. Therefore, PLG's operating results have been included on an equity accounting basis in the first quarter of 2004. The company's results for the first quarter of 2003 were consolidated in Onex' unaudited interim consolidated statement of earnings; revenues and operating earnings were $72 million and $3 million, respectively. In addition, as a result of the Leaseway transaction Onex recorded a $58 million non-cash gain that is included in "Gains on shares of operating companies" in Onex' unaudited interim consolidated statement of earnings for the three months ended March 31, 2004. This gain is comprised of a $22 million non-cash accounting dilution gain and $36 million of losses of PLG previously recognized by Onex that were in excess of other shareholders' equity in PLG.

Sale of Dura Automotive

In the first quarter, Onex' voting interest in Dura Automotive was reduced to less than 50 percent due to the sale of shares by certain shareholders, other than Onex, whose shares Onex had the right to vote. At that time, Onex began to account for Dura Automotive on an equity basis rather than consolidating its results. Note 2 to the unaudited interim consolidated financial statements discloses those amounts in the December 31, 2003 balance sheet that have been restated to show the assets and liabilities as discontinued.

On April 1, 2004, Onex sold its remaining ownership interest in Dura Automotive. Accordingly, Dura Automotive's operating results for the first quarters of 2004 and 2003 have been presented as earnings from discontinued operations in Onex' unaudited interim consolidated statements of earnings.

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

As most of Onex' operating companies are based in the United States or report in U.S. dollars but Onex reports its consolidated financial results in Canadian dollars, the movement in the U.S. dollar to Canadian dollar exchange rate directly affects Onex' unaudited interim consolidated statements of earnings and unaudited interim consolidated balance sheet. In the first quarter of 2004, the U.S. dollar's average value was 1.3178 Canadian dollars compared to 1.5098 Canadian dollars in the first quarter of 2003. Therefore, the lower U.S. dollar to Canadian dollar exchange rate used to convert Onex' U.S.-based operating companies' results was a contributing factor in the variance of the quarter-over-quarter results.

Consolidated revenues

Consolidated revenues grew 22 percent, or $755 million, to $4.3 billion for the three months ended March 31, 2004 from $3.5 billion for the same period in 2003. Revenues increased in the quarter due primarily to the acquisition of Magellan in January 2004, which added $539 million in revenues, and to ClientLogic, which contributed $23 million in additional revenues, primarily related to its acquisition of Service Zone, Inc. in December 2003. In addition, Celestica added $262 million to Onex' consolidated revenue growth. Revenues for Celestica increased by 27 percent as reported in U.S. dollars due to a 40 percent increase in that company's business volumes from some of its top customers and to new business wins, as well as a four percent increase in revenues from the acquisition of Manufacturers' Services Limited ("MSL") in mid-March 2004. Partially offsetting this growth at Celestica was a 17 percent decline in revenues, caused by the change in product mix and by continued reductions in prices of components and services. The 13 percent decline in the U.S. to Canadian dollar exchange rate resulted in lower reported results for U.S.-based operating companies.

Revenues for the theatre exhibition segment were up 10 percent in U.S. dollars for the first quarter of 2004 compared to that of 2003. This resulted from: US$9 million of improved ticket and concession prices; US$8 million in revenues from new theatre openings; and US$11 million from the inclusion of a full quarter of revenues from UfA, which was acquired in August 2003. Partially offsetting these positive factors was US$5 million in lost revenues from theatre closures. In the automotive products segment, revenues in local currency for each of J.L. French and Bostrom were up US$3 million and US$15 million, respectively. Higher volumes in the heavy truck sector were the primary driver of growth at Bostrom. The overall decline in revenues for the automotive products segment, however, was due to PLG being accounted for on an equity basis in 2004 compared to being consolidated in 2003. Revenues included in the first quarter of 2003 for PLG were US$48 million.

A breakdown of revenues by industry segment and the change in revenues from the first quarter of last year is provided in Table 1 below in both the Canadian dollar and the functional currency of the companies. This presentation is made to show the effect of currency translation rate changes. Note 13 to the unaudited interim consolidated financial statements also details revenues by industry segment.

Revenues by Industry Segment

TABLE 1	Canadian Dollars			Functional Currency		
($ millions) *Three months ended March 31*	**2004**	2003	**Revenue increase/ (decrease)**	**2004**	2003	**Revenue increase/ (decrease)**
Electronics Manufacturing Services	**$ 2,658**	$ 2,396	**$ 262**	**US$ 2,017**	US$ 1,587	**US$ 430**
Theatre Exhibition	**402**	420	**(18)**	**US$ 305**	US$ 278	**US$ 27**
Managed Healthcare	**539**	–	**539**	**US$ 409**	–	**US$ 409**
Customer Management Services	**182**	159	**23**	**US$ 138**	US$ 105	**US$ 33**
Automotive Products	**307**	389	**(82)**	**US$ 233**	US$ 258	**(US$ 25)**
Other [(a)]	**169**	138	**31**	**C$ 169**	C$ 138	**C$ 31**
Total	**$ 4,257**	$ 3,502	**$ 755**			

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

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

Consolidated cost of sales

Consolidated cost of sales was up 21 percent to $3.7 billion in the first quarter of 2004 from $3.1 billion in the same quarter last year.

Table 2 below provides a breakdown of cost of sales by industry segment for the first quarters of 2004 and 2003 in both Canadian dollars and the companies' functional currency as indicated. We have provided the cost of sales in the companies' functional currency to show the impact of foreign exchange translation on the cost of sales. Note 13 to the unaudited interim consolidated financial statements also provides cost of sales by industry segment in Canadian dollars.

Cost of Sales by Industry Segment

TABLE 2 *($ millions) Three months ended March 31*	Canadian Dollars			Functional Currency		
	2004	2003	**Cost of sales increase/ (decrease)**	**2004**	2003	**Cost of sales increase/ (decrease)**
Electronics Manufacturing Services	**$ 2,500**	$ 2,233	**$ 267**	**US$ 1,897**	US$ 1,479	**US$ 418**
Theatre Exhibition	**309**	325	**(16)**	**US$ 234**	US$ 215	**US$ 19**
Managed Healthcare	**416**	–	**416**	**US$ 316**	–	**US$ 316**
Customer Management Services	**109**	102	**7**	**US$ 83**	US$ 67	**US$ 16**
Automotive Products	**242**	305	**(63)**	**US$ 184**	US$ 202	**(US$ 18)**
Other [a]	**105**	90	**15**	**C$ 105**	C$ 90	**C$ 15**
Total	**$ 3,681**	$ 3,055	**$ 626**			

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

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

Cost of sales for Celestica in U.S. dollars was up by 28 percent compared to a 27 percent increase in revenues. There was a US$12 million improvement in gross profit in the first quarter to US$120 million as a result of the higher revenues. However, there was a slight decline in gross margin percentage at Celestica in the first quarter of 2004 due to industry pricing pressures, a change in mix of products to lower value-add items, the costs of ramping up new customer programs, and higher costs to support increased volumes.

The theatre exhibition segment reported cost of sales of US$234 million, which was up nine percent compared to a 10 percent increase in revenues. Improvements in average pricing and concession sales resulted in the margin improvement.

Cost of sales for managed healthcare represents the first three months of ownership of Magellan following the January 2004 acquisition.

The customer management services segment in its local currency increased its cost of sales by 23 percent in the first quarter of 2004, which followed a 32 percent increase in revenues. Cost of sales for the segment represented 60 percent of revenues in 2004 compared to 64 percent in 2003. The improvement was due primarily to a focus on controlling costs and a US$6 million settlement on previously reserved contingent liabilities.

Cost of sales for the automotive products segment showed slight improvements in margins at both J.L. French and Bostrom. In total, the combined cost of sales for these two companies increased US$11 million, or seven percent, in the first three months of 2004 over the same period in 2003. This compares to a 10 percent, or US$19 million, increase in revenues for the first quarter of 2004 over the same quarter last year. Reported cost of sales for the automotive sector declined slightly in the first quarter of 2004 due to the exclusion of PLG, which began to be equity accounted for as described earlier. Included in the 2003 first-quarter cost of sales was US$33 million in cost of sales for PLG.

Table 3 below provides cost of sales as a percentage of revenues for both Canadian dollar and the companies' functional currency cost of sales.

Cost of Sales as a Percentage of Revenues by Industry Segment

TABLE 3 *Three months ended March 31*	Canadian Dollars		Functional Currency	
	2004	2003	**2004**	2003
Electronics Manufacturing Services	**94%**	93%	**94%**	93%
Theatre Exhibition	**77%**	77%	**76%**	77%
Managed Healthcare	**77%**	–	**77%**	–
Customer Management Services	**60%**	64%	**60%**	64%
Automotive Products	**79%**	78%	**79%**	78%
Other [a]	**62%**	65%	**62%**	65%
Total	**86%**	87%		

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

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

Operating earnings

We define operating earnings as EBIAT, or earnings before interest expense, amortization of intangibles and deferred charges, acquisition and restructuring expenses and income taxes. Table 4 provides a reconciliation of the unaudited interim consolidated statements of earnings to operating earnings for the three months ended March 31, 2004 and 2003.

Operating Earnings Reconciliation

TABLE 4 — *($ millions)* *Three months ended March 31*	**2004**	2003
Earnings before the undernoted items	**$ 275**	$ 217
Amortization of property, plant and equipment	**(134)**	(140)
Interest and other income	**7**	27
Stock-based compensation	**(42)**	32
Foreign exchange gains (loss)	**2**	(43)
Operating earnings	**108**	93
Amortization of goodwill, intangible assets and deferred charges	**(24)**	(28)
Interest expense of operating companies	**(66)**	(67)
Derivative instruments	**(20)**	–
Gains on shares of operating companies, net	**90**	19
Acquisition, restructuring and other expenses	**(31)**	(4)
Debt prepayment costs	**–**	(10)
Earnings before income taxes, non-controlling interests and discontinued operations	**$ 57**	$ 3

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

Consolidated operating earnings were $108 million in the first quarter of 2004, up $15 million from consolidated operating earnings of $93 million for the first three months of last year. Operating earnings increased in the first quarter of 2004 as a result of several factors: the inclusion of Magellan, which contributed $40 million in operating earnings in the first quarter of 2004, and a $17 million improvement in operating earnings at ClientLogic resulting primarily from a one-time credit of $8 million from the settlement of previously reserved contingent liabilities. Partially offsetting these factors were a $74 million decline from the revaluation of the stock-based compensation liability; a $20 million decline in interest and other income in the first three months of 2004 compared to the same period of 2003; and a $15 million decline in operating earnings at Celestica. A $2 million foreign exchange gain was recorded on cash held compared to a $43 million exchange loss recorded in the first quarter of 2003. Table 5 provides a breakdown of operating earnings by industry segment.

Operating Earnings (Loss) by Industry Segment

TABLE 5 — *($ millions) Three months ended March 31*	**2004**	2003	**Operating earnings increase/ (decrease)**
Electronics Manufacturing Services	**$ 12**	$ 27	**$ (15)**
Theatre Exhibition	**28**	35	**(7)**
Managed Healthcare	**40**	–	**40**
Customer Management Services	**13**	(4)	**17**
Automotive Products	**31**	34	**(3)**
Other [a]	**(16)**	1	**(17)**
Total	**$ 108**	$ 93	**$ 15**

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

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

Stock-based compensation

Onex has a policy to record the change in the value of stock-based compensation at the parent company through the statements of earnings. As a result, operating earnings may increase or decrease depending upon changes in the market value of the shares underlying the stock-based compensation.

Effective January 1, 2004, Onex' operating companies adopted new requirements for stock-based compensation, which required a fair value-based method to be applied to all stock-based compensation payments to both employees and non-employees. Previously, only those awards that called for settlement 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. While Onex' operating companies have adopted this policy change on a retroactive basis, prior years have not been restated. Instead, retained earnings and non-controlling interest have been reduced by $5 million and $5 million, respectively.

During the first quarter of 2004, the revaluation of stock-based compensation liability to market value resulted in a $42 million decrease in earnings that was due primarily to the increase in value of Onex' stock options and investment rights from their value at December 31, 2003. This compares to a $32 million improvement in operating earnings recorded by Onex in the first quarter of 2003 resulting from the decrease in value of the stock-based compensation liability to market value from its value at December 31, 2002.

Foreign exchange gains (loss)

Foreign exchange gains (loss) reflect the impact of changes in foreign exchange rates, primarily on the U.S. dollar denominated cash held at Onex, the parent company, and foreign currency denominated cash held at the operating companies. While changes in foreign currency rates may apply to various currencies, the primary foreign currency translation impacts on Onex' unaudited interim consolidated financial results are from the conversion of the U.S. dollar to the Canadian dollar. Note 13 to the unaudited interim consolidated financial statements provides a breakdown of foreign currency gains (loss) by industry segment.

At the end of the first quarter of 2004, the closing value of the U.S. dollar improved to 1.3113 Canadian dollars at March 31, 2004 from 1.2965 Canadian dollars at December 31, 2003. As Onex, the parent company, holds a significant portion of its cash in U.S. dollars, this exchange rate change during the quarter resulted in a $5 million improvement in the value of U.S. cash held, which was included in operating earnings. This compares to a $48 million exchange loss on U.S. cash held at the parent company in the first quarter of last year, during which the closing value of the U.S. dollar declined to 1.4678 Canadian dollars at March 31, 2003 from 1.5776 Canadian dollars at December 31, 2002.

Interest and other income

Interest and other income decreased to $7 million in the first quarter of 2004 from $27 million in the same quarter last year, due primarily to lower cash balances and lower returns on those cash balances. Of the $20 million reduction in interest and other income, $10 million was at Onex, the parent company, and $7 million at Celestica. Onex repurchased 3,727,400 of its Subordinate Voting Shares in the first quarter of 2004, which used $59 million of cash. In addition, Celestica used $69 million of cash for the acquisition of MSL.

Derivative instruments

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

Onex determined that these instruments did not qualify for hedge accounting based on the new guidance and accordingly Onex is required to mark-to-market these instruments to the value of the underlying securities, which are Celestica subordinate voting shares. During the first quarter of 2004, Onex recorded a $20 million charge for the change in market value of its exchangeable debentures and forward sales contracts as a result of the increase in market value of the underlying Celestica shares since December 31, 2003. These accounting charges that have been recorded as a result of this new accounting guideline do not have an economic impact on Onex. Onex intends to settle these instruments with the delivery of Celestica shares, which it currently holds and are pledged as security for these derivative instruments. Accounting rules do not permit Onex to record the offsetting benefit from the increase in market value of these Celestica shares in the unaudited interim consolidated financial statements.

Accounting gains (loss) on shares of operating companies, net

Onex recorded $90 million in gains on shares of operating companies for the three months ended March 31, 2004. Included in the 2004 first-quarter gains was a $58 million non-cash gain recorded by Onex resulting from PLG's issuance of shares for its purchase of Leaseway Auto Carrier Group, which was comprised of a $22 million non-cash accounting dilution gain and $36 million of losses of PLG previously recognized by Onex that were in excess of other shareholders' equity in PLG. In addition, the issuance of shares by Celestica for the purchase of MSL resulted in a further $9 million accounting dilution gain recorded by Onex. Note 3 to the unaudited interim consolidated financial statements provides additional disclosure on these acquisitions. This compares to $19 million of such gains in the first three months of 2003, which were due primarily to the $16 million gain recorded by Vencap from that company's sale of its remaining operating company. Note 5 to the unaudited interim consolidated financial statements details the gains (loss) on shares of Onex' operating companies.

Acquisition, restructuring and other expenses

Acquisition, restructuring and other expenses are considered to be one-time costs incurred to realign organizational structures, restructure manufacturing capacity or obtain operating synergies critical to building the long-term value of Onex' operating companies. For the first quarter of 2004, acquisition, restructuring and other expenses totalled $31 million compared to $4 million in the same quarter last year. Approximately $18 million of the total acquisition, restructuring and other expenses recorded in the first quarter of 2004 were incurred by Celestica, relating to four separate restructuring plans implemented in response to the challenging industry conditions. These plans, which include reducing workforce, consolidating facilities and repositioning the number and location of production facilities, were largely intended to align Celestica's capacity and infrastructure to anticipated customer requirements for more capacity in low-cost geographies, as well as to rationalize its manufacturing network to lower demand levels. Note 6 to the unaudited interim consolidated financial statements details the nature of acquisition, restructuring and other expenses, such as employee termination costs, facility and exit costs and other charges, by the year in which the activity was initiated. In addition, note 13 to the unaudited interim consolidated financial statements provides a breakdown of acquisition, restructuring and other expenses by industry segment.

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

In the unaudited interim consolidated statements of earnings, the non-controlling interests amount, which represents the earnings of shareholders other than Onex in the net earnings of the operating companies, was $5 million for the first quarter of 2004 compared to $9 million for the first quarter of 2003.

Earnings (loss) from continuing operations

Onex' consolidated earnings from continuing operations were $37 million ($0.25 per share) in the first quarter of 2004 compared to a consolidated loss from continuing operations of $17 million ($0.11 per share) reported for the same period of 2003. Table 6 details the earnings (loss) from continuing operations by industry segment.

Earnings (loss) from continuing operations

TABLE 6 — *($ millions) Three months ended March 31*	**2004**	2003
Earnings (loss) before income taxes and non-controlling interests:		
Electronics Manufacturing Services	**$ (17)**	$ 6
Theatre Exhibition	**5**	15
Managed Healthcare	**21**	–
Customer Management Services	**5**	(13)
Automotive Products	**4**	(16)
Other [a]	**39**	11
	57	3
Provision for income taxes	**(15)**	(11)
Non-controlling interests of operating companies	**(5)**	(9)
Consolidated earnings (loss) from continuing operations	**$ 37**	$ (17)

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

Earnings (loss) from discontinued operations

In February 2004, Onex made the decision to sell its remaining interest in Dura Automotive. The sale was completed in April. As a result, Onex' share of the net earnings from Dura Automotive for the first quarter of 2004, which were negligible, are presented in the unaudited interim consolidated statements of earnings as earnings from discontinued operations. Note 2 to the unaudited interim consolidated financial statements provides additional disclosure on earnings (loss) from discontinued operations.

Included in the $18 million loss from discontinued operations for the first quarter of 2003 were the operations of Rogers Sugar and Lantic Sugar, which Onex sold in the second quarter of 2003; MAGNATRAX, which Onex ceased to control in the fourth quarter of 2003; and Onex' share of the comparative 2003 first-quarter earnings for Dura Automotive, which was $1 million. MAGNATRAX contributed $30 million to the first-quarter loss on discontinued operations in 2003. Partially offsetting that loss was $10 million in earnings from the operations of Rogers Sugar and Lantic Sugar, which included a $12 million accounting dilution gain from Rogers Sugar Income Fund's issuance of 11.4 million trust units in the first quarter of 2003.

Consolidated net earnings (loss)

Consolidated net earnings for the first quarter of 2004, including gains on shares and earnings from discontinued operations, were $37 million ($0.25 per share) compared to a net loss of $35 million ($0.22 per share) for the first quarter of 2003. Earnings from discontinued operations in the first quarter of 2004 were nil compared to a loss of $18 million ($0.11 per share) in the first quarter of 2003.

For the quarter ended March 31, 2004, Onex was required for accounting purposes to recognize 100 percent of the losses (earnings) of ClientLogic, InsLogic, J.L. French, Trim Systems and Radian even though Onex does not own 100 percent of these businesses. Prior losses at these companies have eliminated the value contributed by other shareholders in these companies. Thus, for accounting purposes the other shareholders' portion of these companies' current losses is required to be included in determining Onex' net earnings (loss). For consolidation accounting purposes, the cumulative interests of other shareholders in these companies cannot be recorded at a negative value. These losses of other shareholders included in Onex' unaudited interim consolidated financial statements totalled $4 million in the first quarter of 2004 (first quarter 2003 – a loss of $13 million). When these companies begin to record earnings, Onex will include 100 percent of any profits in these companies until Onex has recovered the value of the losses of non-controlling shareholders that were previously booked.

Note 13 to the unaudited interim consolidated financial statements provides a detailed breakdown of earnings (loss) before taxes and non-controlling interests by industry segment for the quarters ended March 31, 2004 and 2003.

CONSOLIDATED FINANCIAL POSITION

This section should be read in conjunction with the unaudited interim consolidated balance sheet as at March 31, 2004, the corresponding notes to the unaudited interim consolidated financial statements and the audited annual consolidated balance sheet as at December 31, 2003.

Consolidated assets

Consolidated assets were $14.1 billion at March 31, 2004, down from $14.6 billion at December 31, 2003. A breakdown of assets by industry segment is provided in note 13 to the unaudited interim consolidated financial statements. Consolidated assets declined in the first quarter due primarily to the equity accounting for Dura Automotive, the assets of which were not consolidated at March 31, 2004 but represented $2.8 billion in consolidated assets at December 31, 2003. Partially offsetting this was the inclusion of $1.5 billion of assets from Magellan, acquired by Onex in January 2004, and $0.7 billion of assets from MSL, acquired by Celestica in mid-March 2004. Note 3 to the unaudited interim consolidated financial statements provides additional details of the acquisitions completed in the first quarter of 2004. In the first quarter of 2004, goodwill increased $1 billion from December 31, 2003, primarily due to the acquisition of Magellan, which added $576 million in goodwill, and $336 million for the MSL purchase.

Long-term debt

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

Total long-term debt (including the current portion) was $2.7 billion at March 31, 2004 compared to $2.2 billion at December 31, 2003. The change in long-term debt resulted primarily from the inclusion of the debt of Magellan, which totalled $506 million at March 31, 2004, following Onex' purchase of that company in January 2004.

In connection with the acquisition of Leaseway Auto Carrier Group, PLG entered into an amended and restated credit agreement. As a result, PLG was in compliance with its debt covenants at March 31, 2004.

Non-controlling interests

The non-controlling interests amount on Onex' unaudited interim consolidated balance sheet at March 31, 2004 represents the ownership interests of shareholders other than Onex in Onex' operating companies. At March 31, 2004, the non-controlling interests balance totalled $5.4 billion compared to $4.6 billion at December 31, 2003. The change in the non-controlling interests balance from December 31, 2003 was due primarily to Celestica's issuance of 14.1 million shares for the purchase of MSL, completed in mid-March 2004, and the acquisition of Magellan in January 2004.

Shareholders' equity

Shareholders' equity was $264 million at March 31, 2004 compared to $293 million at December 31, 2003. The decrease in shareholders' equity was due primarily to repurchases of Subordinate Voting Shares by Onex under its Normal Course Issuer Bid for $59 million, partially offset by the $37 million net earnings reported for the first three months of 2004. The unaudited interim consolidated statements of shareholders' equity on page 29 show the changes to the components of shareholders' equity for the three months ended March 31, 2004 and 2003.

At March 31, 2004, Onex had 144,349,749 Subordinate Voting Shares issued and outstanding. Table 7 shows the change in the number of Subordinate Voting Shares outstanding from December 31, 2003.

Change in Subordinate Voting Shares Outstanding

TABLE 7

Subordinate Voting Shares outstanding at December 31, 2003	**148,015,300**
Issue of shares – Dividend reinvestment plan	**61,849**
Shares repurchased and cancelled under Onex' Normal Course Issuer Bid	**(3,727,400)**
Subordinate Voting Shares outstanding at March 31, 2004	**144,349,749**

Onex had a Normal Course Issuer Bid (the "Bid") in place, which expired on April 9, 2004, that enabled it to repurchase up to 10 percent of the public float of its Subordinate Voting Shares. Under this Bid, Onex repurchased 3,727,400 Subordinate Voting Shares in the first quarter of 2004 at a total cost of $59 million. In total, Onex has repurchased 8,752,500 Subordinate Voting Shares at a total cost of $134 million under this Bid.

On April 12, 2004, Onex renewed its Normal Course Issuer Bid, which permits the Company to purchase for cancellation in the next 12 months up to 10 percent, or approximately 11 million Subordinate Voting Shares. Onex is of the view that it is advantageous for the Company and its shareholders to continue to purchase its Subordinate Voting Shares for cancellation when the shares are trading at prices that reflect a significant discount to their intrinsic value.

Onex' Dividend Reinvestment Plan (the "Plan") enables Canadian shareholders to reinvest cash dividends to acquire new Subordinate Voting Shares of Onex at a market-related price at the time of reinvestment. During the first quarter of 2004, Onex issued 61,849 Subordinate Voting Shares under the Plan at an average cost of $14.81 per share, providing cash savings of approximately $1 million. During the first three months of 2003, 66,500 Subordinate Voting Shares were issued under the Plan at an average cost of $15.27 per share, providing cash savings of approximately $1 million. In early March, Onex amended its Plan to remove the discount to market so that future shares acquired would be determined based on a market value. Eliminating the discount brings the terms of the Plan into line with the dividend reinvestment plans of most other TSX-listed issuers.

In February 2004, Onex issued 7,260,000 options to acquire Subordinate Voting Shares at an exercise price of $15.87, which was the market price of Onex shares at the time of issuance of the options. These options vest over five years and are not exercisable unless the market price is at least 25 percent above the option exercise price. At April 30, 2004, there were 11,706,100 options outstanding to acquire Subordinate Voting Shares.

LIQUIDITY AND CAPITAL RESOURCES

This section should be read in conjunction with the unaudited interim consolidated statements of cash flows as at March 31, 2004 and related notes to the unaudited interim consolidated financial statements.

Operating activities

Cash provided by operations, excluding changes in working capital, totalled $162 million in the first quarter of 2004 compared to $87 million reported for the three months ended March 31, 2003. The increase was due primarily to the inclusion of Magellan, which added approximately $35 million, as well as improved operating results, primarily at ClientLogic and Bostrom. A detailed discussion of the consolidated operating results can be found under the heading "Consolidated Operating Results" beginning on page 11 of this MD&A.

Non-cash net working capital related to operations and other liabilities used cash of $104 million in the first three months of 2004 compared to cash provided of $3 million in the same period last year. Most of the cash used was to support higher inventory levels, primarily at Celestica, due to stronger customer demand in the first quarter of 2004.

Financing activities

Cash used in financing activities was $154 million in the first quarter of 2004 compared to cash used in financing activities of $261 million in the same quarter last year. Onex' repurchase of shares under its Normal Course Issuer Bid used $59 million (2003 – $77 million) of cash in the first quarter. In addition, there was a net repayment of debt totalling $152 million, which was primarily associated with Magellan reducing debt by approximately $110 million. As well, Celestica repaid debt of approximately $47 million associated with the MSL acquisition.

Included in the first three months of 2003 was $230 million of cash used by Celestica to repurchase its subordinate voting shares and its Liquid Yield Option Notes.

Investing activities

Cash used in investing activities totalled $40 million for the first quarter of 2004 compared to $50 million for the first quarter of 2003. In the first quarter of 2004, acquisitions provided cash of $35 million resulting from the cash balance in Magellan at the time of acquisition exceeding the cash investment made by Onex and the Fund. This compares to cash used for acquisitions of $68 million for the first three months of 2003. Note 3 to the unaudited interim consolidated financial statements further details acquisitions completed in the first quarter of 2004. In addition, cash used for the purchase of property, plant and equipment was $127 million in the quarter, up from $83 million of cash used in the first quarter of 2003. Most of the fixed asset additions in the first quarter of 2004 was associated with purchases made by Celestica for approximately $75 million and Loews Cineplex for $25 million. Celestica accounted for most of the increase over the prior year.

Cash from (used in) discontinued operations

Cash from (used in) discontinued operations represents the cash positions of those businesses that have been discontinued. Cash used in discontinued operations was $236 million for the three months ended March 31, 2004 compared to cash from discontinued operations of $4 million reported in the first quarter last year. The significant decline in cash in the first quarter of 2004 resulted from Onex no longer consolidating Dura Automotive, which had a cash balance of $236 million at December 31, 2003. Note 2 to the unaudited interim consolidated financial statements provides additional information on cash from discontinued operations.

Consolidated cash resources

At March 31, 2004, consolidated cash was $2.5 billion compared to $2.6 billion as at December 31, 2003. Onex, the parent company, represented approximately $0.8 billion of cash on hand and Celestica approximately $1.1 billion of cash at March 31, 2004. In addition, there was approximately $0.3 billion of near cash items at Onex, the parent company, at March 31, 2004.

Outlook

The following provides an update to the outlook that was included in the December 31, 2003 report.

Investment in ResCare

Onex and Onex Partners have made a commitment to acquire an approximate 30 percent equity interest in Res-Care, Inc. ("ResCare") for approximately US$83 million. ResCare is a leading provider of residential, therapeutic, job training, educational and support services to populations with special needs; these include persons with mental and other developmental disabilities, youth with special needs and adults who are experiencing barriers to employment. Annual revenues of ResCare are approximately US$1 billion. The investment is subject to customary approvals including that of ResCare shareholders. It is currently planned that the investment would be made in the second quarter of 2004.

Electronics manufacturing services

Celestica reported that it plans to further restructure its operations to better align capacity with customers' requirements and accelerate the company's margin expansion plans. The combined plans represent 10–15 percent reduction (approximately 5,000 employees) to the company's workforce over the next 12 months. Celestica estimates that these activities will result in further pre-tax charges in the range of US$125 to US$150 million.

Theatre exhibition

Onex has announced that it is evaluating strategic alternatives for Loews Cineplex, which may include the sale of the business, excluding the Canadian operations, or other corporate transactions. The outcome of this process cannot be predicted at this time.

Consolidated Balance Sheets

(in millions of dollars)	*(Unaudited)* As at March 31 **2004**	As at December 31 2003
Assets		
Current assets		
Cash and short-term investments	**$ 2,499**	$ 2,564
Accounts receivable	**1,766**	1,451
Inventories	**1,834**	1,512
Other current assets	**632**	507
Current assets held by discontinued operations (note 2)	**19**	880
	6,750	6,914
Property, plant and equipment	**3,034**	2,792
Investments and other assets	**898**	685
Goodwill	**2,830**	1,823
Intangible assets	**557**	485
Long-lived assets held by discontinued operations (note 2)	**–**	1,922
	$ 14,069	$ 14,621
Liabilities and Shareholders' Equity		
Current liabilities		
Bank indebtedness, without recourse to Onex	**$ 3**	$ 1
Accounts payable and accrued liabilities	**3,515**	2,840
Current portion of long-term debt and obligations under capital leases of operating companies, without recourse to Onex	**340**	353
Current liabilities held by discontinued operations (note 2)	**–**	567
	3,858	3,761
Long-term debt of operating companies, without recourse to Onex (note 4)	**2,397**	1,884
Obligations under capital leases of operating companies, without recourse to Onex	**59**	57
Exchangeable debentures	**197**	180
Future income taxes	**758**	739
Other liabilities	**1,117**	908
Long-term liabilities held by discontinued operations (note 2)	**–**	2,216
	8,386	9,745
Non-controlling interests	**5,419**	4,583
Shareholders' equity	**264**	293
	$ 14,069	$ 14,621

See accompanying notes to unaudited interim consolidated financial statements.

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

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

Consolidated Statements of Earnings

(Unaudited) *(in millions of dollars, except per share data)*	Three months ended March 31 **2004**	 2003
Revenues	**$ 4,257**	$ 3,502
Cost of sales	**(3,681)**	(3,055)
Selling, general and administrative expenses	**(301)**	(230)
Earnings before the undernoted items	**275**	217
Amortization of property, plant and equipment	**(134)**	(140)
Amortization of intangible assets and deferred charges	**(24)**	(28)
Interest expense of operating companies	**(66)**	(67)
Interest and other income	**7**	27
Foreign exchange gains (loss)	**2**	(43)
Stock-based compensation	**(42)**	32
Derivative instruments	**(20)**	–
Gains on shares of operating companies, net (note 5)	**90**	19
Acquisition, restructuring and other expenses (note 6)	**(31)**	(4)
Debt prepayment costs	**–**	(10)
Earnings before income taxes, non-controlling interests and discontinued operations	**57**	3
Provision for income taxes	**(15)**	(11)
Non-controlling interests of operating companies	**(5)**	(9)
Earnings (loss) from continuing operations	**37**	(17)
Loss from discontinued operations (note 2)	**–**	(18)
Net Earnings (Loss) for the Period	**$ 37**	$ (35)
Net Earnings (Loss) per Subordinate Voting Share (note 7)		
Basic:		
Continuing operations	**$ 0.25**	$ (0.11)
Discontinued operations	**$ –**	$ (0.11)
Net earnings (loss)	**$ 0.25**	$ (0.22)
Diluted:		
Continuing operations	**$ 0.25**	$ (0.11)
Discontinued operations	**$ –**	$ (0.11)
Net earnings (loss)	**$ 0.25**	$ (0.22)

See accompanying notes to unaudited interim consolidated financial statements.

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

The March 31, 2003 unaudited interim consolidated statement of earnings has been restated for discontinued operations.

Consolidated Statements of Shareholders' Equity

(Unaudited) *(in millions of dollars, except per share data)* Three months ended March 31	Share Capital (note 8)	Retained Earnings	Cumulative Translation Adjustment	Total Shareholders' Equity
Balance – December 31, 2002	$ 658	$ 279	$ 107	$ 1,044
Dividends declared [a]	–	(4)	–	(4)
Issue of shares – dividend reinvestment plan and exercise of options	2	–	–	2
Purchase and cancellation of shares	(22)	(55)	–	(77)
Currency translation adjustment	–	–	(89)	(89)
Net loss for the period	–	(35)	–	(35)
Balance – March 31, 2003	$ 638	$ 185	$ 18	$ 841
Balance – December 31, 2003	**$ 618**	**$ (190)**	**$ (135)**	**$ 293**
Change in stock-based compensation accounting policy [b]	**–**	**(5)**	**–**	**(5)**
Dividends declared [a]	**–**	**(4)**	**–**	**(4)**
Issue of shares – dividend reinvestment plan	**1**	**–**	**–**	**1**
Purchase and cancellation of shares	**(15)**	**(44)**	**–**	**(59)**
Currency translation adjustment	**–**	**–**	**1**	**1**
Net earnings for the period	**–**	**37**	**–**	**37**
Balance – March 31, 2004	**$ 604**	**$ (206)**	**$ (134)**	**$ 264**

(a) Dividends declared per Subordinate Voting Share were $0.0275 (2003 – $0.0275) for the three months ended March 31, 2004.
(b) Adoption of the revised *CICA Handbook* Section 3870, "Stock-based Compensation and Other Stock-based Payments" (see note 1).

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

Consolidated Statements of Cash Flows

(Unaudited) *(in millions of dollars)*	Three months ended March 31 **2004**	2003
Operating Activities		
Net earnings (loss) for the period from continuing operations	**$ 37**	$ (17)
Items not affecting cash:		
Amortization of property, plant and equipment	**134**	140
Amortization of intangible assets and deferred charges	**24**	28
Non-controlling interests in results of operating companies	**5**	9
Future income taxes	**(8)**	(7)
Stock-based compensation	**42**	(32)
Derivative instruments	**20**	–
Gains on shares of operating companies, net	**(90)**	(19)
Other	**(2)**	(15)
	162	87
Increase in other liabilities	**45**	11
Changes in non-cash working capital items:		
Accounts receivable	**(66)**	257
Inventories	**(126)**	(42)
Other current assets	**189**	(20)
Accounts payable and accrued liabilities	**(101)**	(192)
Decrease (increase) in non-cash net working capital related to operations	**(104)**	3
	103	101
Financing Activities		
Issuance of long-term debt	**335**	215
Repayment of long-term debt	**(487)**	(208)
Cash dividends paid	**(3)**	(4)
Repurchase of share capital	**(59)**	(77)
Issuance of share capital by operating companies	**37**	24
Repurchase of share capital by operating companies	**–**	(230)
Increase in other financing activities	**23**	19
	(154)	(261)
Investing Activities		
Acquisition of operating companies, net of cash in acquired companies of $309 (2003 – $6) (note 3)	**35**	(68)
Purchase of property, plant and equipment	**(127)**	(83)
Proceeds from sales of shares of operating companies	**27**	24
Net decrease in investments and other investing activities	**25**	77
	(40)	(50)
Cash from (used in) discontinued operations (note 2)	**(236)**	4
Decrease in Cash and Short-term Investments for the Period	**(327)**	(206)
Increase (decrease) in cash and short-term investments due to changes in foreign exchange rates	**26**	(286)
Cash and short-term investments – beginning of the period	**2,800**	4,642
Cash and Short-term Investments – End of the Period	**$ 2,499**	$ 4,150

See accompanying notes to unaudited interim consolidated financial statements.

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

The March 31, 2003 unaudited interim consolidated statement of cash flows has been restated for discontinued operations.

Notes to Interim Consolidated Financial Statements

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

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

1. BASIS OF PREPARATION

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles ("GAAP"). The disclosures contained in these unaudited interim consolidated financial statements do not include all the requirements of generally accepted accounting principles for annual financial statements. The unaudited interim consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements for the year ended December 31, 2003. Certain amounts presented in the comparative prior periods have been reclassified to conform to the presentation adopted in the current period for discontinued operations.

The unaudited interim consolidated financial statements are based on accounting principles consistent with those used and described in the audited annual consolidated financial statements except as disclosed herein.

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

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

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

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

Effective January 1, 2004, the Company adopted EIC-141, "Revenue Recognition", EIC 142, "Revenue Arrangements with Multiple Deliverables" and EIC 143, "Accounting for Separately Priced Extended Warranty and Product Maintenance Contracts". These sections provide more detailed guidance on *CICA Handbook* Section 3400, "Revenue", and improve the harmonization of revenue standards between Canadian and U.S. GAAP. Adoption did not have a material impact on these unaudited interim consolidated financial statements.

2. DISCONTINUED OPERATIONS

In February 2004, the Company adopted a plan to dispose of its remaining ownership interest in Dura Automotive Systems, Inc. ("Dura Automotive") by selling the shares in the market. As this business was being held for sale, the results of Dura Automotive have been reclassified in the unaudited interim consolidated financial statements as discontinued operations. The sale of shares by certain Dura Automotive shareholders other than the Company, whose shares Onex had the right to vote, resulted in the Company ceasing to have voting control over Dura Automotive. At March 31, 2004, the Company's net investment in Dura Automotive was as disclosed under "Current assets held by discontinued operations" in the unaudited interim consolidated balance sheet. Subsequent to the end of the interim period on April 1, 2004, the Company sold its remaining interest in Dura Automotive for a gain of $4 before a tax provision of $3. The net proceeds received were $23. The revenue from these operations totalled $895 for the three months ended March 31, 2003.

The results of operations for Dura Automotive have been reclassified in the unaudited interim consolidated statements of earnings and unaudited consolidated statements of cash flows for the three-month periods ended March 31, 2004 and 2003 as discontinued operations. The amounts for discontinued operations included in the December 31, 2003 audited annual consolidated balance sheet are as follows:

	Dura Automotive
Cash and short-term investments	$ 236
Accounts receivable	356
Inventories	165
Other current assets	123
Current assets held by discontinued operations	880
Property, plant and equipment	633
Other assets	158
Goodwill	1,114
Intangible assets	17
Long-lived assets held by discontinued operations	1,922
Accounts payable and accrued liabilities	560
Current portion of long-term debt, without recourse to Onex	7
Current liabilities held by discontinued operations	567
Long-term debt, without recourse to Onex	1,544
Obligations under capital leases, without recourse to Onex	3
Future income taxes	85
Other liabilities	156
Non-controlling interests and cumulative translation adjustment	428
Long-term liabilities held by discontinued operations	2,216
Net assets of discontinued operations	$ 19

3. CORPORATE INVESTMENTS

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

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

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

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

Details of the 2004 acquisitions are as follows:

	Magellan[a]	Celestica[b]	Other
Cash	$ 282	$ 24	$ 3
Current assets	511	336	17
Goodwill	576	336	61
Intangible assets	74	13	–
Property, plant and equipment and other long-term assets	186	63	1
	1,629	772	82
Current liabilities	(508)	(267)	(8)
Acquisition financing	(617)	–	(43)
Long-term liabilities	(7)	(78)	–
	497	427	31
Non-controlling interests in net assets	(366)	(358)	(6)
Increase in net assets acquired	$ 131	$ 69	$ 25

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

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

The January 2004 acquisition of Magellan resulted in additional debt recorded in the unaudited interim consolidated financial statements. Magellan has a credit agreement that provides for a term loan facility in an original aggregate principal amount of US$100, a revolving loan facility providing for loans of up to US$50 and a credit-linked facility for the issuance of letters of credit to Magellan in an aggregate principal amount of US$80. Borrowings under the credit agreement will mature on August 15, 2008 and certain quarterly principal payments on the term loan facility are also required. As of March 31, 2004, Magellan had approximately US$96 outstanding under the term loan facility, had not drawn on the revolving loan facility and had issued letters of credit in the amount of US$72.

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

Through March 31, 2004, the company has issued US$7 of Series B notes, which mature on November 15, 2008. The Series B notes were issued to the holders of the general unsecured claims and to others for services rendered during the financial restructuring of Magellan. Interest on the Series B notes is payable semi-annually on each May 15 and November 15, commencing on May 15, 2004.

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

5. GAINS ON SHARES OF OPERATING COMPANIES, NET

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

Three months ended March 31	**2004**	2003
Gains on:		
Performance Logistics Group [a]	**$ 58**	$ –
Issue of shares by Celestica [b]	**9**	–
Sale of Tower Automotive [c]	**6**	–
Vencap sale of operating company [d]	**–**	16
Other, net	**17**	3
	$ 90	$ 19

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

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

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

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

6. ACQUISITION, RESTRUCTURING AND OTHER EXPENSES

Restructuring charges are typically to provide for the costs of facility consolidations and workforce reductions. Restructuring expenses incurred in the three-month periods ended March 31, 2004 and March 31, 2003 are set out in the table below.

Three months ended March 31	**2004**	2003
Celestica	**$ 18**	$ –
Loews Cineplex Group	**5**	2
Other	**8**	2
	$ 31	$ 4

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

	Employee termination costs	Lease and other contractual obligations	Facility exit cost and other	Total accrued liability	Non-cash charge	Total charge
Years prior to 2003						
Closing balance – December 31, 2002	$ 116	$ 114	$ 30	$ 260		
Cash payments	–	–	(6)	(6)		
Charges	–	–	4	4		
Subtotal – March 31, 2003	$ 116	$ 114	$ 28	$ 258		
Closing balance – December 31, 2003	$ 15	$ 85	$ 12	$ 112		
Cash payments	(9)	(24)	–	(33)		
Charges	3	–	–	3	$ 2	$ 5
Subtotal – March 31, 2004	$ 9	$ 61	$ 12	$ 82		
Initiated in 2003						
Closing balance – December 31, 2002	$ 6	$ –	$ –	$ 6		
Cash payments	–	–	–	–		
Charges	–	–	–	–		
Subtotal – March 31, 2003	$ 6	$ –	$ –	$ 6		
Closing balance – December 31, 2003	$ 53	$ –	$ 4	$ 57		
Cash payments	(13)	–	(6)	(19)		
Charges	4	–	5	9	–	9
Subtotal – March 31, 2004	$ 44	$ –	$ 3	$ 47		
Initiated in 2004						
Opening balance – January 1, 2004	$ –	$ –	$ –	$ –		
Cash payments	(2)	–	(2)	(4)		
Charges	15	–	2	17	–	17
Subtotal – March 31, 2004	$ 13	$ –	$ –	$ 13		
Total						
Closing balance – December 31, 2002	$ 122	$ 114	$ 30	$ 266		
Cash payments	–	–	(6)	(6)		
Charges	–	–	4	4		
Total – March 31, 2003	$ 122	$ 114	$ 28	$ 264		
Closing balance – December 31, 2003	$ 68	$ 85	$ 16	$ 169		
Cash payments	(24)	(24)	(8)	(56)		
Charges	22	–	7	29	$ 2	$ 31
Total – March 31, 2004	**$ 66**	**$ 61**	**$ 15**	**$ 142**		

7. EARNINGS (LOSS) PER SHARE

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

Three months ended March 31	**2004**	2003
Weighted average number of shares outstanding:		
Basic	**146,885,700**	157,602,900
Diluted	**146,885,700**	157,602,900

8. SHARE CAPITAL

As at March 31, 2004, Onex' issued and outstanding share capital consisted of 144,349,749 (2003 – 153,859,201) Subordinate Voting Shares, 100,000 Multiple Voting Shares and 176,078 Series 1 Senior Preferred Shares.

During the first three months of 2004, under the Dividend Reinvestment Plan, the Company issued 61,849 (2003 – 66,500) Subordinate Voting Shares at a total value of $1 (2003 – $1). In the first three months of 2003, 55,000 Subordinate Voting Shares were issued upon the exercise of stock options of the Company at a total value of $1. During the first quarter of 2004, the total cash consideration paid on 7,800,000 options surrendered was $65 (2003 – $1). This amount represents the difference between the market value of the Subordinate Voting Shares at the time of surrender and the exercise price, both as determined under Onex' Stock Option Plan as described in note 13 of the audited annual consolidated financial statements.

The Company repurchased and cancelled under a Normal Course Issuer Bid during the first three months of 2004 3,727,400 (2003 – 5,491,100) of its Subordinate Voting Shares at a cost of $59 (2003 – $77).

During the first quarter, 7,260,000 options to acquire Subordinate Voting Shares were issued under the Company's Stock Option Plan with an exercise price of $15.87 each, which was the market price of the shares at the time of the issuance of the options. At March 31, 2004, the Company had 11,706,100 options outstanding to acquire Subordinate Voting Shares.

9. STOCK-BASED COMPENSATION

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

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

Pro forma after the effect of operating companies' stock option plans	Three months ended March 31, 2003
Pro forma net loss	$ (42)
Basic loss per share	$ (0.27)
Diluted loss per share	$ (0.27)

10. SUPPLEMENTAL CASH FLOW INFORMATION

Paid (recovered) during the period:

Three months ended March 31	**2004**	2003
Interest	**$ 47**	$ 67
Taxes	**$ 12**	$ (8)

11. COMMITMENTS AND GUARANTEES

Contingent liabilities in the form of letters of credit, letters of guarantee, surety and performance bonds are provided by certain operating companies to various third parties and include certain bank guarantees. At March 31, 2004, the amounts potentially payable in respect of these guarantees amounted to $117. In addition, certain operating companies have also made guarantees with respect to the liabilities of joint ventures, which amounted to $110 and guarantees of employee share purchase loans of $5 at March 31, 2004. These guarantees are without recourse to Onex. The Company has commitments in the total amount of approximately $104 in respect of corporate investments.

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

Onex' operating companies have aggregate capital commitments of $163 as at March 31, 2004.

12. 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.

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

13. INFORMATION BY INDUSTRY SEGMENT

(Unaudited) *Three months ended March 31, 2004*	Electronics Manufacturing Services	Theatre Exhibition	Managed Healthcare	Customer Management Services	Automotive Products	Other [a]	Consolidated Total
Revenues	$ 2,658	$ 402	$ 539	$ 182	$ 307	$ 169	$ 4,257
Cost of sales	(2,500)	(309)	(416)	(109)	(242)	(105)	(3,681)
Selling, general and administrative expenses	(82)	(29)	(60)	(50)	(16)	(64)	(301)
Earnings before the undernoted items	76	64	63	23	49	–	275
Amortization of property, plant and equipment	(55)	(37)	(9)	(9)	(18)	(6)	(134)
Amortization of intangible assets and deferred charges	(10)	(2)	(4)	(4)	–	(4)	(24)
Interest expense of operating companies	(1)	(16)	(12)	(3)	(27)	(7)	(66)
Interest and other income	–	1	1	–	–	5	7
Foreign exchange gains (loss)	(4)	–	–	–	–	6	2
Stock-based compensation	(5)	–	(15)	(1)	–	(21)	(42)
Derivative instruments	–	–	–	–	–	(20)	(20)
Gains on shares of operating companies, net	–	–	–	–	–	90	90
Acquisition, restructuring and other expenses	(18)	(5)	(3)	(1)	–	(4)	(31)
Earnings (loss) before income taxes, non-controlling interests and discontinued operations	$ (17)	$ 5	$ 21	$ 5	$ 4	$ 39	57
Provision for income taxes							(15)
Non-controlling interests of operating companies							(5)
Earnings from continuing operations							37
Earnings from discontinued operations							–
Net earnings							$ 37
Total assets [b]	$ 7,442	$ 2,092	$ 1,492	$ 314	$ 759	$ 1,970	$ 14,069
Long-term debt [c]	$ –	$ 726	$ 506	$ 248	$ 1,003	$ 217	$ 2,700

(a) Includes Radian, InsLogic, ONCAP and parent company.
(b) Other includes $19 in assets relating to discontinued operations of Dura Automotive (see note 2).
(c) Long-term debt includes current portion and excludes capital leases.

13. INFORMATION BY INDUSTRY SEGMENT (cont'd)

(Unaudited) *Three months ended March 31, 2003*	Electronics Manufacturing Services	Theatre Exhibition	Customer Management Services	Automotive Products	Other[(a)]	Consolidated Total
Revenues	$ 2,396	$ 420	$ 159	$ 389	$ 138	$ 3,502
Cost of sales	(2,233)	(325)	(102)	(305)	(90)	(3,055)
Selling, general and administrative expenses	(79)	(27)	(48)	(30)	(46)	(230)
Earnings before the undernoted items	84	68	9	54	2	217
Amortization of property, plant and equipment	(65)	(34)	(12)	(22)	(7)	(140)
Amortization of intangible assets and deferred charges	(19)	(2)	(5)	–	(2)	(28)
Interest expense of operating companies	(2)	(16)	(4)	(40)	(5)	(67)
Interest and other income	7	1	–	–	19	27
Foreign exchange gains (loss)	1	–	–	2	(46)	(43)
Stock-based compensation	–	–	(1)	–	33	32
Gains on shares of operating companies, net	–	–	–	–	19	19
Acquisition, restructuring and other expenses	–	(2)	–	–	(2)	(4)
Debt prepayment costs	–	–	–	(10)	–	(10)
Earnings (loss) before income taxes, non-controlling interests and discontinued operations	$ 6	$ 15	$ (13)	$ (16)	$ 11	3
Provision for income taxes						(11)
Non-controlling interests of operating companies						(9)
Loss from continuing operations						(17)
Loss from discontinued operations						(18)
Net loss						$ (35)
Total assets as at December 31, 2003[(b)]	$ 6,645	$ 2,112	$ 338	$ 3,581	$ 1,945	$ 14,621
Long-term debt as at December 31, 2003[(b)(c)]	$ –	$ 702	$ 206	$ 2,577	$ 281	$ 3,766

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

(b) Automotive Products includes $2,802 and $1,551 in assets and long-term debt, respectively, relating to discontinued operations of Dura Automotive (see note 2).

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

Shareholder Information

First Quarter Dividend

A dividend of $0.0275 per Subordinate Voting Share was paid on April 30, 2004 to shareholders of record as of April 8, 2004.

Dividend Reinvestment Plan

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

Stock Listing

Toronto Stock Exchange
Symbol: OCX

Registrar and Transfer Agent

CIBC Mellon Trust Company
P.O. Box 7010
Adelaide Street Postal Station
Toronto, Ontario M5C 2W9
(416) 643-5500
or call toll free throughout
Canada and the United States
1-800-387-0825

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

Offices

Toronto
Onex Corporation
161 Bay Street, P.O. Box 700
Toronto, Ontario, Canada M5J 2S1

New York
Onex Investment Corp.
712 Fifth Avenue, 40th Floor
New York, New York, USA 10019

Website

www.onex.com

E-mail

info@onex.com

ONEX

CELESTICA

LOEWS CINEPLEX ENTERTAINMENT

CLIENTLOGIC

RADIAN

ONCAP

MAGELLAN HEALTH SERVICES
Getting Better All the Time

HCI

Bostrom

JL French

PLG Performance Logistics Group

TRIM SYSTEMS

InsLogic

PHOENIX PICTURES

ONEX