

MANAGEMENT'S DISCUSSION AND ANALYSIS

Throughout this MD&A, all amounts are in U.S. dollars unless otherwise indicated.

The Management's Discussion and Analysis ("MD&A") provides a review of Onex Corporation's ("Onex") consolidated financial results for the year ended December 31, 2016 and assesses factors that may affect future results. The financial condition and results of operations are analyzed noting the significant factors that impacted the consolidated statements of earnings, consolidated statements of comprehensive earnings, consolidated balance sheets and consolidated statements of cash flows of Onex. As such, this MD&A should be read in conjunction with the consolidated financial statements and notes thereto included in this report. The MD&A and the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") to provide information about Onex on a consolidated basis and should not be considered as providing sufficient information to make an investment or lending decision in regard to any particular Onex operating business. Onex' MD&A and the consolidated financial statements are prepared in accordance with IFRS, the results of which may differ from the accounting principles applied by the operating businesses in their financial statements.

The following MD&A is the responsibility of management and is as of February 23, 2017. Preparation of the MD&A includes the review of the disclosures on each business by senior managers of that business and the review of the entire document by each officer of Onex and by the Onex Disclosure Committee. The Board of Directors carries out its responsibility for the review of this disclosure through its Audit and Corporate Governance Committee, comprised exclusively of independent directors. The Audit and Corporate Governance Committee has reviewed and recommended approval of the MD&A by the Board of Directors. The Board of Directors has approved this disclosure.

The MD&A is presented in the following sections:

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Onex Corporation's financial filings, including the 2016 MD&A and Consolidated Financial Statements and interim quarterly reports, Annual Information Form and Management Information Circular, are available on Onex' website, www.onex.com, and on the Canadian System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

Forward-Looking/Safe Harbour Statements

This MD&A may contain, without limitation, statements concerning possible or assumed future operations, performance or results preceded by, followed by or that include words such as "believes", "expects", "potential", "anticipates", "estimates", "intends", "plans" and words of similar connotation, which would constitute forward-looking statements. Forward-looking statements are not guarantees. The reader should not place undue reliance on forward-looking statements and information because they involve significant and diverse risks and uncertainties that may cause actual operations, performance or results to be materially different from those indicated in these forward-looking statements. Except as may be required by Canadian securities law, 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. These cautionary statements expressly qualify all forward-looking statements in this MD&A.

GLOSSARY

The following is a list of commonly used terms in Onex' MD&A and consolidated financial statements and their corresponding definitions.

Assets under management is the sum of the fair value of invested assets and uncalled committed capital that Onex manages on behalf of fund investors, including Onex' own capital.

Carried interest is an allocation of part of a fund investor's profits to Onex and its management team after realizing a preferred return.

CLO warehouse is a leveraged portfolio of credit investments that Onex establishes in anticipation of raising a new CLO. The leverage is typically provided by a financial institution that serves as the placement agent for the relevant CLO. The leverage provided by a financial institution may be in the form of a total return swap that transfers the credit and market risk of specified securities. Onex provides capital to support the CLO warehouse.

Co-investment is a direct investment made by limited partners alongside the fund.

Collateralized Loan Obligation ("CLO") is a structured investment fund that invests in non-investment grade debt. Interests in these funds are sold in rated tranches that have rights to the CLO's collateral and payment streams in descending order of priority. The yield to investors in each tranche decreases as the level of priority increases.

Committed capital is the amount contractually committed by limited partners that a fund may call for investments or to pay management fees and other expenses.

Deferred Share Units ("DSUs") are synthetic investments made by Directors and senior management of Onex, where the gain or loss mirrors the performance of the SVS. DSUs may be issued to Directors in lieu of director fees and to senior management in lieu of a portion of their annual short-term incentive compensation.

Direct lending platform will focus on providing credit to middle-market and larger private equity and corporate borrowers predominantly in the United States and, selectively, in Canada and Europe. The strategy will invest the majority of its capital in senior secured loans of companies primarily in less cyclical and less capital-intensive industries, with a focus on capital preservation. The direct lending platform will employ a buy-and-hold approach to investing, with a goal of owning a diversified pool of investments.

Discontinued operation is a component of Onex that has either been disposed of or is currently classified as held for sale, and represents either a major line of business or geographical area, a single coordinated plan to dispose of a separate line of business or geographical area, or a subsidiary acquired exclusively with a view to near-term resale.

EBITDA is a non-GAAP measure and is based on the local accounting standards of the individual operating companies. The metric is based on earnings before interest, taxes, depreciation and amortization as well as other adjustments. Other adjustments can include non-cash costs of stock-based compensation and retention plans, transition and restructuring expenses including severance payments, the impact of derivative instruments that no longer qualify for hedge accounting, the impacts of purchase accounting and other similar amounts.

Economic ownership is the percentage by which Onex economically participates in an operating company investment.

Fee-generating capital is the assets under management on which the Company earns management fees and/or carried interest or incentive fees.

Fund investor capital is the invested and committed uncalled capital of third-party investors.

General partner is a partner that determines most of the actions of a partnership and can legally bind the partnership. The general partners of Onex-sponsored funds are Onex-controlled subsidiaries.

Gross internal rate of return ("Gross IRR") is the annualized percentage return achieved on an investment or fund, taking time into consideration. This measure does not reflect a limited partner's return since it is calculated without deducting carried interest, management fees and expenses.

Gross multiple of capital ("Gross MOC") is an investment's or fund's total value divided by the capital that has been invested. This measure does not reflect a limited partner's multiple of capital since it is calculated without deducting carried interest, management fees and expenses.

Hurdle or **preferred return** is the minimum return required from an investment or fund before payments under the MIP, carried interest or incentive fees.

Incentive fees are performance fees generated on fund investors' capital managed by Onex Credit. Certain incentive fees are subject to a hurdle or preferred return to investors in accordance with the terms of the relevant agreements.

International Financial Reporting Standards ("IFRS") is a set of standards adopted by Onex to determine accounting policies for the consolidated financial statements that were formulated by the International Accounting Standards Board, and allows for comparability and consistency across businesses. As a publicly listed entity in Canada, Onex is required to report under IFRS.

Joint ventures are a type of business arrangement in which two or more parties agree to share control over key decisions in order to reach a common objective, typically profit generation or cost reduction. Joint ventures held by Onex through its private equity funds are recorded at fair value.

Leveraged loans refer to the non-investment grade senior secured debt of relatively highly leveraged borrowers. A leveraged loan is typically issued by a company in connection with it being acquired by a private equity or corporate investor.

Limited partner is an investor whose liability is generally limited to the extent of their share of the partnership.

Limited Partners' Interests charge primarily represents the change in the fair value of the underlying investments in the Onex Partners, ONCAP and Onex Credit Funds, net of carried interest, which is allocated to the limited partners and recorded as Limited Partners' Interests liability.

Limited Partners' Interests liability represents the fair value of limited partners' invested capital in the Onex Partners, ONCAP and Onex Credit Funds and is affected primarily by the change in the fair value of the underlying investments in those funds, the impact of the carried interest, as well as any contributions by and distributions to the limited partners in those funds.

LTM EBITDA is EBITDA of a business over the last twelve months.

Management investment plan (“MIP”) is a plan that requires members of Onex’ management to invest in each of the operating businesses acquired or invested in by Onex. Management’s required cash investment is 1.5 percent of Onex’ interest in each acquisition or investment. Management is allocated 7.5 percent of Onex’ realized gain from an operating business investment, subject to Onex realizing the full return of its investment plus a net 15 percent internal rate of return from the investment. The plan also has vesting requirements, certain limitations and voting requirements.

Multiple Voting Shares of Onex are the controlling class of shares which entitle Mr. Gerald W. Schwartz to elect 60 percent of Onex’ Directors and to 60 percent of the total shareholder vote on most matters. The shares have no entitlement to distribution on wind-up or dissolution above their nominal paid-in value and do not participate in dividends or earnings.

Near-cash are investment holdings in readily marketable investments that can be converted to cash in an orderly market. In addition, near-cash includes management fees receivable from the limited partners of Onex’ private equity funds.

Net internal rate of return (“Net IRR”) is the annualized percentage return earned by the limited partners of a fund, after the deduction of carried interest, management fees and expenses, taking time into consideration.

Net multiple of capital (“Net MOC”) is the investment distributions and unrealized value, net of carried interest, to limited partners subject to carried interest and management fees in the funds, divided by the limited partners’ total contributions for investments, fees and expenses.

Non-controlling interests represent the ownership interests in Onex’ controlled operating companies by shareholders other than Onex and the limited partners in the Onex Partners and ONCAP Funds.

Normal Course Issuer Bid(s) (“NCIB”) is an annual program(s) approved by the Board of Directors that enables Onex to repurchase SVS for cancellation.

ONEX is the share symbol for Onex Corporation on the Toronto Stock Exchange.

Onex capital is the aggregate fair value of Onex Corporation’s investments, cash and near-cash assets, less debt (which is nil). The fair value of Onex Corporation’s investments includes the unrealized carried interest less the MIP liability based on the current fair values of the investments.

Onex capital per share is Onex capital divided by the number of fully diluted shares.

Onex Credit Funds are the funds managed by Onex Credit, which include two closed-end funds listed on the Toronto Stock Exchange (TSX: OCS-UN and OSL-UN). Onex controls and consolidates certain funds managed by Onex Credit in which Onex, the parent company, holds an investment.

Private equity platform is our investing and asset management activities carried on through the Onex Partners and ONCAP Funds.

Subordinate Voting Shares (“SVS”) are the non-controlling share capital of Onex. SVS shareholders are entitled to elect 40 percent of Onex’ Directors and to 40 percent of the total shareholder vote on most matters. These shares are the only class of stock that economically participates in Onex Corporation. The SVS trade on the Toronto Stock Exchange.

References

References to the **Company** represent Onex Corporation. References to the **Onex management team** include the management of Onex, ONCAP and Onex Credit. References to management without the use of team include only the relevant group. For example, Onex management does not include management of ONCAP or Onex Credit.

References to the **Onex Partners Groups** represent Onex, the limited partners of the relevant Onex Partners Fund, the Onex management team and, where applicable, certain other limited partners as investors. References to the **ONCAP Groups** represent Onex, the limited partners of the relevant ONCAP Fund, the Onex management team and, where applicable, certain other limited partners as investors. For example, references to the Onex Partners III Group represent Onex, the limited partners of Onex Partners III, the Onex management team and, where applicable, certain other limited partners as investors.

Throughout the MD&A and consolidated financial statements, the following operating companies, joint ventures and associates, and their respective subsidiaries, will be referenced as follows:

- **“AIT”** – Advanced Integration Technology LP
- **“BBAM”** – BBAM Limited Partnership
- **“Bradshaw”** – Bradshaw International, Inc.
- **“Carestream Health”** – Carestream Health, Inc.
- **“Celestica”** – Celestica Inc.
- **“Chatters”** – Chatters Canada
- **“Cicis”** – CiCi’s Holdings, Inc.
- **“Clarivate Analytics”** – formerly the Intellectual Property and Science business of Thomson Reuters
- **“Davis-Standard”** – Davis-Standard Holdings, Inc.
- **“Emerald Expositions”** – Emerald Expositions, LLC
- **“EnGlobe”** – EnGlobe Corp.
- **“Flushing Town Center”** – Flushing Town Center
- **“FLY Leasing Limited”** – FLY Leasing Limited
- **“Genesis Healthcare”** – Genesis Healthcare, Inc.
- **“Hopkins”** – Hopkins Manufacturing Corporation
- **“Incline Aviation Fund”** – Incline Aviation Fund
- **“ITG”** – Ingersoll Tools Group
- **“Jack’s”** – Jack’s Family Restaurants
- **“JELD-WEN”** – JELD-WEN Holding, Inc.
- **“KraussMaffei”** – KraussMaffei Group GmbH
- **“Mavis Discount Tire”** – Mavis Tire Supply LLC
- **“Meridian Aviation”** – Meridian Aviation Partners Limited and affiliates
- **“ONCAP I”** – ONCAP I L.P.
- **“ONCAP II”** – ONCAP II L.P.
- **“ONCAP III”** – ONCAP III LP
- **“ONCAP IV”** – ONCAP IV LP
- **“Onex Partners I”** – Onex Partners LP
- **“Onex Partners II”** – Onex Partners II LP
- **“Onex Partners III”** – Onex Partners III LP
- **“Onex Partners IV”** – Onex Partners IV LP
- **“Parkdean Resorts”** – Parkdean Resorts
- **“Pinnacle Renewable Energy Group”** – Pinnacle Pellet, Inc.
- **“PURE Canadian Gaming”** – PURE Canadian Gaming Corp.
- **“ResCare”** – Res-Care, Inc.
- **“Save-A-Lot”** – Save-A-Lot
- **“Schumacher”** – Schumacher Clinical Partners
- **“sgsco”** – SGS International, LLC
- **“SIG”** – SIG Combibloc Group Holdings S.à r.l.
- **“Sitel Worldwide”** – SITEL Worldwide Corporation
- **“Skilled Healthcare Group”** – Skilled Healthcare Group, Inc.
- **“Survitec”** – Survitec Group Limited
- **“Tecta”** – Tecta America Corporation
- **“Tropicana Las Vegas”** – Tropicana Las Vegas, Inc.
- **“USI”** – USI Insurance Services
- **“WireCo”** – WireCo WorldGroup
- **“York”** – York Risk Services Holding Corp.

OUR BUSINESS, OUR OBJECTIVE AND OUR STRATEGIES

OUR BUSINESS: We invest and manage our own capital and that of investors from around the world, including public and private pension funds, sovereign wealth funds, banks, insurance companies and family offices. Onex has generated a Gross MOC of 2.7 times from its private equity activities since inception on realized, substantially realized and publicly traded investments. In our credit platform, we seek to generate strong risk-adjusted and absolute returns across market cycles.

Investment approach

For more than three decades, we have developed a successful approach to investing. In our private equity platforms, we pursue businesses with world-class capabilities and strong free cash flow characteristics where we have identified an opportunity, in partnership with company management, to effect change and build market leaders. As an active owner, we are focused on execution rather than macro-economic or industry trends. Specifically, we focus on: (i) cost reduction and operational restructurings; (ii) platforms for add-on acquisitions; and (iii) carve-outs of subsidiaries and mission-critical supply divisions from multinational corporations.

Historically, we have been relatively conservative with the use of financial leverage, which has served Onex and its businesses well through many cycles. In addition, we typically acquire a control position, which allows us to drive important strategic decisions and effect change at our businesses. Onex does not get involved in the daily operating decisions of the businesses.

In our credit platform, we focus on non-investment grade debt. We practise value-oriented investing with bottom-up, fundamental and structural analysis. Stringent oversight of portfolio construction risk profile and liquidity management complements our approach to investment research.

Our team maintains disciplined risk management, with a focus on capital preservation across all strategies. We seek to generate strong risk-adjusted and absolute returns across market cycles.

Experienced team with significant depth

Onex is led by an Executive Committee comprised of the firm's founder and CEO, Gerry Schwartz, and four Senior Managing Directors. Collectively, these executives have more than 140 years of investing experience and have worked at Onex for an average of 25 years. Onex' stability results from its ownership culture, rigorous recruiting standards and highly collegial environment.

Onex' 94 investment professionals are each dedicated to a separate investment platform: Onex Partners (55), ONCAP (19) and Onex Credit (20). These investment teams are supported by approximately 80 professionals dedicated to Onex' corporate functions and its investment platforms.

Substantial financial resources available for future growth

Onex' policy is to maintain a financially strong parent company with funds available for new acquisitions and to support the growth of its businesses. Onex' financial strength comes from both its own capital as well as the committed capital from its limited partners in the Onex Partners and ONCAP Funds. At December 31, 2016, Onex had substantial financial resources available to support its investing strategy with:

- approximately \$1.6 billion of cash and near-cash items, prior to the pending investment in Parkdean Resorts, and no debt at the parent company;
- \$1.7 billion of limited partner uncalled capital available for future Onex Partners IV investments, of which \$301 million has been subsequently called for the pending acquisition of Parkdean Resorts; and
- \$679 million of limited partner uncalled capital available for future ONCAP IV investments.

In November 2016, we successfully completed fundraising for ONCAP IV, reaching aggregate commitments of \$1.1 billion and exceeding our target size of \$1.0 billion. This includes Onex' commitment of \$480 million and capital from fund investors around the world.

Strong alignment of interests

Critical to our success is the strong alignment of interests between Onex' shareholders, our limited partners and the Onex management team. In addition to Onex being the largest limited partner in each private equity fund and having meaningful investments in our credit platform, the Company's distinctive ownership culture requires the management team to have a significant ownership in Onex shares and to invest meaningfully in each operating business acquired. At December 31, 2016, the Onex management team:

- was the largest shareholder in Onex, with a combined holding of approximately 17.4 million shares, or 17 percent of outstanding shares, and had invested in 0.6 million DSUs;
- had a total cash investment in Onex' current operating businesses of approximately \$440 million; and
- had a total investment at market in Onex Credit strategies of approximately \$275 million.

As well, the Onex management team is required to reinvest 25 percent of all Onex Partners carried interest and MIP distributions in Onex shares until they individually own at least one million shares and must hold these shares until retirement.

OUR OBJECTIVE: Onex' business objective is to create long-term value for shareholders and to have that value reflected in our share price. Our strategies to deliver this value are concentrated on (i) acquiring and building industry-leading businesses and (ii) managing and growing fund investor capital in our private equity and credit platforms. We believe Onex has the investment philosophy, human resources, financial resources and track record to continue to deliver on its objective. The discussion that follows outlines Onex' strategies and reviews how we performed relative to those strategies in 2016.

OUR STRATEGIES

Acquiring and building industry-leading businesses

The growth in Onex capital is driven by the success of our private equity investments. Our private equity investing strategy focuses on an active ownership approach to acquiring and building industry-leading businesses in partnership with talented management teams.

The value of Onex' private equity investments, including realizations and distributions, increased by 7 percent during 2016. One of Onex' long-term goals is to grow its capital per share by 15 percent per year. Including the impact of cash and other investments, Onex capital per share grew by 8 percent in U.S. dollars (4 percent in Canadian dollars) for the year ended December 31, 2016 to \$58.56 (C\$78.63). Over the past five years, Onex capital per share has increased by 10 percent per year in U.S. dollars (16 percent per year in Canadian dollars).

The table below presents the significant private equity investments made during 2016 and Onex' share thereof:

Company	Fund	Transaction	Period	Total Amount (\$ millions)	Onex' Share (\$ millions)
Clarivate Analytics	Onex Partners IV	Original investment	Oct '16	\$ 1,177 ⁽¹⁾	\$ 419 ⁽¹⁾
Save-A-Lot	Onex Partners IV	Original investment	Dec '16	660	186
WireCo	Onex Partners IV	Original investment	Sep '16	270	76
Tecta	ONCAP III and IV	Original investment	Aug and Dec '16	124 ⁽²⁾	43 ⁽²⁾
Survitec	Onex Partners IV	Add-on investment	Nov '16	35	8
Total				\$ 2,266	\$ 732

(1) The Onex Partners IV Group's equity investment in Clarivate Analytics was comprised of \$700 million through Onex Partners IV and \$477 million as a co-investment from Onex and certain limited partners. Onex' investment was comprised of \$197 million through Onex Partners IV and \$222 million as a co-investment.

(2) The ONCAP III Group's equity investment in Tecta was initially comprised of an investment of \$99 million through ONCAP III and an additional investment of \$25 million by Onex. In December 2016, following the consent previously received from the Advisory Committee of ONCAP III, the General Partner of the ONCAP III Group syndicated \$37 million of the investment in Tecta, representing 29 percent of the economic interest, to the ONCAP IV Group at the same cost as the original investment. The additional investment of \$25 million made by Onex represented Onex' pro-rata share of the portion of the investment that was transferred to the ONCAP IV Group. Subsequent to the syndication, Onex' investment in Tecta consisted of \$18 million through the ONCAP III Group and \$25 million through the ONCAP IV Group.

Acquiring businesses

In October 2016, Onex, in partnership with Baring Private Equity Asia, completed the acquisition of the Intellectual Property and Science business from Thomson Reuters for \$3.55 billion. The business, which now operates as Clarivate Analytics, owns and operates a collection of leading subscription-based businesses focused on scientific and academic research, patent analytics and regulatory standards, pharmaceutical and biotech intelligence, trademark protection, domain brand protection and intellectual property management. The equity investment was \$1.6 billion for a 100 percent economic interest in Clarivate Analytics, of which \$1.2 billion was made by the Onex Partners IV Group, including \$477 million as a co-investment from Onex and certain limited partners, for a 72 percent economic interest. Onex' share of the equity investment was \$419 million, including \$222 million as a co-investment, for a 26 percent economic interest.

In December 2016, the Company completed the acquisition of Save-A-Lot for \$1.4 billion. Save-A-Lot is one of the largest hard-discount grocery retailers for value-seeking shoppers in the United States. The Onex Partners IV Group invested \$660 million for 100 percent of the economic interest in Save-A-Lot. Onex' share of the investment was \$186 million for a 28 percent economic interest.

In September 2016, the Onex Partners IV Group acquired control and an initial 72 percent economic interest through a recapitalization of WireCo, a leading global manufacturer of mission-critical steel wire rope, synthetic rope, specialty wire and engineered products, for \$916 million. The Onex Partners IV Group invested \$270 million in WireCo. Onex' share of the investment was \$76 million for an initial 20 percent economic interest.

In August 2016, the ONCAP III Group acquired Tecta. Based in the United States, Tecta is a leading national commercial roofing company offering installation, replacement and repair services. The equity investment in Tecta was \$124 million for a 97 percent economic interest, and was initially comprised of an investment of \$99 million by the ONCAP III Group and an additional investment of \$25 million by Onex.

In December 2016, the ONCAP III Group transferred \$37 million of the investment in Tecta, representing 29 percent of the economic interest, to the ONCAP IV Group at the same cost as the original investment. Subsequent to the syndication, Onex' investment consisted of \$18 million through the ONCAP III Group and \$25 million through the ONCAP IV Group for a combined 33 percent economic interest.

In addition, in December 2016, the Onex Partners IV Group agreed to acquire Parkdean Resorts, a leading operator of caravan holiday parks in the United Kingdom, for £1.35 billion. The Onex Partners IV Group expects to make an investment of \$627 million, comprised of \$427 million from Onex Partners IV and \$200 million as a co-investment from Onex and certain limited partners, for an economic interest of approximately 91 percent. Onex' share of the investment is expected to be \$170 million, comprised of \$126 million through Onex Partners IV and \$44 million as a co-investment, for an economic interest of approximately 25 percent. The transaction is expected to close during the first quarter of 2017, subject to customary conditions and regulatory approvals.

Today, we have approximately \$1.6 billion of cash and near-cash items and \$2.4 billion of limited partner uncalled capital to deploy for new investments, prior to giving effect to the pending acquisition of Parkdean Resorts. As we continue to evaluate investment opportunities, our focus remains on identifying investments that will deliver long-term growth for our shareholders and partners.

Building businesses

During 2016, 14 of our operating businesses completed 29 follow-on acquisitions for total consideration of \$685 million. This includes the June 2016 acquisition of ECI Healthcare Partners ("ECI") by Schumacher for \$140 million and the November 2016 acquisition of the safety-related business activities of Wilhelmsen Maritime Service ("Wilhelmsen Safety") by Survitec for £164 million (\$205 million). In connection with Survitec's acquisition of Wilhelmsen Safety, the Onex Partners IV Group invested \$35 million in Survitec, of which Onex' share was \$8 million. In addition, during 2016 our businesses paid down debt totalling approximately \$468 million.

Realizing on value

During 2016, the strength of our businesses, combined with the strength in the credit market for much of the year, made it appropriate for a number of our operating businesses to collectively raise or refinance a total of \$4.3 billion of debt. This contributed to Onex and its partners receiving distributions of \$505 million from these operating businesses.

The table below presents the significant proceeds received during 2016 and up to February 23, 2017 from realizations and cash distributions primarily from private equity activity:

Company	Fund	Transaction	Period	Gross Multiple of Capital Invested ⁽¹⁾	Total Amount (\$ millions)	Onex' Share ⁽²⁾ (\$ millions)
KraussMaffei	Onex Partners III	Sale of business	Apr '16	2.1x	\$ 737 ⁽³⁾	\$ 191 ⁽³⁾
JELD-WEN	Onex Partners III	Distributions and initial public offering	Aug '16, Nov '16 and Jan '17	n/a	491 ⁽⁴⁾	127 ⁽⁴⁾
AIT	Onex Partners IV	Distributions	Various	n/a	125	27
Hopkins	ONCAP III	Distribution	Dec '16	n/a	71	21
Cicis	ONCAP II	Sale of business	Aug '16	1.4x	53 ⁽⁵⁾	23 ⁽⁵⁾
BBAM	Onex Partners III	Distributions	Various	n/a	50	13
Jack's	Onex Partners IV	Repayments of promissory note	Jan, Mar and Apr '16	n/a	40	12
Meridian Aviation	Onex Partners III	Distribution	Jun '16	n/a	39	12
Onex Real Estate Partners	Direct investment	Distributions	Various	n/a	37	33
PURE Canadian Gaming	ONCAP II and III	Distribution	Jan '17	n/a	11	5
Total					\$ 1,654	\$ 464

(1) Calculation includes prior realizations and amounts expected to be received from escrow and working capital adjustments. Information is not presented for investments still held by Onex.

(2) Onex' share includes carried interest received by Onex and is reduced for amounts paid under the MIP and Onex' net payment of carried interest for ONCAP investments, if applicable.

(3) Excludes amounts held in escrow and the working capital adjustment receivable. Includes the impact of foreign exchange hedges.

(4) Includes amounts received for a purchase price adjustment.

(5) Excludes amounts held in escrow and amounts for any potential working capital adjustment.

In April 2016, the Onex Partners III Group sold its entire investment in KraussMaffei for a cash enterprise value of €925 million (\$1.0 billion). The Onex Partners III Group invested a total of €276 million (\$358 million) to acquire KraussMaffei in December 2012 and has received net proceeds of €669 million (\$753 million). Onex' portion of the net proceeds was \$195 million, including carried interest and after the reduction for amounts relating to the MIP. The net proceeds for the Onex Partners III Group and Onex included net realized losses from foreign exchange hedges of \$13 million and \$3 million, respectively.

The investment in KraussMaffei generated a Gross MOC of 2.1 times, including the impact of foreign exchange hedges.

In January 2017, JELD-WEN completed an initial public offering of 28.75 million shares of its common stock (NYSE: JELD), including the exercise of the over-allotment option. The offering was priced at \$23.00 per share for gross proceeds of \$661 million. As part of the offering, JELD-WEN issued approximately 22.3 million treasury shares. The net proceeds from treasury shares were used to repay \$375 million of JELD-WEN's combined term loan with the balance for working capital and other general corporate purposes. The Onex Partners III Group sold approximately 6.5 million shares in the transaction for net proceeds of \$140 million. Onex' portion of the net proceeds was \$40 million, including approximately \$6 million of carried interest. Subsequent to the initial public offering, the Onex Partners III Group continues to hold 62.8 million shares of JELD-WEN for an economic and voting interest of 60 percent. Onex continues to hold 15.5 million shares for a 15 percent economic interest in JELD-WEN.

In November 2016, JELD-WEN increased its term loan borrowings by \$375 million and drew on the company's revolving credit facility to fund a distribution of \$400 million to its shareholders. The Onex Partners III Group's portion of the distribution to shareholders was \$327 million, of which Onex' portion was \$81 million.

In addition, in August 2016 JELD-WEN distributed a purchase price adjustment of \$24 million to the Onex Partners III Group, of which Onex' share was \$6 million.

In July 2016, AIT completed its inaugural financing, a \$225 million term loan. The net proceeds from the term loan were used in August 2016 to repurchase units from investors other than the Onex Partners IV Group and to fund a distribution of \$174 million. As a result of the unit repurchase, the Onex Partners IV Group's economic interest in AIT increased to 50 percent, of which Onex' share was an 11 percent economic interest. The Onex Partners IV Group's share of the distribution was \$107 million, of which Onex' share was \$24 million.

In addition, during 2016, AIT distributed an additional \$18 million to the Onex Partners IV Group, of which Onex' share was \$3 million. The additional distributions were funded by the company's free cash flow.

In December 2016, Hopkins entered into a new credit facility to fund an \$80 million distribution to shareholders and repay its existing credit facilities. The ONCAP III Group's share of the distribution was \$71 million, of which Onex' share was \$21 million.

In August 2016, the ONCAP II Group sold Cicis. Onex received total net proceeds of approximately \$29 million compared to its original investment of \$22 million.

During 2016, BBAM distributed \$50 million to the Onex Partners III Group, of which Onex' share was \$13 million. The distributions were funded by the company's free cash flow.

During the first half of 2016, Jack's made repayments of the promissory note held by the Onex Partners IV Group totalling \$40 million, including accrued interest, with net proceeds from sale-leaseback transactions completed for certain of its fee-owned restaurant properties. Onex' share of the repayments was \$12 million.

In June 2016, the balance of \$14 million outstanding under the promissory note, of which Onex' share was \$4 million, was converted into additional equity of Jack's in accordance with the promissory note agreement.

In June 2016, Meridian Aviation distributed \$39 million to the Onex Partners III Group, of which Onex' share was \$12 million, including carried interest of \$2 million. The distribution was funded from cash on hand at Meridian Aviation, which was primarily from gains on investments in aircraft.

During 2016, our real estate platform distributed \$37 million of proceeds primarily from the sale of commercial units at Flushing Town Center. Onex' share of the distributions was \$33 million. The distributions by Flushing Town Center included \$8 million related to the amounts held in escrow from the July 2015 sale of the retail space and adjoining parking garage of Flushing Town Center, of which Onex' share was \$7 million.

In January 2017, PURE Canadian Gaming distributed C\$15 million to shareholders, which was primarily funded by the company's free cash flow generated during the year. The ONCAP II and III Groups' portion of the distribution was C\$15 million (\$11 million), of which Onex' portion was C\$6 million (\$5 million).

Managing and growing fund investor capital

Onex' management of fund investor capital has grown significantly since 1999 when it raised its first ONCAP Fund for middle-market transactions. In 2003, the first Onex Partners Fund was raised for larger transactions. Over the years, Onex has raised \$12.4 billion of limited partner capital through eight Onex Partners and ONCAP Funds. In November 2016, Onex successfully completed fundraising for ONCAP IV, reaching aggregate commitments of \$1.1 billion and exceeding our target size of \$1.0 billion. This includes Onex' commitment of \$480 million and capital from fund investors around the world.

In 2007, Onex acquired a 50 percent interest in an investment advisor focused on credit investing which, at that time, managed \$300 million. In January 2015, Onex acquired control of the investment advisor and now has a 100 percent ownership interest for accounting purposes.

In 2012, Onex began investing capital in Onex Credit's CLO platform to support its growth. In 2014, Onex Credit established a presence in London to focus on the placement of European CLOs and currently has a warehouse facility in anticipation of its first placement. To date, Onex Credit has closed 12 CLOs, with offerings of securities and loans totalling approximately \$6.9 billion. At December 31, 2016, capital under management related to these CLOs was \$6.3 billion.

Today, our credit business manages non-investment grade debt through several investment strategies comprising event-driven, long/short, long-only, par, stressed and distressed opportunities, including two closed-end funds listed on the Toronto Stock Exchange (TSX: OCS-UN and OSL-UN), as well as its CLO platform. Since inception, Onex Credit has raised \$7.9 billion of fund investor capital through its various strategies and is focused on growing its other strategies through various product lines and distribution channels.

In April 2016, Onex Credit announced plans to launch a direct lending platform which will focus on providing credit to middle-market and larger private equity and corporate borrowers predominantly in the United States and, selectively, in Canada and Europe. The strategy will invest the majority of its capital in senior secured loans of companies primarily in less cyclical and less capital-intensive industries, with a focus on capital preservation. The direct lending platform will employ a buy-and-hold approach to investing, with a goal of owning a diversified pool of investments. The direct lending platform is a natural extension of Onex Credit's business and will leverage the firm's infrastructure in and knowledge of the loan market. In addition, the platform will further contribute to Onex' objective of growing fee-generating assets under management.

The management of fund investor capital provides two significant benefits to Onex: (i) the Company earns management fees on \$15.9 billion of fee-generating capital under management and (ii) Onex has the opportunity to share in the profits of its investors through carried interest and incentive fee participation. This enables Onex to enhance the return from its investment activities. Onex Partners, ONCAP and Onex Credit earned a total of \$135 million in management and transaction fees in 2016 (2015 – \$141 million), and today Onex has run-rate management fees of \$150 million for the next 12 months. Onex expects management fees and carried interest will offset ongoing operating expenses.

Our private equity funds contribute \$110 million to the run-rate management fees for the next 12 months. Onex does not earn any management fees on the \$5.0 billion of capital it has invested or committed to its private equity funds.

Onex Credit contributes \$40 million to the run-rate management fees for the next 12 months, which includes \$3 million of management fees earned on Onex' capital invested in Onex Credit Funds.

At December 31, 2016, Onex' share of the unrealized carried interest on Onex Partners' operating businesses was \$197 million based on their fair values compared to \$178 million at December 31, 2015. The amount of unrealized carried interest on Onex Partners' businesses has increased since December 31, 2015 due to net fair value increases of certain businesses during 2016, partially offset by \$14 million of carried interest realized primarily on the sale of KraussMaffei. The actual amount of carried interest realized by Onex will depend on the ultimate performance of each fund.

At December 31, 2016, Onex managed \$18.0 billion of fund investor capital, in addition to \$6.3 billion of Onex capital.

Fund Investor Capital Under Management ⁽¹⁾							
Total		Change in Total	Fee-Generating		Uncalled Commitments		
December 31, 2016 ⁽²⁾	December 31, 2015 ⁽²⁾		December 31, 2016	December 31, 2015	December 31, 2016 ⁽²⁾	December 31, 2015 ⁽²⁾	
Funds							
Onex Partners ⁽³⁾	\$ 9,798	\$ 9,803	–%	\$ 7,943	\$ 8,249	\$ 2,011	\$ 3,233
ONCAP ⁽⁴⁾	1,548	865	79%	1,304	727	740	107
Onex Credit	6,637	5,869	13%	6,637	5,869	n/a	n/a
Total	\$ 17,983	\$ 16,537	9%	\$ 15,884	\$ 14,845	\$ 2,751	\$ 3,340

(1) Invested amounts included in fund investor capital under management are presented at fair value.

(2) Uncalled commitments include capital available for future Onex-sponsored acquisitions and possible future funding of remaining businesses. Includes committed amounts from the Onex management team and directors based on the assumption that all of the remaining limited partners' commitments are invested. Uncalled commitments at December 31, 2016 are reduced for management fees receivable of \$48 million, which are included in Onex capital. Uncalled commitments for ONCAP III at December 31, 2016 include bridge financing for the investment in Tecta that was returned to limited partners in January 2017.

(3) The principal repayments of the promissory note by Jack's, as described on page 33 of this MD&A, increased the uncalled commitments for Onex Partners Funds.

(4) Capital under management for ONCAP II and III is in Canadian dollars and has been converted to U.S. dollars using the exchange rate on December 31, 2016 and 2015.

Growth in fund investor capital under management

The amount of fund investor capital under management will fluctuate as new capital is raised and existing investments are realized. One of Onex' long-term goals is to grow its fee-generating capital by 10 percent per year. During 2016, fee-generating capital under management grew by 7 percent to \$15.9 billion, driven by our success in raising ONCAP IV and two CLO issuances. Over the past five years, fee-generating capital under management has increased by 15 percent per year.

In November 2016, Onex raised approximately \$1.1 billion of capital commitments from limited partners for ONCAP IV, including Onex' commitment of \$480 million. We started earning management fees for ONCAP IV from the close date in early November 2016. During the initial fee period of ONCAP IV, Onex will receive annual management fees of 2.0 percent on capital committed by limited partners.

Performance

Private equity

The ability to raise new capital commitments is dependent on the fundraising environment generally and the track record Onex has achieved with the investment and management of prior funds. The following table summarizes the performance of the Onex Partners and ONCAP Funds from inception through December 31, 2016.

Performance Returns ⁽¹⁾					
	Vintage	Gross IRR	Net IRR ⁽²⁾	Gross MOC	Net MOC ⁽²⁾
Funds					
Onex Partners I	2003	55%	38%	3.9x	3.0x
Onex Partners II	2006	17%	14%	2.3x	1.9x
Onex Partners III	2009	21%	14%	2.0x	1.7x
Onex Partners IV	2014	12%	1%	1.1x	1.0x
ONCAP I ⁽³⁾⁽⁴⁾	1999	43%	33%	4.1x	3.1x
ONCAP II ⁽³⁾	2006	30%	21%	3.8x	2.6x
ONCAP III ⁽³⁾	2011	25%	17%	2.0x	1.6x
ONCAP IV ⁽⁵⁾	2016	–	–	1.0x	0.9x

(1) Performance returns are a non-GAAP measure.

(2) Net IRR and Net MOC are presented for limited partners in the Onex Partners and ONCAP Funds and exclude the capital contributions and distributions attributable to Onex' commitment as a limited partner in each fund.

(3) Returns are calculated in Canadian dollars, the functional currency of the select ONCAP Funds.

(4) ONCAP I was dissolved effective October 31, 2012 as all investments had been realized.

(5) Performance reflects the short operating period of ONCAP IV. Cash outflows occurred in December 2016 to fund the first investment made by the Fund. The Gross IRR and Net IRR are not presented as they are not meaningful due to the short operating period of ONCAP IV.

Credit

As of December 31, 2016, Onex had a net investment of \$382 million in CLOs after dispositions and distributions, including \$32 million for a warehouse facility.

Onex primarily invests in the equity tranches of CLOs. Market pricing for CLO equity is more volatile than the underlying leveraged loan market due to the leverage employed in a CLO and the relative illiquidity of CLO equity. CLO equity pricing may also be affected by changes in fixed income market sentiment and investors' general appetite for risk. During 2016, the leveraged loan market experienced a recovery resulting in an increase in the market value of Onex' CLO positions. Onex experienced a net unrealized gain on its investments in CLOs of \$128 million during 2016. Onex remains a long-term investor in its CLO investments and fluctuations in unrealized values may not be representative of ultimate returns. All of Onex' CLOs remain outside their various coverage tests, and Onex received \$73 million of distributions from its CLO investments during the year ended December 31, 2016.

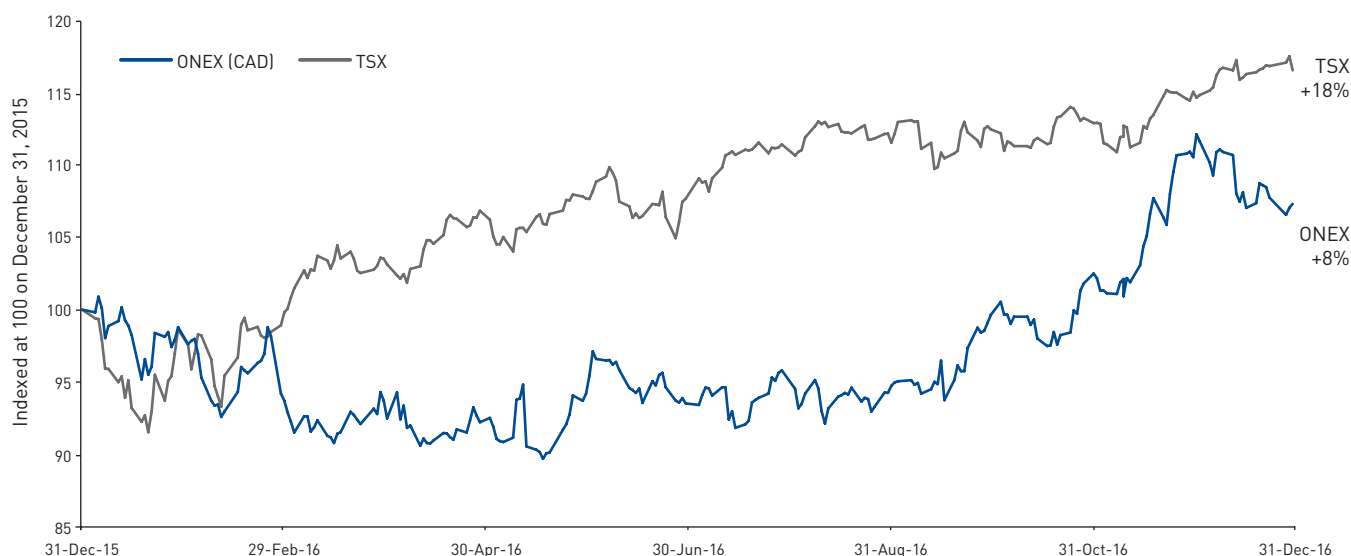
Share price

Our goal is to have the value of our investing and asset management activities reflected in our share price. These efforts are supported by a long-standing quarterly dividend and an active stock buyback program. In May 2016, Onex increased its quarterly dividend by 10 percent to C\$0.06875 per SVS beginning in July 2016. This increase follows similar increases in the previous three years and reflects Onex' success and ongoing commitment to its shareholders. During 2016, \$21 million was returned to shareholders through dividends and Onex repurchased 3,114,397 SVS at a total cost of \$184 million (C\$249 million), or an average purchase price of \$58.98 (C\$80.14) per share.

At December 31, 2016, Onex' SVS closed at C\$91.38, an 8 percent increase from December 31, 2015. This compares to an 18 percent increase in the S&P/TSX Composite Index ("TSX").

The chart below shows the performance of Onex' SVS relative to the TSX.

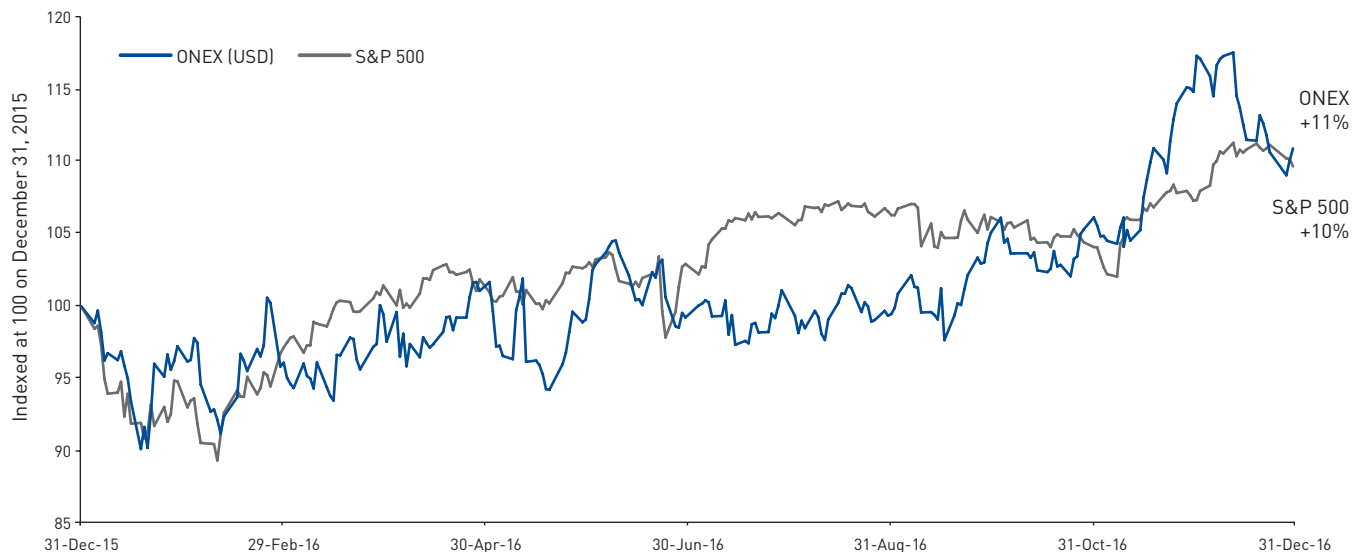
Onex Relative Performance (CAD) (December 31, 2015 to December 31, 2016)



As a substantial portion of Onex' investments are denominated in U.S. dollars, Onex' Canadian dollar share price will also be impacted by the change in the exchange rate between the U.S. dollar and Canadian dollar. During 2016, the value of Onex' SVS increased by 11 percent in U.S. dollars compared to a 10 percent increase in the Standard & Poor's 500 Index ("S&P 500").

The chart below shows the performance of Onex' SVS in U.S. dollars relative to the S&P 500.

Onex Relative Performance (USD) (December 31, 2015 to December 31, 2016)



INDUSTRY SEGMENTS

At December 31, 2016, Onex had 10 reportable industry segments. In April 2016, Onex completed the sale of KraussMaffei. The operations of KraussMaffei have been presented as discontinued for the years ended December 31, 2016 and 2015. In October 2016, the Onex Partners IV Group completed the acquisition of Clarivate Analytics, the results of which have been combined with Emerald Expositions (previously included in the other businesses segment) and presented as a new reportable industry segment, business and information services. In December 2016, the Onex Partners IV Group completed the acquisition of Save-A-Lot, the results of which have been combined with Jack's (previously included in the other businesses segment) and presented as a new reportable industry segment, food retail and restaurants. A description of our operating businesses by industry segment, and the economic and voting ownerships of Onex, the parent company, and its limited partners in those businesses, is presented below and in the pages that follow. The information by segment is presented in the chronological order in which the operating segments become reportable. We manage our businesses and measure performance based on each operating business' individual results.

Industry Segments	Companies	Onex' & Limited Partners' Economic Ownership	Onex' Economic/ Voting Ownership
Electronics Manufacturing Services	Celestica Inc. (TSX/NYSE: CLS), a global provider of electronics manufacturing services (www.celestica.com). Onex shares held: 18.0 million^(a)	13% ^(a)	13% ^(a) /80%
Healthcare Imaging	Carestream Health, Inc. , a global provider of medical and dental imaging and healthcare information technology solutions (www.carestream.com). Total Onex, Onex Partners II and Onex management investment at original cost: \$471 million Onex portion at cost: \$186 million Onex Partners II portion subject to a carried interest: \$266 million	91%	33% ^(a) /100%
Health and Human Services	Res-Care, Inc. , a leading U.S. provider of residential, training, educational and support services for people with disabilities and special needs (www.rescare.com). Total Onex, Onex Partners I, Onex Partners III and Onex management investment at original cost: \$204 million Onex portion at cost: \$41 million Onex Partners I portion subject to a carried interest: \$61 million Onex Partners III portion subject to a carried interest: \$94 million	98%	20%/100%
Building Products	JELD-WEN Holding, Inc. (NYSE: JELD), one of the world's largest manufacturers of interior and exterior doors, windows and related products for use primarily in the residential and light commercial new construction and remodelling markets (www.jeld-wen.com). Total Onex, Onex Partners III, certain limited partners, Onex management and others investment at original cost: \$985 million Onex portion at cost: \$244 million Onex Partners III portion subject to a carried interest: \$609 million	84% ^(b)	21% ^(b) /84% ^(b)

(a) Excludes shares held in connection with the MIP.

(b) The economic ownership and voting interests of JELD-WEN are presented on an as-converted basis as the Onex Partners III Group's investment included common and convertible preferred shares at December 31, 2016. In January 2017, JELD-WEN completed an initial public offering, as described on page 37 of this MD&A. Subsequent to the initial public offering, the Onex Partners III Group continues to hold 62.8 million shares of JELD-WEN for an economic and voting interest of 60 percent. Onex continues to hold 15.5 million shares for a 15 percent economic interest in JELD-WEN.

Industry Segments	Companies	Onex' & Limited Partners' Economic Ownership	Onex' Economic/ Voting Ownership
Insurance Services	USI Insurance Services , a leading U.S. provider of insurance brokerage services (www.usi.com). Total Onex, Onex Partners III, certain limited partners, Onex management and others investment at original cost: \$610 million Onex portion at cost: \$170 million Onex Partners III portion subject to a carried interest: \$358 million	89%	25%/100%
	York Risk Services Holding Corp. , an integrated provider of insurance solutions to property, casualty and workers' compensation specialty markets in the United States (www.yorkrsg.com). Total Onex, Onex Partners III, certain limited partners, Onex management and others investment at original cost: \$521 million Onex portion at cost: \$173 million Onex Partners III portion subject to a carried interest: \$279 million	88%	29%/100%
Packaging Products and Services	SGS International, LLC , a global leader in providing fully integrated marketing solutions, digital imaging and design-to-print graphic services to branded consumer products companies, retailers and the printers that service them (www.sgsgco.com). Total Onex, Onex Partners III and Onex management investment at original cost: \$260 million Onex portion at cost: \$66 million Onex Partners III portion subject to a carried interest: \$183 million	93%	23%/93%
	SIG Combibloc Group Holdings S.à r.l. , a world-leading provider of aseptic carton packaging solutions for beverages and liquid food (www.sig.biz). Total Onex, Onex Partners IV, certain limited partners, Onex management and others investment at original cost: \$1,215 million Onex portion at cost: \$405 million Onex Partners IV portion subject to a carried interest: \$406 million	99%	33%/95%
Business and Information Services	Clarivate Analytics , owner and operator of a collection of leading subscription-based businesses focused on scientific and academic research, patent analytics and regulatory standards, pharmaceutical and biotech intelligence, trademark protection, domain brand protection and intellectual property management (www.clarivate.com). Total Onex, Onex Partners IV, certain limited partners, Onex management and others investment at original cost: \$1,177 million Onex portion at cost: \$419 million Onex Partners IV portion subject to a carried interest: \$444 million	72%	26%/72%
	Emerald Expositions, LLC , a leading operator of business-to-business trade shows in the United States (www.emeraldexpositions.com). Total Onex, Onex Partners III and Onex management investment at original cost: \$490 million Onex portion at cost: \$119 million Onex Partners III portion subject to a carried interest: \$345 million	99%	24%/99%

Industry Segments	Companies	Onex' & Limited Partners' Economic Ownership	Onex' Economic/ Voting Ownership
Food Retail and Restaurants	Jack's Family Restaurants , a regional premium quick-service restaurant operator based in the United States (www.eatatjacks.com). Total Onex, Onex Partners IV and Onex management investment at original cost: \$234 million^(a) Onex portion at cost: \$67 million^(a) Onex Partners IV portion subject to a carried interest: \$148 million^(a)	96%	28%/100%
	Save-A-Lot , one of the largest hard-discount grocery retailers for value-seeking shoppers in the United States (www.save-a-lot.com). Total Onex, Onex Partners IV and Onex management investment at original cost: \$660 million Onex portion at cost: \$186 million Onex Partners IV portion subject to a carried interest: \$418 million	100%	28%/100%
Credit Strategies	Credit Strategies , a platform that is comprised of: Onex Credit Manager specializes in managing credit-related investments, including event-driven, long/short, long-only, par, stressed, distressed and market dislocation strategies. Onex Credit Collateralized Loan Obligations , leveraged structured vehicles that hold a widely diversified collateral asset portfolio funded through the issuance of long-term debt in a series of rated tranches of secured notes and equity. Total Onex investment in collateralized loan obligations, including the warehouse facility for EURO CLO-1, at market value: \$384 million Onex Credit Funds , investment funds providing unit holders with exposure to the performance of actively managed, diversified portfolios. Onex investment in Onex Credit Funds at market: \$521 million, of which \$376 million is invested in a segregated unlevered senior secured loan portfolio that purchases assets with greater liquidity and \$145 million is invested in other Onex Credit Funds.	100%	100%/(b)
Other Businesses	Advanced Integration Technology LP , a leading provider of automation, factory integration and tooling dedicated to the global aerospace, defence and space launch industries (www.aint.com). Total Onex, Onex Partners IV and Onex management investment at original cost: \$204 million Onex portion at cost: \$45 million Onex Partners IV portion subject to a carried interest: \$142 million	50% ^(c)	11% ^(c) /50% ^(d)

(a) The original investment in Jack's included a \$195 million promissory note, which was partially repaid during 2015 and 2016 with net proceeds from sale-leaseback transactions. In June 2016, the balance of \$14 million outstanding under the promissory note was converted into additional equity of Jack's.

(b) Onex controls the Onex Credit asset management platform through contractual rights.

(c) In August 2016, AIT repurchased units from investors other than the Onex Partners IV Group, as described on page 35 of this MD&A.

(d) Onex has certain contractual rights and protections, including the right to appoint members to the board of directors, in respect of this entity, which is accounted for at fair value in Onex' consolidated financial statements.

Industry Segments	Companies	Onex' & Limited Partners' Economic Ownership	Onex' Economic/ Voting Ownership
Other Businesses (cont'd)			
• <i>Aircraft Leasing & Management</i>	Aircraft Leasing & Management , a global platform dedicated to leasing and managing commercial jet aircraft. The platform is comprised of:		
	BBAM Limited Partnership , one of the world's leading managers of commercial jet aircraft (www.bbam.com).	50%	13%/50% ^(a)
	Total Onex, Onex Partners III and Onex management investment at original cost: \$193 million		
	Onex portion at cost: \$49 million		
	Onex Partners III portion subject to a carried interest: \$135 million		
	Included with the investment in BBAM Limited Partnership is an investment of \$28 million made concurrently in FLY Leasing Limited (NYSE: FLY) by the Onex Partners III Group, of which Onex' share was \$7 million. During the first quarter of 2016, the Onex Partners III Group invested \$8 million in FLY Leasing Limited, of which Onex' share was \$2 million.		
• <i>Hospital Management Services</i>	Meridian Aviation Partners Limited and affiliates , an aircraft investment company managed by BBAM and established by the Onex Partners III Group.		
		100%	25%/100%
	Total Onex, Onex Partners III and Onex management investment at original cost: \$77 million		
	Onex portion at cost: \$19 million		
	Onex Partners III portion subject to a carried interest: \$54 million		
• <i>Survival Equipment</i>	Schumacher Clinical Partners , a leading U.S. provider of emergency and hospital medicine physician practice management services (www.schumacherclinical.com).		
		68%	20%/68%
	Total Onex, Onex Partners IV and Onex management investment at original cost: \$323 million		
	Onex portion at cost: \$93 million		
	Onex Partners IV portion subject to a carried interest: \$205 million		
• <i>Industrial Products</i>	Survitec Group Limited , a market-leading provider of mission-critical marine, defence and aerospace survival equipment (www.survitecgroup.com).		
		79%	18%/68%
	Total Onex, Onex Partners IV and Onex management investment at original cost: \$371 million^(b)		
	Onex portion at cost: \$84 million^(b)		
	Onex Partners IV portion subject to a carried interest: \$258 million^(b)		
• <i>Industrial Products</i>	WireCo WorldGroup , a leading global manufacturer of mission-critical steel wire rope, synthetic rope, specialty wire and engineered products (www.wirecoworldgroup.com).		
		71%	20%/71%
	Total Onex, Onex Partners IV and Onex management investment at original cost: \$270 million		
	Onex portion at cost: \$76 million		
	Onex Partners IV portion subject to a carried interest: \$171 million		

(a) Onex has certain contractual rights and protections, including the right to appoint members to the board of directors, in respect of this entity, which is accounted for at fair value in Onex' consolidated financial statements.

(b) The investments in Survitec were made primarily in pounds sterling and converted to U.S. dollars using the prevailing exchange rate on the date of the investments.

Industry Segments	Companies	Onex' & Limited Partners' Economic Ownership	Onex' Economic/ Voting Ownership
Other Businesses (cont'd)			
• Healthcare	Genesis Healthcare, Inc. (NYSE: GEN), a leading provider of integrated long-term healthcare services in the United States (www.genesishcc.com). Onex shares held: 3.5 million Onex Partners I shares subject to a carried interest: 10.7 million	10%	2%/10%
• Middle-Market Opportunities	ONCAP, private equity funds focused on acquiring and building the value of middle-market companies based in North America (www.oncap.com). ONCAP II ONCAP II actively manages investments in EnGlobe (www.englobecorp.com), Pinnacle Renewable Energy Group (www.pinnaclepellet.com) and PURE Canadian Gaming (www.purecanadiangaming.com). Total Onex, ONCAP II, Onex management and ONCAP management unrealized investments at original cost: \$212 million (C\$218 million) Onex portion at cost: \$100 million (C\$102 million) ONCAP II limited partners portion at cost: \$92 million (C\$94 million) ONCAP III ONCAP III actively manages investments in Hopkins (www.hopkinsmfg.com), PURE Canadian Gaming (www.purecanadiangaming.com), Davis-Standard (www.davis-standard.com), Bradshaw (www.goodcook.com), Mavis Discount Tire (www.mavistire.com), ITG (www.ingersolltillage.com), Chatters (www.chatters.ca) and Tecta (www.tectaamerica.com). Total Onex, ONCAP III, Onex management, ONCAP management, certain limited partners and others unrealized investments at original cost: \$585 million (C\$659 million) Onex portion at cost: \$183 million (C\$208 million) ONCAP III limited partners portion at cost: \$347 million (C\$390 million) ONCAP IV ONCAP IV actively manages an investment in Tecta (www.tectaamerica.com). Total Onex, ONCAP IV, Onex management and ONCAP management unrealized investments at original cost: \$62 million Onex portion at cost: \$25 million ONCAP IV limited partners portion at cost: \$31 million	100%	47% ^(a) /100%
		100%	29%/100%
		100%	40%/100%
• Real Estate	Flushing Town Center, a three million-square-foot development located on approximately 14 acres in Flushing, New York. The project is being developed in two phases and will ultimately consist of approximately 1,200 condominium units constructed above retail space and parking structures. The first phase of the project has been substantially realized. Onex' remaining investment in Flushing Town Center at cost: \$169 million	88%	88%/100%

(a) This represents Onex' blended economic ownership in the ONCAP II investments.

FINANCIAL REVIEW

This section discusses the significant changes in Onex' consolidated statements of earnings, consolidated balance sheets and consolidated statements of cash flows for the fiscal year ended December 31, 2016 compared to those for the year ended December 31, 2015 and, in selected areas, to those for the year ended December 31, 2014.

CONSOLIDATED OPERATING RESULTS

This section should be read in conjunction with Onex' consolidated statements of earnings and the corresponding notes thereto.

Critical accounting policies and estimates

Significant accounting estimates and judgements

Onex prepares its consolidated financial statements in accordance with IFRS. The preparation of the MD&A and consolidated financial statements in conformity with IFRS requires management to make judgements, assumptions and estimates that affect the reported amounts of assets, liabilities and equity, disclosures of contingent assets and liabilities and the reported amounts of revenue and expenses for the periods of the consolidated financial statements. Onex and its operating companies evaluate their estimates and assumptions on an ongoing basis and any revisions are recognized in the affected periods. Included in Onex' consolidated financial statements are estimates used in determining the allowance for doubtful accounts, provisions for uncompensated care, inventory valuation, deferred tax assets and liabilities, allocation of purchase price consideration to intangible assets and goodwill, useful lives of property, plant and equipment and intangible assets, revenue recognition under contract accounting, income taxes, the fair value of investments in joint ventures and associates, the fair value of Limited Partners' Interests, stock-based compensation, pension and post-employment benefits, warranty provisions, restructuring provisions, legal contingencies and other matters. Actual results could differ materially from those assumptions and estimates.

Significant judgements are used in the determination of fair value for business combinations, Limited Partners' Interests, carried interest and investments in joint ventures and associates. Onex has used significant judgement when determining control of operating companies and structured entities. The assessment of goodwill, intangible assets and long-lived assets for impairment, income

taxes, legal contingencies and actuarial valuations of pension and other post-retirement benefits also requires the use of significant judgement by Onex and its operating companies.

Business combinations

In a business combination, substantially all identifiable assets, liabilities and contingent liabilities acquired are recorded at the date of acquisition at their respective fair values. One of the most significant estimates relates to the determination of the fair value of these assets and liabilities. Land, buildings and equipment are usually independently appraised while short-term investments are valued at market prices. If any intangible assets are identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent external valuation expert may determine the fair value. These valuations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied. Note 4 to the consolidated financial statements provides additional disclosure on business combinations.

Limited Partners' Interests, carried interest and investments in joint ventures and associates

The measurement of the Limited Partners' Interests for the Onex Partners and ONCAP Funds, carried interest and investments in joint ventures and associates is significantly impacted by the fair values of the investments held by the Onex Partners and ONCAP Funds. Joint ventures and associates are defined under IFRS as those investments in operating businesses over which Onex has joint control or significant influence, but not control. In accordance with IFRS, certain of these investments are designated, upon initial recognition, at fair value in the consolidated balance sheets. The fair value of investments in joint ventures and associates is assessed at each reporting date with changes in fair value recognized in the consolidated statements of earnings. Similarly, the Limited Partners' Interests for the

Onex Partners and ONCAP Funds represent the interests of limited partner investors, and carried interest, representing the General Partner's share of the net gains of the Onex Partners and ONCAP Funds, is recorded at fair value. The fair value is significantly affected by the change in the fair value of the underlying investments in the Onex Partners and ONCAP Funds.

The valuation of non-public investments requires significant judgement by Onex due to the absence of quoted market values, inherent lack of liquidity and the long-term nature of such investments. Valuation methodologies include discounted cash flows and observations of the trading multiples of public companies considered comparable to the private companies being valued. The valuations take into consideration company-specific items, the lack of liquidity inherent in a non-public investment and the fact that comparable public companies are not identical to the companies being valued. Such considerations are necessary because, in the absence of a committed buyer and completion of due diligence procedures, there may be company-specific items that are not fully known that may affect value. A variety of additional factors are reviewed by management, including, but not limited to, financing and sales transactions with third parties, current operating performance and future expectations of the particular investment, changes in market outlook and the third-party financing environment. In determining changes to the fair value of investments, emphasis is placed on current company performance and market conditions.

For publicly traded investments, the valuation is based on closing market prices less adjustments, if any, for regulatory and/or contractual sale restrictions.

The changes to fair value of the investments in joint ventures and associates are reviewed on page 50 of this MD&A.

Included in the measurement of the Limited Partners' Interests is an adjustment for the change in carried interest as well as any contributions by and distributions to limited partners in the Onex Partners and ONCAP Funds. The changes to the fair value of the Limited Partners' Interests for the Onex Partners and ONCAP Funds are reviewed on page 55 of this MD&A.

Consolidation of structured entities

Onex indirectly controls and consolidates the operations of the CLOs of Onex Credit. The CLOs are structured entities for which voting and similar rights are not the dominant factor in determining control of the CLOs. Onex has used judgement when assessing the many factors that determine control, including its exposure through investments in the most subordinate capital of the CLOs, its role in the formation of the CLOs, the rights of other investors in the CLOs and its control of the asset manager of the CLOs. Onex has determined that it is a principal of the CLOs with the power to affect the returns of its investment and, as a result, indirectly controls the CLOs.

CLOs are further discussed in note 1 to the consolidated financial statements.

Impairment testing of goodwill, intangible assets and long-lived assets

Goodwill in an accounting context represents the excess of the aggregate consideration paid and the amount of any non-controlling interests in the acquired company compared to the fair value of the identifiable net assets acquired. Substantially all of the goodwill amount that appears in Onex' consolidated balance sheets was recorded by the operating companies. Goodwill is not amortized, but is assessed for impairment at the level of either an individual cash generating unit ("CGU") or a group of CGUs annually, or sooner if events or changes in circumstances or market conditions indicate that the carrying amount could exceed fair value. The test for goodwill impairment used by our operating companies is to assess whether the fair value of each CGU within an operating company is less than its carrying value and then determine if the goodwill associated with that CGU is impaired. This assessment takes into consideration several factors, including, but not limited to, future cash flows and market conditions. If the fair value is determined to be lower than the carrying value at an individual CGU, goodwill is then considered to be impaired and an impairment charge must be recognized. Internal valuation models are used to determine fair value. These models are subjective and require management of the particular operating company to exercise judgement in mak-

ing assumptions about future results, including revenues, operating expenses, capital expenditures and discount rates. In the year of acquisition, the fair value in excess of the carrying value at an operating company will typically be minimal as a result of the recent business combination accounting. The impairment test for intangible assets and long-lived assets with limited lives is similar to that for goodwill. Under IFRS, impairment charges for intangible assets and long-lived assets may subsequently be reversed if fair value is determined to be higher than carrying value. The reversal is limited, however, to restoring the carrying amount that would have been determined, net of amortization, had no impairment loss been recognized in prior periods. Impairment losses for goodwill are not reversed in future periods.

Impairment charges recorded by the operating businesses under IFRS may not impact the fair values of the operating businesses used in determining the increase or decrease in investments in joint ventures and associates, the change in carried interest and for calculating the Limited Partners' Interests liability for the Onex Partners and ONCAP Funds. Fair values of the operating businesses are assessed at the enterprise level, while impairment charges are assessed at the level of an asset, a CGU or a group of CGUs.

During 2016, certain operating companies recorded charges for impairments of goodwill, intangible assets and long-lived assets. These charges are reviewed on page 54 of this MD&A and in note 26 to the consolidated financial statements.

Revenue recognition

Revenues for ResCare in the health and human services segment are substantially derived from U.S. federal, state and local government agency programs, including Medicaid and Medicare. Laws and regulations under these programs are complex and subject to interpretation. Management may be required to exercise judgement for the recognition of revenue under these programs. Management of ResCare believes that they are in compliance with all applicable laws and regulations. Compliance with such laws and regulations is subject to ongoing and future government review and interpretation, including the possibility of processing claims at lower amounts upon audit, as well as significant regulatory action including revenue adjustments, fines,

penalties and exclusion from programs. Government agencies may condition their contracts upon a sufficient budgetary appropriation. If a government agency does not receive an appropriation sufficient to cover its contractual obligations, it may terminate the contract or defer or reduce reimbursements to be received by the company. In addition, previously appropriated funds could also be reduced or eliminated through subsequent legislation.

Revenues for Schumacher in the other segment are recognized net of an allowance for uncompensated care related to uninsured patients in the period during which the services are provided. The allowance for uncompensated care is estimated on the basis of historical experience of collections associated with self-pay patients treated during the period.

Income taxes

Onex, including its operating companies, is subject to changing tax laws and the interpretation of existing tax laws in multiple jurisdictions. Significant judgement is necessary in determining worldwide income tax liabilities. Although management of Onex and the operating companies believe that they have made reasonable estimates about the final outcome of tax uncertainties, no assurance can be given that the outcome of these tax matters will be consistent with what is reflected in the historical income tax provisions. Such differences could have an effect on income tax liabilities and deferred tax liabilities in the period in which such determinations are made. At each balance sheet date, management of Onex and the operating companies assess whether the realization of future tax benefits is sufficiently probable to recognize deferred tax assets. This assessment requires the exercise of judgement on the part of management with respect to, among other things, benefits that could be realized from available tax strategies and future taxable income, as well as other positive and negative factors. The recorded amount of total deferred tax assets could be reduced if estimates of projected future taxable income and benefits from available tax strategies are lowered, or if changes in current tax regulations are enacted that impose restrictions on the timing or extent of Onex' or its operating companies' ability to utilize future tax benefits.

Legal contingencies

Onex, including its operating companies, becomes involved in various legal proceedings in the normal course of operations. While we cannot predict the final outcomes of such legal proceedings, they may have a significant effect on Onex' consolidated financial position, results of operations or cash flows. The filing or disclosure of a suit or formal assertion of a claim does not automatically indicate that a provision may be appropriate. Management, with the assistance of internal and external lawyers, regularly analyzes current information about these matters and provides provisions for probable contingent losses, including the estimate of legal expenses to resolve these matters.

Employee benefits

Onex, the parent company, does not have a pension plan; however, certain of its operating companies do. Management of the operating companies use actuarial valuations to account for their pension and other post-retirement benefits. These valuations rely on statistical and other factors in order to anticipate future events. These factors include key actuarial assumptions such as the discount rate, expected salary increases and mortality rates. These actuarial assumptions may differ significantly from actual developments due to changing market and economic conditions, and therefore may result in a significant change in post-retirement employee benefit obligations and the related future expense in the consolidated financial statements. Note 32 to the consolidated financial statements provides details on the estimates used in accounting for pensions and post-retirement benefits.

Recent accounting pronouncements

IFRS 15 – Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*, which provides a comprehensive five-step revenue recognition model for all contracts with customers. IFRS 15 requires management to exercise significant judgement and make estimates that affect revenue recognition. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.

IFRS 9 – Financial Instruments

In July 2014, the IASB issued a final version of IFRS 9, *Financial Instruments*, which replaces IAS 39, *Financial Instruments: Recognition and Measurement*, and supersedes all previous versions of the standard. The standard introduces a new model for the classification and measurement of financial assets and liabilities, a single expected credit loss model for the measurement of the impairment of financial assets and a new model for hedge accounting that is aligned with a company's risk management activities. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16, *Leases*, which replaces IAS 17, *Leases*. The standard provides an updated definition of a lease contract, including guidance on the combination and separation of contracts. The standard requires lessees to recognize a right-of-use asset and a lease liability for substantially all lease contracts. The accounting for lessors is substantially unchanged from IAS 17. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted if IFRS 15 is also applied. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.

Variability of results

Onex' consolidated operating results may vary substantially from quarter to quarter and year to year for a number of reasons, including some of the following: the current economic environment; the impact of foreign exchange fluctuations; acquisitions or dispositions of businesses by Onex, the parent company; the change in value of stock-based compensation for both the parent company and its operating businesses; changes in the market value of Onex' publicly traded operating businesses; changes in the fair value of Onex' privately held operating businesses; changes in the fair value of credit securities; changes in tax legislation or in the application of tax legislation; and activities at Onex' operating businesses. These activities may include the purchase or sale of businesses; fluctuations in customer demand, materials and employee-related costs;

changes in the mix of products and services produced or delivered; changes in the financing of the business; changes in contract accounting estimates; impairments of goodwill, intangible assets or long-lived assets; litigation; charges to restructure operations; and natural disasters. Given the diversity of Onex' operating businesses, the associated exposures, risks and contingencies may be many, varied and material.

Investments held by the CLOs and the Onex Credit Funds as well as debt issued by the CLOs are recorded at fair value, with changes in fair value recognized in the consolidated statements of earnings. Fair values are impacted by the leveraged loan market and credit risk (both own and counterparty), which may vary substantially from quarter to quarter and year to year.

Significant transactions

Transactions in this section are presented in chronological order by investment.

Repayment of promissory note by Jack's

In connection with the acquisition of Jack's in July 2015, the Onex Partners IV Group's initial investment included a \$195 million promissory note. During 2015, Jack's made repayments of the promissory note totalling \$143 million, including accrued interest, with net proceeds from sale-leaseback transactions completed for certain of its fee-owned restaurant properties. Onex' share of the repayments was \$41 million.

During the first half of 2016, Jack's made repayments of the promissory note totalling \$40 million, including accrued interest, with net proceeds from sale-leaseback transactions completed for certain of its fee-owned restaurant properties. Onex' share of the repayments was \$12 million.

In June 2016, the balance of \$14 million outstanding under the promissory note, of which Onex' share was \$4 million, was converted into additional equity of Jack's in accordance with the promissory note agreement. Subsequent to the transaction, the Onex Partners IV Group has a 96 percent economic interest in Jack's, of which Onex' share is 28 percent.

Closing of CLO-11

In January 2016, Onex established a warehouse facility in connection with its eleventh CLO denominated in U.S. dollars. Onex invested \$60 million in subordinated notes to support the warehouse facility's total return swap.

In May 2016, Onex closed CLO-11, which was funded through the issuance of collateralized loan instruments in a series of tranches of secured notes, secured loans and preference shares in a private placement transaction for an aggregate principal amount of \$502 million. The secured notes and loans were offered in an aggregate principal amount of \$457 million.

Upon the closing of CLO-11, Onex received \$60 million plus interest for the investment that supported the warehouse facility and invested \$41 million for 100 percent of the most subordinated capital of CLO-11. The asset portfolio held by CLO-11 consists of cash and cash equivalents and corporate loans, and has been designated to be recorded at fair value. The reinvestment period of CLO-11, during which reinvestment can be made in collateral, ends in April 2018, or earlier, subject to certain provisions. The CLO-11 portfolio is pledged as collateral for the secured notes and loans. Onex consolidates the operations and results of CLO-11.

Investment in Incline Aviation Fund

In February 2016, Onex, the parent company, committed to investing \$75 million in Incline Aviation Fund, an aircraft investment fund managed by BBAM and focused on investments in leased commercial jet aircraft. The aggregate capital committed to the fund at the initial closing was \$200 million, which includes the commitment from Onex, the parent company. The aggregate committed capital to the fund at December 31, 2016 was \$689 million and is expected to increase to the targeted \$750 million at the final closing of the fund.

During 2016, Onex, the parent company, invested \$13 million in Incline Aviation Fund, net of distributions and bridge financing which have been returned to Onex. Onex has joint control of Incline Aviation Fund. The investment in Incline Aviation Fund has been recorded as a long-term investment at fair value through earnings.

In February 2017, the amount committed by Onex to investing in Incline Aviation Fund was reduced to \$50 million, as described on page 80 of this MD&A.

Sale of KraussMaffei

In April 2016, the Onex Partners III Group sold its entire investment in KraussMaffei for a cash enterprise value of €925 million (\$1.0 billion). Net proceeds from the sale were €717 million (\$821 million), which included proceeds to the management of KraussMaffei. The Onex Partners III Group received net proceeds of €669 million (\$753 million). Onex' portion of the net proceeds was \$195 million, including carried interest and after the reduction for the amounts on account of the MIP. Net proceeds to the Onex Partners III Group and Onex included net realized losses from foreign exchange hedges of \$13 million and \$3 million, respectively. The net proceeds include €9 million (\$10 million) held in escrow, of which Onex' share is €2 million (\$2 million), and a working capital adjustment of €5 million (\$6 million), of which Onex' share is €2 million (\$2 million). The escrow and working capital adjustment are expected to be received during 2017.

The Onex Partners III Group invested a total of €276 million (\$358 million) to acquire KraussMaffei in December 2012, including the impact of a foreign exchange hedge gain. The investment in KraussMaffei generated a Gross MOC of 2.1 times, including the impact of foreign exchange hedges.

The sale resulted in a gain of \$500 million based on the excess of the proceeds over the carrying value of the investment. Onex' share of the gain was \$467 million, which was entirely attributable to the equity holders of Onex Corporation, as the interests of the Limited Partners were recorded as a financial liability at fair value.

Amounts received on account of the carried interest related to this transaction totalled \$30 million. Consistent with the terms of Onex Partners, Onex was allocated 40 percent of the carried interest, with 60 percent allocated to management. Onex' share of the carried interest received was \$12 million and was included in the net proceeds to Onex. The carried interest that would have otherwise been distributed to Onex was reduced by \$7 million as a result of the realized loss from the sale of Tropicana Las Vegas in August 2015. Management's share of the carried interest was \$18 million and has been similarly reduced for the realized loss from the sale of Tropicana Las Vegas. Amounts paid on account of the MIP totalled \$7 million for this transaction and have been deducted from the net proceeds to Onex.

The operations of KraussMaffei have been presented as discontinued in the consolidated statements of earnings and cash flows for the years ended December 31, 2016 and 2015.

Sale of Univers Workplace Benefits by USI

In May 2016, USI completed the sale of Custom Benefit Programs, Inc., also known as Univers Workplace Benefits ("Univers"), a provider of employee communication and benefits enrolment services for employers. USI received net cash proceeds of \$166 million from the sale and recognized a pre-tax gain of \$44 million, which has been included in other gains in the consolidated financial statements. Univers did not represent a major line of business for USI.

In December 2016, USI applied \$50 million of the net cash proceeds from the sale of Univers toward the prepayment of its term loans.

Acquisition of ECI by Schumacher

In June 2016, Schumacher acquired ECI, a provider of emergency and hospital medicine physician management services in the United States, for \$140 million. In connection with this transaction, Schumacher amended its senior secured credit facilities to increase its first lien term loan by \$130 million. The balance of the purchase price was funded through a rollover of equity from management of ECI. Subsequent to the transaction, the Onex Partners IV Group has a 68 percent economic interest in Schumacher, of which Onex' portion is 20 percent.

Closing of CLO-12

In July 2016, Onex established a warehouse facility in connection with its twelfth CLO denominated in U.S. dollars. Onex invested \$60 million in preferred shares to support the warehouse facility and a financial institution provided a borrowing capacity of up to \$240 million.

In October 2016, Onex closed CLO-12, which was funded through the issuance of collateralized loan instruments in a series of tranches of secured notes and preference shares in a private placement transaction for an aggregate principal amount of \$558 million. The secured notes were offered at an aggregate principal amount of \$501 million.

Upon the closing of CLO-12, Onex received \$60 million plus interest for the investment that supported the warehouse facility and invested \$56 million for 100 per-

cent of the most subordinated capital of CLO-12. The asset portfolio held by CLO-12 consists of cash and cash equivalents and corporate loans, and has been designated to be recorded at fair value. The reinvestment period of CLO-12, during which reinvestment can be made in collateral, ends in October 2020, or earlier, subject to certain provisions. The CLO-12 portfolio is pledged as collateral for the secured notes. Onex consolidates the operations and results of CLO-12.

AIT unit repurchase and distributions

In July 2016, AIT completed its inaugural financing, a \$225 million term loan. The net proceeds were used in August 2016 to repurchase units from investors other than the Onex Partners IV Group and to fund a distribution of \$174 million. As a result of the unit repurchase, the Onex Partners IV Group's economic interest in AIT increased to 50 percent, of which Onex' share was an 11 percent economic interest. The Onex Partners IV Group's share of the distribution was \$107 million, of which Onex' share was \$24 million.

In addition, during 2016, AIT distributed an additional \$18 million to the Onex Partners IV Group, of which Onex' share was \$3 million. The additional distributions were funded by the company's free cash flow.

Sale of Cicis Pizza

In August 2016, the ONCAP II Group sold its investment in Cicis for net proceeds of \$66 million, of which Onex' share was \$29 million. Included in the net proceeds is \$13 million held in escrow, of which Onex' share is \$6 million. ONCAP management received \$1 million in carried interest on the sale of Cicis. The impact to Onex and Onex management was a net payment of less than \$1 million in carried interest to ONCAP management.

The Company recorded a pre-tax gain of \$28 million based on the excess of the proceeds over the carrying value of the investment. Onex' share of the pre-tax gain was \$12 million. The gain on the sale is entirely attributable to the equity holders of Onex Corporation, as the interests of the limited partners were recorded as a financial liability at fair value.

Cicis did not represent a separate major line of business, and as a result, the operating results up to the date of disposition have not been presented as a discontinued operation.

Acquisition of Tecta

In August 2016, the ONCAP III Group completed the acquisition of Tecta. Based in the United States, Tecta is a leading national commercial roofing company offering installation, replacement and repair services. The initial equity investment in Tecta was \$124 million for a 97 percent economic interest, and was comprised of an investment of \$99 million by the ONCAP III Group and an additional investment of \$25 million by Onex. Onex' initial combined investment was \$54 million for a 42 percent economic interest. The remainder of the purchase price was financed with debt financing, without recourse to Onex Corporation, and through a rollover of equity by management of Tecta.

In December 2016, following the consent previously received from the Advisory Committee of ONCAP III, the General Partner of the ONCAP III Group syndicated \$37 million of the investment in Tecta, representing 29 percent of the economic interest, to the ONCAP IV Group at the same cost as the original investment. The additional investment of \$25 million made by Onex represented Onex' pro-rata share of the portion of the investment that was transferred to the ONCAP IV Group. Subsequent to the syndication, the ONCAP III and IV Groups each held a \$62 million investment in Tecta. Onex' investment consisted of \$18 million through the ONCAP III Group and \$25 million through the ONCAP IV Group for a combined 33 percent economic interest. Tecta is included within the other segment.

Acquisition of WireCo

In September 2016, the Onex Partners IV Group acquired control and an initial 72 percent economic interest through a recapitalization of WireCo, a leading global manufacturer of mission-critical steel wire rope, synthetic rope, specialty wire and engineered products, for \$916 million. The Onex Partners IV Group invested \$270 million in WireCo, of which Onex' share was \$76 million. The remainder of the recapitalization was financed with first and second lien debt financing, as described on page 66 of this MD&A. WireCo is included within the other segment.

Acquisition of Clarivate Analytics

In October 2016, Onex, in partnership with Baring Private Equity Asia, completed the acquisition of the Intellectual Property and Science business from Thomson Reuters for \$3.55 billion. The business, which now operates as Clarivate

Analytics, owns and operates a collection of leading subscription-based businesses focused on scientific and academic research, patent analytics and regulatory standards, pharmaceutical and biotech intelligence, trademark protection, domain brand protection and intellectual property management. The equity investment was \$1.6 billion for a 100 percent economic interest in Clarivate Analytics, of which \$1.2 billion was made by the Onex Partners IV Group, including \$477 million as a co-investment from Onex and certain limited partners, for a 72 percent economic interest. Onex' share of the equity investment was \$419 million, including \$222 million as a co-investment, for a 26 percent economic interest. The remainder of the purchase price was financed with debt financing, without recourse to Onex Corporation. Clarivate Analytics is included within the business and information services segment.

Distributions from JELD-WEN

In November 2016, JELD-WEN amended its existing credit facility to borrow an incremental \$375 million and to combine the incremental borrowing with its existing term loans into a combined term loan of \$1.6 billion, as described on page 64 of this MD&A. The proceeds from the incremental borrowing, along with a draw on the company's revolving credit facility, were used to fund a distribution of \$400 million to shareholders. The Onex Partners III Group's portion of the distribution was \$327 million. Onex' portion of the distribution was \$81 million, of which \$46 million related to Onex' investment through Onex Partners III and \$35 million related to Onex' co-investment. The remaining balance was primarily distributed to third-party shareholders and management of JELD-WEN.

In addition, in August 2016 JELD-WEN distributed a purchase price adjustment of \$24 million related to the initial investment in JELD-WEN in October 2011 to the Onex Partners III Group. Onex' share of the purchase price adjustment was \$6 million.

ONCAP IV

In November 2016, Onex completed fundraising for ONCAP IV, reaching aggregate commitments of \$1.1 billion and exceeding our target size of \$1.0 billion. This includes Onex' commitment of \$480 million and capital from fund investors around the world.

Acquisition of Wilhelmsen Safety by Survitec

In November 2016, Survitec acquired the safety-related business activities of Wilhelmsen Maritime Services ("Wilhelmsen Safety") for £164 million (\$205 million). In connection with the transaction, the Onex Partners IV Group invested \$35 million in Survitec, of which Onex' share was \$8 million. The remainder of the purchase price and transaction costs were funded through a rollover of equity by Wilhelmsen Maritime Services of \$80 million and with proceeds from Survitec's senior secured credit facilities. Subsequent to the transaction, the Onex Partners IV Group had a 79 percent economic interest in Survitec, of which Onex' share was an 18 percent economic interest.

Acquisition of Save-A-Lot

In December 2016, the Company acquired Save-A-Lot for \$1.4 billion. Save-A-Lot is one of the largest hard-discount grocery retailers for value-seeking shoppers in the United States. The Onex Partners IV Group invested \$660 million for 100 percent of the economic interest in Save-A-Lot, of which Onex' share was \$186 million for a 28 percent economic interest. Save-A-Lot is included within the food retail and restaurants segment.

Pending acquisition of Parkdean Resorts

In December 2016, the Onex Partners IV Group agreed to acquire Parkdean Resorts, a leading operator of caravan holiday parks in the United Kingdom, for £1.35 billion. The Company expects to make an investment of \$627 million, comprised of \$427 million from the Onex Partners IV Group and \$200 million as a co-investment from Onex and certain limited partners, for an economic interest of approximately 91 percent. Onex' share of the investment is expected to be \$170 million, comprised of \$126 million through the Onex Partners IV Group and \$44 million as a co-investment, for an economic interest of approximately 25 percent. In connection with this transaction, the Onex Partners IV Group has entered into an agreement to hedge its commitment to pay the purchase price denominated in pounds sterling against fluctuations in value relative to the U.S. dollar. The transaction is expected to close during the first quarter of 2017, subject to customary conditions and regulatory approvals.

Initial public offering by JELD-WEN

In January 2017, JELD-WEN completed an initial public offering of 28.75 million shares of its common stock (NYSE: JELD), including the exercise of the over-allotment option. The offering was priced at \$23.00 per share for gross proceeds of \$661 million. As part of the offering, JELD-WEN issued approximately 22.3 million treasury shares. The net proceeds from treasury shares were used to repay \$375 million of JELD-WEN's combined term loan with the balance for working capital and other general corporate purposes. The Onex Partners III Group sold approximately 6.5 million shares in the transaction for net proceeds of \$140 million. Onex' portion of the net proceeds was \$40 million, including approximately \$6 million of carried interest.

Amounts received on account of the carried interest related to this transaction totalled \$14 million. Consistent with the terms of Onex Partners, Onex was allocated 40 percent of the carried interest, with 60 percent allocated to management. Onex' share of the carried interest received was \$6 million and was included in the net proceeds to Onex. Management's share of the carried interest was \$8 million. No amounts were paid on account of the MIP for this transaction as the required realized investment return hurdle for Onex was not met at this time.

The Onex Partners III Group continues to hold approximately 62.8 million shares of JELD-WEN's common stock for a 60 percent economic interest, of which Onex' share is approximately 15.5 million shares for a 15 percent economic interest. Since this transaction did not result in a loss of control of JELD-WEN, the transaction will be recorded as a transfer of equity to non-controlling interests holders in the consolidated financial statements, with the cash proceeds received in excess of the historical accounting carrying value being recorded directly to retained earnings.

Warehouse facility of CLO-13

In February 2017, Onex established a warehouse facility in connection with its thirteenth CLO denominated in U.S. dollars. Onex invested \$10 million in subordinated notes to support the warehouse facility and a financial institution provided an initial borrowing capacity of up to \$40 million. The subordinated notes do not have a stated rate of interest, but will receive certain excess available funds after payment of principal, accrued interest and certain expenses upon closing of CLO-13. The asset portfolio consists of cash and cash equivalents and corporate loans and is pledged as

collateral for borrowings under the warehouse facility. The warehouse facility matures on the earlier of the closing of CLO-13 and February 2018. Onex is expected to consolidate the warehouse facility for CLO-13.

Distributions from operating businesses

During 2016 and up to February 23, 2017, Onex and its partners have received distributions of \$730 million from certain operating businesses. Onex' portion of the distributions was \$210 million, including carried interest. The distributions include the repayment of the promissory note by Jack's and the distributions by AIT and JELD-WEN, as previously described in this MD&A. The other significant distributions received by Onex and its partners are described below.

During 2016, BBAM distributed \$50 million to the Onex Partners III Group funded by the company's free cash flow. Onex' share of the distributions was \$13 million.

In June 2016, Meridian Aviation distributed \$39 million to the Onex Partners III Group, of which Onex' share was \$12 million, including carried interest of \$2 million. The distribution was funded from cash on hand at Meridian Aviation primarily from gains on investments in aircraft.

During 2016, Onex Real Estate Partners distributed \$37 million of proceeds primarily from the sale of commercial units at Flushing Town Center, of which Onex' share was \$33 million. The distributions by Flushing Town Center include \$8 million related to the amounts held in escrow from the July 2015 sale of the retail space and adjoining parking garage of Flushing Town Center, of which Onex' share was \$7 million.

In December 2016, Hopkins entered into a new credit facility. The net proceeds from the credit facility were used to repay the existing credit facilities and to fund an \$80 million distribution to shareholders. The ONCAP III Group's share of the distribution was \$71 million, of which Onex' share was \$21 million. ONCAP management received \$4 million in carried interest in January 2017 from the Hopkins distribution. The impact to Onex and Onex management was a net payment of less than \$1 million in carried interest to ONCAP management.

In January 2017, PURE Canadian Gaming distributed C\$15 million to shareholders, which was primarily funded by the company's free cash flow generated during the year. The ONCAP II and III Groups' portion of the distribution was C\$15 million (\$11 million), of which Onex' portion was C\$6 million (\$5 million).

REVIEW OF DECEMBER 31, 2016 CONSOLIDATED FINANCIAL STATEMENTS

The discussions that follow identify those material factors that affected Onex' operating segments and Onex' consolidated results for the year ended December 31, 2016.

Earnings from discontinued operations for the year ended December 31, 2016 represent the results of operations of KraussMaffei and include a portion of the gain from the sale of Sitel Worldwide. Discontinued operations for the year

ended December 31, 2015 represent the results of operations of KraussMaffei, Sitel Worldwide (up to September 2015) and Skilled Healthcare Group (up to February 2015).

In addition, the business and information services segment consists of Clarivate Analytics and Emerald Expositions (previously included within the other segment), and the food retail and restaurants segment consists of Jack's (previously included within the other segment) and Save-A-Lot. Comparative segmented results have been restated to reflect these changes.

Consolidated revenues and cost of sales

Table 1 provides revenues and cost of sales by industry segment.

Revenues and Cost of Sales by Industry Segment

TABLE 1	(\$ millions)	Revenues			Cost of Sales		
Year ended December 31	2016	2015	Change	2016	2015	Change	
Electronics Manufacturing Services	\$ 6,016	\$ 5,639	7 %	\$ 5,510	\$ 5,175	6 %	
Healthcare Imaging	1,990	2,141	(7)%	1,127	1,223	(8)%	
Health and Human Services	1,785	1,821	(2)%	1,358	1,382	(2)%	
Building Products	3,670	3,378	9 %	2,788	2,636	6 %	
Insurance Services ^(a)	1,793	1,752	2 %	–	–	n/a	
Packaging Products and Services ^(b)	2,414	2,070	17 %	1,541	1,362	13 %	
Business and Information Services ^(c)	525	307	71 %	180	83	117 %	
Food Retail and Restaurants ^(d)	689	168	310 %	578	134	331 %	
Credit Strategies ^(e)	4	5	(20)%	–	–	n/a	
Other ^(f)	3,637	2,400	52 %	2,614	1,587	65 %	
Total	\$ 22,523	\$ 19,681	14 %	\$ 15,696	\$ 13,582	16 %	

Results are reported in accordance with IFRS and may differ from those reported by the individual operating companies.

(a) The insurance services segment consists of USI and York. USI and York report their costs in operating expenses.

(b) The packaging products and services segment consists of sgsc and SIG. SIG began to be consolidated in March 2015, when the business was acquired by the Onex Partners IV Group.

(c) The business and information services segment consists of Clarivate Analytics and Emerald Expositions. Clarivate Analytics began to be consolidated in October 2016, when the business was acquired by the Onex Partners IV Group. The results of Emerald Expositions were previously included within the other segment.

(d) The food retail and restaurants segment consists of Jack's and Save-A-Lot. Jack's began to be consolidated in July 2015 and Save-A-Lot in December 2016, when the businesses were acquired by the Onex Partners IV Group. The results of Jack's were previously included within the other segment.

(e) The credit strategies segment consists of (i) Onex Credit Manager, (ii) Onex Credit Collateralized Loan Obligations and (iii) Onex Credit Funds. Costs of the credit strategies segment are recorded in operating expenses.

(f) 2016 other includes Flushing Town Center, Meridian Aviation, Survitec, Schumacher, WireCo (since September 2016), the operating companies of ONCAP II, III and IV and the parent company. 2015 other includes Flushing Town Center, Tropicana Las Vegas (up to August 2015), Meridian Aviation, Survitec (since March 2015), Schumacher (since late July 2015), the operating companies of ONCAP II and III and the parent company.

Revenues and Cost of Sales by Industry Segment

TABLE 1	(\$ millions)	Revenues			Cost of Sales		
Year ended December 31	2015	2014	Change	2015	2014	Change	
Electronics Manufacturing Services	\$ 5,639	\$ 5,631	– %	\$ 5,175	\$ 5,158	– %	
Healthcare Imaging	2,141	2,360	(9)%	1,223	1,369	(11)%	
Health and Human Services	1,821	1,737	5 %	1,382	1,307	6 %	
Building Products	3,378	3,507	(4)%	2,636	2,840	(7)%	
Insurance Services ^(a)	1,752	1,079	62 %	–	–	n/a	
Packaging Products and Services ^(b)	2,070	492	321 %	1,362	317	330 %	
Business and Information Services ^(c)	307	274	12 %	83	82	1 %	
Food Retail and Restaurants ^(d)	168	–	n/a	134	–	n/a	
Credit Strategies ^(e)	5	–	n/a	–	–	n/a	
Other ^(f)	2,400	1,800	33 %	1,587	1,090	46 %	
Total	\$ 19,681	\$ 16,880	17 %	\$ 13,582	\$ 12,163	12 %	

Results are reported in accordance with IFRS and may differ from those reported by the individual operating companies.

- (a) The insurance services segment consists of USI and York. USI and York report their costs in operating expenses. York began to be consolidated in October 2014, when the business was acquired by the Onex Partners III Group.
- (b) The packaging products and services segment consists of sgsco and SIG. SIG began to be consolidated in March 2015, when the business was acquired by the Onex Partners IV Group.
- (c) The business and information services segment consists of Clarivate Analytics and Emerald Expositions. Clarivate Analytics began to be consolidated in October 2016, when the business was acquired by the Onex Partners IV Group. The results of Emerald Expositions were previously included within the other segment.
- (d) The food retail and restaurants segment consists of Jack's and Save-A-Lot. Jack's began to be consolidated in July 2015 and Save-A-Lot in December 2016, when the businesses were acquired by the Onex Partners IV Group. The results of Jack's were previously included within the other segment.
- (e) The credit strategies segment consists of (i) Onex Credit Manager, (ii) Onex Credit Collateralized Loan Obligations and (iii) Onex Credit Funds. Costs of the credit strategies segment are recorded in operating expenses. Onex Credit Manager and Onex Credit Funds began to be consolidated in January 2015, when Onex acquired control of the Onex Credit asset management platform.
- (f) 2015 other includes Flushing Town Center, Tropicana Las Vegas (up to August 2015), Meridian Aviation, Survitec (since March 2015), Schumacher (since late July 2015), the operating companies of ONCAP II and III and the parent company. 2014 other includes Flushing Town Center, Tropicana Las Vegas, Meridian Aviation, the operating companies of ONCAP II and III and the parent company.

Electronics Manufacturing Services

Celestica delivers innovative supply chain solutions globally to customers in the communications (comprised of enterprise communications and telecommunications), consumer, diversified (comprised of aerospace and defence, industrial, healthcare, energy and semiconductor equipment), servers and storage end markets. These solutions include design and development, engineering services, supply chain management, new product introductions, component sourcing, electronics manufacturing, assembly and test, complex mechanical assembly, systems integration, precision machining, order fulfillment, logistics and after-market repair and return services.

Celestica reported revenues of \$6.0 billion for 2016, up 7 percent, or \$377 million, compared to 2015. Revenue increased primarily due to strong demand from certain customer programs and new program wins in the communications end market as well as new programs in the storage and diversified end markets. Partially offsetting these increases was a decrease in the consumer end market primarily due to the completion of a program with the largest customer in this end market and a decrease in the servers end market primarily due to customer demand softness.

Cost of sales for 2016 increased 6 percent, or \$335 million, to \$5.5 billion. Gross profit increased by 9 percent to \$506 million compared to 2015. Gross profit was positively impacted by higher revenues and margin improvements in the diversified end market, including the semiconductor and solar panel businesses, partially offset by changes in program mix.

Celestica reported revenues of \$5.6 billion for 2015. Although overall revenue was flat compared to 2014, revenue increased in the storage and diversified end markets primarily due to new program wins. The diversified end market also benefited from improved demand in the semiconductor business. Offsetting the revenue increases were decreases in the consumer end market as Celestica continued to de-emphasize certain lower-margin consumer business. Revenues from the communication and server end markets were relatively flat compared to 2014.

Cost of sales for 2015 at \$5.2 billion was up slightly from 2014 while gross profit decreased by 2 percent to \$464 million compared to 2014. Gross profit was negatively impacted by higher than expected costs of ramping new programs as well as overall mix, which more than offset improvements in the semiconductor business.

Healthcare Imaging

Carestream Health provides products and services for the capture, processing, viewing, sharing, printing and storing of images and information for medical and dental applications. The company also has a non-destructive testing business, which sells x-ray film and digital radiology products to the non-destructive testing market. Carestream Health sells digital products, including computed radiography and digital radiography equipment, picture archiving and communication systems, information management solutions, dental practice management software and services, as well as traditional medical products, including x-ray film, printers and media, equipment, chemistry and services. Carestream Health has three segments: Medical Film, Medical Digital and Dental.

Carestream Health reported revenues of \$2.0 billion during 2016, down 7 percent, or \$151 million, from 2015. Excluding the \$54 million impact of unfavourable foreign exchange translation on Carestream Health's non-U.S. revenues, Carestream Health reported a decrease in revenues of \$97 million. The decrease in revenues was primarily driven by lower volumes in film and x-ray systems, partially offset by higher volumes in dental digital equipment.

Cost of sales was \$1.1 billion during 2016, down 8 percent, or \$96 million, compared to 2015. The decrease was primarily due to lower volumes in film and x-ray systems, cost productivity in digital radiography and dental digital equipment and favourable foreign exchange translation of \$13 million. Gross profit for 2016 decreased to \$863 million from \$918 million for 2015. Excluding the \$41 million impact of unfavourable foreign exchange translation, gross profit decreased by \$14 million primarily due to the volume decline which was partially offset by cost productivity.

Carestream Health reported revenues of \$2.1 billion during 2015, down 9 percent, or \$219 million, from 2014. Excluding the \$138 million impact of unfavourable foreign exchange translation on Carestream Health's non-U.S. revenues, Carestream Health reported a decrease in revenues of \$81 million. The decrease in revenues was primarily due to lower x-ray film volume, as well as unfavourable equipment mix and lower prices in the Dental and Medical Digital segments. The revenue decrease was partially offset by higher dental digital equipment volume.

Cost of sales was \$1.2 billion during 2015, down 11 percent, or \$146 million, from 2014. The decrease was primarily due to favourable foreign exchange translation of \$49 million and lower costs for silver, which is a major component in the production of film. Gross profit for 2015 decreased to \$918 million from \$991 million for 2014. Excluding the \$89 million impact of unfavourable foreign exchange translation, gross profit increased by \$16 million primarily due to higher dental digital equipment volume, lower silver costs and higher service volume and improved productivity in x-ray systems. The increase was partially offset by unfavourable equipment mix and lower prices, which impacted revenues.

Health and Human Services

ResCare has four segments: Residential Services, ResCare HomeCare, Workforce Services and Pharmacy Services. Residential Services includes the provision of services to individuals with developmental or other disabilities in community home settings. ResCare HomeCare provides periodic in-home care services to the elderly, as well as persons with disabilities. Workforce Services is primarily comprised of domestic job training and placement programs that assist welfare recipients and disadvantaged job seekers in finding employment and improving their career prospects. Workforce Services also include Job Corps centres, alternative education and charter schools. Pharmacy Services is a limited, closed-door pharmacy focused on serving individuals with cognitive, intellectual and developmental disabilities. ResCare provides services to some 62,000 persons daily.

During 2016, ResCare reported revenues of \$1.8 billion, a decrease of \$36 million, or 2 percent, compared to 2015. The decrease in revenues was due to exiting the skilled line of business in the HomeCare segment, substantially offset by acquisitions within the HomeCare and Residential Services segments.

Cost of sales decreased 2 percent, or \$24 million, during 2016. The decrease in cost of sales was primarily due to exiting the skilled line of business in the HomeCare segment.

ResCare reported revenues of \$1.8 billion during 2015, an increase of \$84 million, or 5 percent, compared to 2014. Acquisitions contributed \$57 million of the increase in revenues and the remainder of the increase was due to organic growth.

Cost of sales was \$1.4 billion during 2015, up 6 percent, or \$75 million, from 2014. The increase was primarily due to the increase in revenues during 2015, along with an increase in medical and wage costs.

Building Products

JELD-WEN is a manufacturer of interior and exterior doors, windows and related products for use primarily in the residential and light commercial new construction and remodelling markets. The company's revenues follow seasonal new construction and repair and remodelling industry patterns. JELD-WEN manages its business through three geographic segments: North America, Europe, and Australia and Asia.

For the year ended December 31, 2016, revenues at JELD-WEN increased by 9 percent, or \$292 million, to \$3.7 billion. The increase in revenues was due to price increases and acquisitions, offset by the strengthening of the U.S. dollar, which had a negative impact of \$38 million on the translation of revenues from the company's operations in Canada, Europe and Australia. On a local currency basis, revenues in most of these regions increased compared to the prior year primarily due to the inclusion of acquisitions completed in 2015 and 2016.

Cost of sales was \$2.8 billion during 2016, an increase of \$152 million, or 6 percent, compared to 2015. Excluding the \$34 million impact of favourable foreign exchange translation, cost of sales increased by \$186 million. Gross profit for 2016 increased by 19 percent to \$882 million compared to 2015 primarily due to improved pricing and productivity in North America, and the inclusion of acquisitions, partially offset by \$4 million of unfavourable foreign exchange translation.

JELD-WEN reported revenues of \$3.4 billion during 2015, a decrease of \$129 million, or 4 percent, compared to 2014. The decrease in revenues was due to the strengthening of the U.S. dollar, which had a negative impact of \$306 million on the translation of revenues of the com-

pany's operations in Canada, Europe and Australia. On a local currency basis, revenues in most of these regions increased compared to the prior year primarily due to increased volume and pricing. Revenues in the company's U.S. operations increased primarily due to pricing.

Cost of sales was \$2.6 billion during 2015, a decrease of \$204 million, or 7 percent, compared to 2014. Excluding the \$237 million impact of favourable foreign exchange translation, cost of sales increased by \$33 million. Gross profit for 2015 increased by 11 percent to \$742 million compared to 2014 primarily due to improved pricing and productivity in North America, partially offset by \$69 million of unfavourable foreign exchange translation, and the inclusion of acquisitions completed in 2015.

Insurance Services

The insurance services segment consists of the operations of USI and York. Table 2 provides revenues by operating company in the insurance services segment. USI and York record their costs in operating costs.

Insurance Services Revenues

TABLE 2 (\$ millions)		Revenues			Revenues		
Year ended December 31	2016	2015	Change	2015	2014	Change	
USI	\$ 1,048	\$ 1,037	1%	\$ 1,037	\$ 926	12%	
York ^(a)	745	715	4%	715	153	367%	
Total	\$ 1,793	\$ 1,752	2%	\$ 1,752	\$ 1,079	62%	

Results are reported in accordance with IFRS and may differ from those reported by the individual operating companies.

(a) York began to be consolidated in October 2014, when the business was acquired by the Onex Partners III Group. York's 2014 results are for the period from the date of acquisition in October 2014 to December 31, 2014.

USI

USI is a leading provider of insurance brokerage services. USI's revenues consist of commissions paid by insurance companies and fees paid directly by the company's clients for the placement of property and casualty and individual and group health, life and disability insurance. USI also receives contingent and supplemental revenues paid by insurance carriers based on the overall profit and/or volume of business placed with an insurer. USI has two segments: Retail and Specialty.

USI reported revenues of \$1.0 billion during 2016, an increase of 1 percent, or \$11 million, from 2015. The increase in revenues during 2016 was primarily due to acquisitions and organic growth.

USI reported revenues of \$1.0 billion during 2015, an increase of 12 percent, or \$111 million, compared to 2014. The increase in revenues was primarily due to acquisitions and organic growth.

York

York is an integrated provider of insurance solutions to property, casualty and workers' compensation specialty markets in the United States. York offers employers and insurance carriers a range of services designed to help manage claims and limit losses incurred under various property and casualty insurance programs. Clients are typically billed for claims management services based on a fee per each claim handled, a flat annual fee or a cost-plus model. In addition to claims management, York offers a suite of integrated managed care services for injured workers.

York reported revenues of \$745 million during 2016, an increase of 4 percent, or \$30 million, compared to 2015. The increase in revenues during 2016 was primarily due to organic growth.

York reported revenues of \$715 million during 2015. York began to be consolidated in October 2014, when the business was acquired by the Onex Partners III Group. Revenues of \$153 million for 2014 represent results for the period from the October 2014 acquisition of York to December 31, 2014.

Packaging Products and Services

The packaging products and services segment consists of the operations of sgsco and SIG. SIG was acquired by the Onex Partners IV Group in March 2015. Table 3 provides revenues and cost of sales by operating company in the packaging products and services segment.

Packaging Products and Services Revenues and Cost of Sales

TABLE 3	(\$ millions)	Revenues			Cost of Sales		
Year ended December 31		2016	2015	Change	2016	2015	Change
sgsco		\$ 509	\$ 495	3%	\$ 327	\$ 326	–
SIG ^(a)		1,905	1,575	21%	1,214	1,036	17%
Total		\$ 2,414	\$ 2,070	17%	\$ 1,541	\$ 1,362	13%

Results are reported in accordance with IFRS and may differ from those reported by the individual operating companies.

(a) SIG was acquired in March 2015 by the Onex Partners IV Group. Revenues and cost of sales for 2015 represent the period from the date of acquisition to December 31, 2015.

Packaging Products and Services Revenues and Cost of Sales

TABLE 3	(\$ millions)	Revenues			Cost of Sales		
Year ended December 31		2015	2014	Change	2015	2014	Change
sgsco		\$ 495	\$ 492	1%	\$ 326	\$ 317	3%
SIG ^(a)		1,575	–	n/a	1,036	–	n/a
Total		\$ 2,070	\$ 492	321%	\$ 1,362	\$ 317	330%

Results are reported in accordance with IFRS and may differ from those reported by the individual operating companies.

(a) SIG was acquired in March 2015 by the Onex Partners IV Group. Revenues and cost of sales for 2015 represent the period from the date of acquisition to December 31, 2015. There are no comparative results for 2014.

sgsco

sgsco is a market leader in providing fully integrated marketing solutions, digital imaging and design-to-print graphic services to branded consumer products companies, retailers and the printers that service them. The company's vertically integrated service platform includes creative development, brand execution, image production and image carrier services as well as an array of enterprise solutions, which facilitate digital file management and ensure streamlined communication across the entire value chain. sgsco does not focus on large-scale printing of product packaging.

sgsco reported revenues of \$509 million during 2016, an increase of \$14 million, or 3 percent, compared to 2015. This increase was primarily due to acquisitions, partially offset by unfavourable foreign currency fluctuations. Cost of sales of \$327 million was relatively flat compared with 2015 as a reduction in labour-related expenses at pre-existing facilities and foreign currency fluctuations offset the incremental cost of sales from acquisitions.

sgsco reported revenues of \$495 million during 2015, an increase of \$3 million, or 1 percent, compared to 2014. The increase was primarily due to net organic sales growth and sales from recent acquisitions, partially offset by unfavourable foreign currency fluctuations.

Cost of sales at \$326 million increased by 3 percent, or \$9 million, from 2014. The increase was due to the incremental costs of goods sold from acquisitions combined with an increase in materials and outsourced supplier costs stemming from the increase in sales volume and the shift in product and geographic mix, wage inflation and increased healthcare costs.

SIG

SIG is a world-leading provider of aseptic carton packaging solutions for beverages and liquid food. SIG supplies complete aseptic carton packaging systems, which include aseptic filling machines, aseptic cartons, spouts, caps and closures and related aftermarket services.

SIG's functional currency is the euro. The reported revenues and cost of sales of SIG in U.S. dollars may not reflect the true nature of the operating results of the company due to the translation of those amounts and the associated fluctuation of the euro and U.S. dollar exchange rate. The discussion of SIG's revenues and cost of sales is in euros in order to reduce the impact of foreign currency translation on revenues and cost of sales. SIG has global operations and exposure to currency risk on the portion of its business that is not based on euros. Fluctuations in the value of the euro relative to other currencies can have an impact on SIG's reported results.

During 2016, SIG reported revenues of €1.7 billion, an increase of 21 percent, or €299 million, compared to 2015. Cost of sales for 2016 increased 17 percent, or €161 million, to €1.1 billion compared to 2015. Excluding the impact of timing of the acquisition during the first quarter of 2015, revenues were flat as higher sleeve sales were offset by unfavourable foreign currency fluctuations. Cost of sales remained flat as favourable foreign exchange fluctuations and lower production-related costs were offset by higher sleeve sales.

During 2015, SIG reported revenues of €1.4 billion and cost of sales of €937 million, which represent results for the period from the March 2015 acquisition of SIG to December 31, 2015. Since SIG was acquired in March 2015, there are no comparative results for 2014.

Business and Information Services

The business and information services segment consists of the operations of Clarivate Analytics and Emerald Expositions. Clarivate Analytics was acquired by the Onex Partners IV Group in October 2016. The results of Emerald Expositions were previously included within the other segment. Table 4 provides revenues and cost of sales by operating company in the business and information services segment.

Business and Information Services Revenues and Cost of Sales

TABLE 4	Revenues			Cost of Sales		
	(\$ millions)					
Year ended December 31	2016	2015	Change	2016	2015	Change
Clarivate Analytics ^[a]	\$ 202	\$ -	n/a	\$ 96	\$ -	n/a
Emerald Expositions	323	307	5%	84	83	1%
Total	\$ 525	\$ 307	71%	\$ 180	\$ 83	117%

Results are reported in accordance with IFRS and may differ from those reported by the individual operating companies.

[a] Clarivate Analytics was acquired in October 2016 by the Onex Partners IV Group. Revenues and cost of sales for 2016 represent the period from the date of acquisition to December 31, 2016. There are no comparative results for 2015.

Business and Information Services Revenues and Cost of Sales

TABLE 4	(\$ millions)	Revenues			Cost of Sales		
Year ended December 31	2015	2014	Change	2015	2014	Change	
Clarivate Analytics ^[a]	\$ -	\$ -	n/a	\$ -	\$ -	n/a	
Emerald Expositions	307	274	12%	83	82	1%	
Total	\$ 307	\$ 274	12%	\$ 83	\$ 82	1%	

Results are reported in accordance with IFRS and may differ from those reported by the individual operating companies.

[a] Clarivate Analytics was acquired in October 2016 by the Onex Partners IV Group. There are no comparative results for 2015 and 2014.

Clarivate Analytics

Clarivate Analytics operates across multiple product lines with both subscription-based and single deliverable offerings focused on scientific and academic research, patent analytics and regulatory standards, pharmaceutical and biotech intelligence, trademark protection, domain brand protection and intellectual property management.

During 2016, Clarivate Analytics reported revenues of \$202 million and cost of sales of \$96 million, which represent results for the period from the October 2016 acquisition of Clarivate Analytics to December 31, 2016. Since Clarivate Analytics was acquired in October 2016, there are no comparative results for 2015 or 2014.

Emerald Expositions

Emerald Expositions is a leading operator of large business-to-business trade shows in the United States across multiple industry sectors. Emerald Expositions has two principal sources of revenue: trade show and conference revenue, and revenue from print and digital publications. Trade show revenue is largely generated from selling exhibit space to exhibitors on a per-square-foot basis and providing additional sponsorship opportunities to those exhibitors.

During 2016, Emerald Expositions reported revenues of \$323 million, an increase of \$16 million, or 5 percent, compared to 2015. The revenue increase was primarily due to organic growth and acquisitions. Cost of sales of \$84 million during the year ended December 31, 2016 was relatively flat compared with 2015. Gross profit increased by \$15 million, or 7 percent, to \$239 million compared to 2015 primarily due to the growth in revenues.

During 2015, revenues at Emerald Expositions were \$307 million, an increase of \$33 million, or 12 percent, compared to 2014. The revenue increase was primarily attributable to acquisitions completed during 2015 and 2014 that generated \$24 million in additional revenues. The remaining increase was attributable to organic growth.

Cost of sales of \$83 million reported by Emerald Expositions during the year ended December 31, 2015 was largely unchanged from 2014. Improvement in gross margin was due to cost savings within the existing trade show portfolio, as well as the discontinuation of several lower margin events during 2015.

Food Retail and Restaurants

The food retail and restaurants segment consists of the operations of Jack's and Save-A-Lot. Jack's was acquired by the Onex Partners IV Group in July 2015 and was previously included within the other segment. Save-A-Lot was acquired by the Onex Partners IV Group in December 2016. Table 5 provides revenues and cost of sales by operating company in the food retail and restaurants segment.

Food Retail and Restaurants Revenues and Cost of Sales

TABLE 5	(\$ millions)	Revenues			Cost of Sales		
Year ended December 31		2016	2015	Change	2016	2015	Change
Jack's ^(a)	\$ 365	\$ 168	117%	\$ 294	\$ 134	119%	
Save-A-Lot ^(b)	324	–	n/a	284	–	n/a	
Total	\$ 689	\$ 168	310%	\$ 578	\$ 134	331%	

Results are reported in accordance with IFRS and may differ from those reported by the individual operating companies.

(a) Jack's was acquired in July 2015 by the Onex Partners IV Group. Revenues and cost of sales for 2015 represent the period from the date of acquisition to December 31, 2015.

(b) Save-A-Lot was acquired in December 2016 by the Onex Partners IV Group. Revenues and cost of sales for 2016 represent the period from the date of acquisition to December 31, 2016. There are no comparative results for 2015.

Food Retail and Restaurants Revenues and Cost of Sales

TABLE 5	(\$ millions)	Revenues			Cost of Sales		
Year ended December 31		2015	2014	Change	2015	2014	Change
Jack's ^(a)	\$ 168	\$ –	n/a	\$ 134	\$ –	n/a	
Save-A-Lot ^(b)	–	–	n/a	–	–	n/a	
Total	\$ 168	\$ –	n/a	\$ 134	\$ –	n/a	

Results are reported in accordance with IFRS and may differ from those reported by the individual operating companies.

(a) Jack's was acquired in July 2015 by the Onex Partners IV Group. Revenues and cost of sales for 2015 represent the period from the date of acquisition to December 31, 2015. There are no comparative results for 2014.

(b) Save-A-Lot was acquired in December 2016 by the Onex Partners IV Group. There are no comparative results for 2015 and 2014.

Jack's

Jack's is a regional premium quick-service restaurant operator that offers Southern-inspired foods such as made-from-scratch biscuits, burgers, fried chicken, plated breakfasts, crinkle-cut fries and hand-dipped shakes. The company has 140 free-standing corporate-operated restaurants across Alabama, Georgia, Mississippi and Tennessee. The company also owns the distribution facility that handles most of Jack's food and non-food supply chain and makes deliveries to the restaurants twice a week.

During 2016, Jack's reported revenues of \$365 million, an increase of \$197 million, or 117 percent, compared to 2015. Cost of sales for 2016 increased by \$160 million, or 119 percent, compared to 2015. Excluding the impact of timing of the acquisition during the third quarter of 2015, revenues and cost of sales increased during 2016 primarily due to same store sales growth and new restaurant sales.

During 2015, Jack's reported revenues of \$168 million and cost of sales of \$134 million, which represent results for the period from the July 2015 acquisition of Jack's to December 31, 2015. Since Jack's was acquired in July 2015, there are no comparative results for 2014.

Save-A-Lot

Save-A-Lot is a leading hard-discount grocery retailer for value-seeking shoppers in the United States. The company has a corporate and licenced store network of approximately 1,400 stores across 37 states. Save-A-Lot offers a selection of grocery products that enables customers to complete a "full shop" in stores, including quality fresh produce, fresh meat cut in stores every day, targeted national brand grocery items and a full selection of exclusive private label products.

During 2016, Save-A-Lot reported revenues of \$324 million and cost of sales of \$284 million, which represent results for the period from the December 2016 acquisition of Save-A-Lot to December 31, 2016. Since Save-A-Lot was acquired in December 2016, there are no comparative results for 2015 and 2014.

Credit Strategies

The credit strategies segment consists of (i) Onex Credit Manager, (ii) Onex Credit Collateralized Loan Obligations and (iii) Onex Credit Funds.

Gross revenues earned by Onex Credit Manager during 2016 were \$44 million, an increase of \$9 million, or 26 percent, compared to 2015. For the year ended December 31, 2016, gross revenues included \$5 million earned on investments in Onex Credit Funds held by Onex, the parent company. Credit strategies segment revenue for 2016, net of management and incentive fees from Onex Credit Funds and CLOs which are eliminated upon consolidation, was \$4 million, a decrease of \$1 million from 2015, primarily due to lower average net asset values in the funds during 2016.

Gross revenues earned by Onex Credit Manager during 2015 were \$35 million. For the year ended December 31, 2015, gross revenues included \$3 million earned on investments in Onex Credit Funds held by Onex, the parent company. Credit strategies segment revenue for 2015, net of management and incentive fees from Onex Credit Funds and CLOs which are eliminated upon consolidation, was \$5 million. The credit strategies segment did not record any revenues for 2014 as the Onex Credit Manager began to be consolidated in January 2015.

Costs of the credit strategies segment are recorded in operating expenses.

Other Businesses

The other businesses segment consists of the revenues and cost of sales of the ONCAP companies – EnGlobe, Cicis (up to August 2016), Pinnacle Renewable Energy Group, PURE Canadian Gaming, Hopkins, Davis-Standard, Bradshaw, Mister Car Wash (up to August 2014), Chatters (since July 2015) and Tecta (since August 2016) – Survitec (since March 2015), Schumacher (since late July 2015), Tropicana Las Vegas (up to August 2015), WireCo (since September 2016), Flushing Town Center, Meridian Aviation and the parent company.

Table 6 provides revenues and cost of sales by operating company in the other businesses segment.

Other Businesses Revenues and Cost of Sales

TABLE 6	(\$ millions)	Revenues			Cost of Sales		
Year ended December 31	2016	2015	Change	2016	2015	Change	
ONCAP companies ^(a)	\$ 1,800	\$ 1,581	14 %	\$ 1,225	\$ 1,096	12%	
Survitec ^(b)	387	294	32 %	192	159	21%	
Schumacher ^(c)	1,260	408	209 %	1,044	327	219%	
WireCo ^(d)	136	–	n/a	112	–	n/a	
Other ^(e)	54	117	(54)%	41	5	720%	
Total	\$ 3,637	\$ 2,400	52 %	\$ 2,614	\$ 1,587	65%	

Results are reported in accordance with IFRS and may differ from those reported by the individual operating companies.

(a) ONCAP companies include EnGlobe, Cicis (up to August 2016), Pinnacle Renewable Energy Group, PURE Canadian Gaming, Hopkins, Davis-Standard, Bradshaw, Chatters (since July 2015) and Tecta (since August 2016).

(b) Survitec was acquired by Onex Partners IV Group in March 2015. Revenues and cost of sales for 2015 represent the period from the date of acquisition to December 31, 2015.

(c) Schumacher was acquired by the Onex Partners IV Group in late July 2015. Revenues and cost of sales for 2015 represent the period from the date of acquisition to December 31, 2015.

(d) WireCo was acquired by the Onex Partners IV Group in September 2016. Revenues and cost of sales for 2016 represent the period from the date of acquisition to December 31, 2016. There are no comparative results for 2015.

(e) 2016 other includes Flushing Town Center, Meridian Aviation and the parent company. 2015 other includes Flushing Town Center, Tropicana Las Vegas (up to August 2015), Meridian Aviation and the parent company.

Other Businesses Revenues and Cost of Sales

TABLE 6	(\$ millions)	Revenues			Cost of Sales		
Year ended December 31	2015	2014	Change	2015	2014	Change	
ONCAP companies ^(a)	\$ 1,581	\$ 1,609	(2)%	\$ 1,096	\$ 1,065	3 %	
Survitec ^(b)	294	–	n/a	159	–	n/a	
Schumacher ^(c)	408	–	n/a	327	–	n/a	
Other ^(d)	117	191	(39)%	5	25	(80)%	
Total	\$ 2,400	\$ 1,800	33 %	\$ 1,587	\$ 1,090	46 %	

Results are reported in accordance with IFRS and may differ from those reported by the individual operating companies.

(a) ONCAP companies include EnGlobe, Cicis, Pinnacle Renewable Energy Group, PURE Canadian Gaming, Hopkins, Davis-Standard, Bradshaw, Mister Car Wash (up to August 2014) and Chatters (since July 2015).

(b) Survitec was acquired by the Onex Partners IV Group in March 2015. Revenues and cost of sales for 2015 represent the period from the date of acquisition to December 31, 2015. There are no comparative results for 2014.

(c) Schumacher was acquired by the Onex Partners IV Group in July 2015. Revenues and cost of sales for 2015 represent the period from the date of acquisition to December 31, 2015. There are no comparative results for 2014.

(d) 2015 other includes Flushing Town Center, Tropicana Las Vegas (up to August 2015), Meridian Aviation and the parent company. 2014 other includes Tropicana Las Vegas, Flushing Town Center, Meridian Aviation and the parent company.

ONCAP companies

The ONCAP companies reported a 14 percent, or \$219 million, increase in revenues for the year ended December 31, 2016 compared to 2015, and cost of sales increased by 12 percent, or \$129 million.

The increase in revenue and cost of sales during 2016 was primarily driven by the inclusion of the operating results of Chatters and Tecta, which were acquired in July 2015 and August 2016, respectively, in addition to acquisitions completed by the operating companies during 2015 and 2016. The increase in revenue and cost of sales was partially offset by the sale of Cicis in August 2016. The aggregate gross margin of the ONCAP companies increased in 2016 as a result of acquisitions and organic growth compared to 2015.

The ONCAP companies reported a 2 percent, or \$28 million, decrease in revenues for the year ended December 31, 2015 compared to 2014, while cost of sales increased 3 percent, or \$31 million.

The decrease in revenues during the year ended December 31, 2015 was primarily due to the ONCAP II Group's sale of Mister Car Wash in August 2014. The decrease in revenues was partially offset by net increases at the remaining ONCAP companies, which were primarily driven by acquisitions completed by the companies, and the inclusion of Chatters' operating results from the date of acquisition in July 2015. The aggregate gross margin of the ONCAP companies decreased in 2015 as a result of a greater proportion of product-based companies compared to 2014.

Survitec

Survitec is a market-leading provider of mission-critical marine, defence and aerospace survival equipment. Survitec's key products include inflatable lifesaving equipment designed to withstand harsh marine environments, fire suppression systems for maritime vessels and survival suits designed for extreme thermal and pressure conditions.

Survitec's functional currency is the pound sterling. The reported revenues and cost of sales of Survitec in U.S. dollars may not reflect the true nature of the operating results of the company due to the translation of those amounts and the associated fluctuation of the pound sterling and U.S. dollar exchange rate. The discussion of Survitec's revenues and cost of sales is in pounds sterling in order to reduce the impact of foreign currency translation on revenues and cost of sales. Survitec has global operations

and exposure to currency risk on the portion of its business that is not based on the pound sterling. Fluctuation in the value of the pound sterling relative to other currencies can have an impact on Survitec's reported results.

During 2016, Survitec reported revenues of £287 million, an increase of 49 percent, or £95 million, compared to 2015. Cost of sales increased 37 percent, or £38 million, to £142 million during 2016 compared to 2015. Excluding the impact of timing of the acquisition of the company during the first quarter of 2015, the increase in revenues and cost of sales was primarily due to organic growth in existing markets as well as additional revenues from acquisitions made by Survitec in 2015 and 2016.

During 2015, Survitec reported revenues of £192 million and cost of sales of £104 million, which represent results for the period from the March 2015 acquisition of Survitec to December 31, 2015. Since Survitec was acquired in March 2015, there are no comparative results for 2014.

Schumacher

Schumacher is a leading provider of emergency and hospital medicine physician practice management services in the United States. Schumacher provides a single source of accountability in managing hospitalist and emergency departments. The company reduces the cost and administrative burden for hospital administrators by recruiting, staffing and compensating the clinicians, as well as managing reimbursement and collections from third-party payors, developing robust technology solutions and improving the operating and clinical performance of the emergency and hospitalist departments.

During 2016, Schumacher reported revenues of \$1.3 billion, an increase of \$852 million, or 209 percent, compared to 2015. Cost of sales for 2016 increased by \$1.0 billion, or 219 percent, compared to 2015. Excluding the impact of timing of the acquisition of the company in late July 2015, the increase in revenues and cost of sales was primarily due to acquisitions completed by Schumacher in 2016 and 2015.

During 2015, Schumacher reported revenues of \$408 million and cost of sales of \$327 million, which represent results for the period from the late July 2015 acquisition of Schumacher to December 31, 2015. Since Schumacher was acquired in late July 2015, there are no comparative results for 2014.

WireCo

WireCo is a leading global manufacturer of mission-critical steel wire rope, synthetic rope, specialty wire and engineered products. WireCo products are used in many diverse industrial and commercial end markets, primarily in North America, Europe and Brazil.

WireCo reported revenues of \$136 million and cost of sales of \$112 million for the period from September 2016 to December 31, 2016. Since WireCo was acquired in September 2016, there are no comparative results for 2015 or 2014.

Other

Other revenues and cost of sales decreased in the year ended December 31, 2016 from 2015, and in the year ended December 31, 2015 from 2014, primarily due to the sale of Tropicana Las Vegas in August 2015.

Interest expense of operating companies

New investments are structured with the acquired company having sufficient equity to enable it to self-finance a significant portion of its acquisition cost with a prudent amount of debt. The level of debt is commensurate with the operating company's available cash flow, including consideration of funds required to pursue growth opportunities. It is the responsibility of the acquired operating company to service its own debt obligations.

Consolidated interest expense for the year ended December 31, 2016 was \$1.1 billion, up \$211 million, or 24 percent, from 2015. The increase was primarily due to the inclusion of interest expense for: (i) Schumacher, Survitec and SIG, which were acquired in 2015; (ii) WireCo, Clarivate Analytics and Save-A-Lot, which were acquired in 2016; and (iii) the additional debt from CLOs.

Increase in value of investments in joint ventures and associates at fair value, net

Investments in joint ventures and associates are defined under IFRS as those investments in operating businesses over which Onex has joint control or significant influence, but not control. Certain of these investments are designated, upon initial recognition, at fair value in the consolidated balance sheets. Both realized and unrealized gains and losses are recognized in the consolidated statements of earnings as a result of increases or decreases in the fair value of investments in joint ventures and associates. Investments that Onex has determined to be investments in joint ventures or associates and thus recorded at fair value primarily comprise AIT, BBAM, ITG (since June 2015) and Mavis Discount Tire.

During 2016, Onex recorded an increase in the fair value of investments in joint ventures and associates of \$180 million compared to \$175 million in 2015. The increase in 2016 was primarily due to continued free cash generation at certain of the investments and the impact of AIT's unit repurchase transaction, as described on page 35 of this MD&A. The increase in 2015 was primarily due to improved operating performance and the impact of acquisition cost synergies at certain of the investments.

Of the total fair value increase recorded during 2016, \$135 million (2015 – \$128 million) is attributable to the limited partners in the Onex Partners and ONCAP Funds, which contributes to the Limited Partners' Interests charge discussed on page 55 of this MD&A. Onex' share of the total fair value increase was \$45 million (2015 – \$47 million).

Stock-based compensation expense

Onex recorded a consolidated stock-based compensation expense of \$323 million during 2016 compared to \$260 million in 2015. Onex, the parent company, represented an expense of \$118 million (2015 – \$134 million) related to its stock options and MIP equity interests. Onex' operating companies represented an expense of \$205 million (2015 – \$126 million) related to stock-based compensation plans at the operating companies, including shares recognized as liabilities and remeasured to fair value at each period end.

In accordance with IFRS, the expense recorded for Onex' stock options and MIP equity interests is determined based on the fair value of the liability at the end of each reporting period. The fair value of the Onex stock options and MIP equity interests is determined using an option valuation model, with the stock options primarily impacted by the change in the market value of Onex' shares and the MIP equity interests affected primarily by the change in the fair value of Onex' investments. The expense recorded by Onex, the parent company, on its stock options during 2016 was primarily due to the 8 percent increase in the market value of Onex' shares to C\$91.38 at December 31, 2016 from C\$84.82 at December 31, 2015.

Table 7 details the change in stock-based compensation of Onex, the parent company, and Onex' operating companies.

Stock-Based Compensation Expense

TABLE 7	Year ended December 31 (\$ millions)	2016	2015	Change
Onex, the parent company,				
stock options		\$ 97	\$ 102	\$ (5)
Onex, the parent company,				
MIP equity interests		21	32	(11)
Onex operating companies		205	126	79
Total stock-based compensation		\$ 323	\$ 260	\$ 63

Other gains

Table 8 provides a breakdown of other gains (loss).

Other Gains

TABLE 8	Year ended December 31 (\$ millions)	2016	2015
Gain on sale of Univers by USI		\$ 44	\$ -
Gain on sale of Cicis		28	-
Gain on sale of Tropicana Las Vegas		-	102
Gain on sale of Flushing Town Center		-	60
Gain on the Onex Credit transaction		-	38
Gain on sale of B.C. Sugar residual property		-	36
Other		8	3
Total other gains		\$ 80	\$ 239

Gain on sale of Univers by USI

In May 2016, USI sold Univers, as described on page 34 of this MD&A.

Gain on sale of Cicis

In August 2016, the ONCAP II Group sold its entire investment in Cicis, as described on page 35 of this MD&A.

Tropicana Las Vegas

In August 2015, the Onex Partners III Group sold its entire investment in Tropicana Las Vegas for an enterprise value of \$360 million. Onex Partners III and certain limited partners received net proceeds of \$230 million, of which Onex' share was \$50 million. Onex' consolidated results include a pre-tax gain of \$102 million based on the excess of the proceeds over the carrying value of the investment. Onex' share of the pre-tax gain was \$22 million. The gain on sale was entirely attributable to the equity holders of Onex Corporation, as the interest of the limited partners was recorded as a financial liability at fair value. No amounts were paid on account of the MIP for this transaction as the required investment return hurdle for Onex was not met. In addition, no carried interest was paid or received on this transaction. As a result of the loss realized on Tropicana Las Vegas, the carried interest that would have otherwise been distributed to Onex in respect of future realizations in the Onex Partners III Fund was reduced by \$7 million, as described on page 34 of this MD&A. The amount of carried interest ultimately received from the Onex Partners III Fund will be based on the overall performance of the Fund.

Tropicana Las Vegas did not represent a major line of business, and as a result, the operating results up to the date of disposition have not been presented as a discontinued operation.

Flushing Town Center

In July and December 2015, Onex Real Estate Partners sold substantially all of the retail space and adjoining parking structures of Flushing Town Center. Onex Real Estate Partners continues to develop the second phase of condominiums at the project. Onex Real Estate Partners received net proceeds of \$136 million, of which Onex' share was \$119 million. Included in the net proceeds was \$8 million held in escrow, of which Onex' share was \$7 million. Amounts held in escrow were received during 2016, as described on page 37 of this MD&A. No amounts were paid on account of the MIP related to this transaction as the required performance targets have not been met at this time. Onex Real Estate Partners recorded a pre-tax gain of \$60 million on the transaction, of which Onex' share was \$52 million.

The retail space and adjoining parking structures of Flushing Town Center did not represent a major line of business, and as a result, the operating results up to the date of disposition have not been presented as a discontinued operation.

Onex Credit transaction

In January 2015, Onex acquired control of the Onex Credit asset management platform for \$32 million, which included non-cash consideration of \$6 million associated with the issuance of 111,393 of Onex' SVS. The acquisition of control of the Onex Credit asset management platform was accounted for based on an implied fair value of \$119 million for the business. The Company's previous interest in the Onex Credit asset management platform was equity-accounted with a carrying value of \$49 million and was derecognized at fair value, resulting in the recognition of a pre-tax non-cash gain of \$38 million during the first quarter of 2015.

As a result of the above transaction, the Company consolidates the Onex Credit asset management platform and certain funds managed by Onex Credit in which Onex, the parent company, holds an investment.

B.C. Sugar residual property

In January 2015, Onex sold a residual property from its former investment in B.C. Sugar for proceeds of \$54 million, recognizing a pre-tax gain of \$36 million. Onex' share of the proceeds on the sale of the residual property was \$33 million, net of amounts paid on account of the MIP, and Onex' share of the pre-tax gain was \$23 million. Management of Onex earned \$3 million on account of this transaction related to the MIP.

Other expense (income)

Table 9 provides a breakdown of and the change in other expense (income).

Other Expense (Income)

TABLE 9	Year ended December 31 (\$ millions)	2016	2015	Change
Transition, integration and other	\$ 126	\$ 110	\$ 16	
Restructuring	100	64	36	
Transaction costs	90	81	9	
Carried interest charge due to				
Onex and ONCAP management	59	130	(71)	
Foreign exchange loss	57	52	5	
Derivatives losses (gains)	31	(120)	151	
Change in value of other Onex				
Partners investments	(11)	71	(82)	
Change in fair value of contingent				
consideration	(39)	(76)	37	
Losses (gains) on investments				
and long-term debt in CLOs				
and Onex Credit Funds	(221)	195	(416)	
Other	(105)	(72)	(33)	
Total other expense	\$ 87	\$ 435	\$ (348)	

Transition, integration and other

Transition, integration and other expenses are typically to provide for the costs of establishing or transitioning from a prior parent company the activities of an operating company upon acquisition and to integrate new acquisitions at the operating companies. The costs may be incurred over several years as the establishment and transition of activities progress.

Transition, integration and other expenses for 2016 were primarily due to Carestream Health, Clarivate Analytics, Save-A-Lot and USI. Transition, integration and other expenses for 2015 were primarily due to Survitec and USI.

Restructuring

Restructuring expenses typically provide for the costs of facility consolidations and workforce reductions incurred at the operating companies. Table 10 provides a breakdown of and the change in restructuring charges by operating company.

TABLE 10	Year ended December 31 (\$ millions)	2016	2015
Celestica		\$ 32	\$ 24
Carestream Health		20	3
SIG		20	2
JELD-WEN		11	17
ResCare		11	1
USI		5	16
Other		1	1
Total restructuring charges		\$ 100	\$ 64

Celestica

Celestica's restructuring charges for 2016 primarily related to costs to exit its solar panel manufacturing operations. The charges recorded by Celestica in 2015 primarily related to costs to consolidate certain sites and to reduce the workforce.

Carestream Health

Carestream Health's restructuring charges in 2016 primarily related to the reorganization of certain businesses and operations, including sales and services functions at the company. Carestream Health's restructuring charges for 2015 primarily related to the establishment of a central functions location for its European operations.

SIG

SIG's restructuring charges for 2016 primarily related to costs to improve production processes and the establishment of a central support location.

JELD-WEN

JELD-WEN's restructuring charges for 2016 and 2015 primarily related to the closure of facilities and personnel restructuring.

ResCare

ResCare's restructuring charges for 2016 primarily relate to exiting the skilled line of business in the HomeCare segment and severance costs.

USI

USI's restructuring charges for 2016 and 2015 primarily related to severance and lease abandonment costs.

Transaction costs

Transaction costs are incurred by Onex and its operating companies to complete business acquisitions, and typically include advisory, legal and other professional and consulting costs.

Transaction costs for 2016 were primarily due to the acquisitions of Clarivate Analytics, Save-A-Lot, Tecta and WireCo, in addition to acquisitions completed by the operating companies. Transaction costs for 2015 were primarily due to the acquisitions of Chatters, Jack's, Schumacher, SIG and Survitec, in addition to acquisitions completed by the operating companies.

Carried interest charge due to Onex and ONCAP management

The General Partners of the Onex Partners and ONCAP Funds are entitled to a carried interest on the realized gains of the limited partners in each fund, as determined in accordance with the limited partnership agreements, and as described on page 85 of this MD&A. Onex' share of the carried interest charge is recorded as an offset in the Limited Partners' Interests amount in the consolidated statements of earnings.

The carried interest due to management of Onex and ONCAP represents the share of the overall net gains in each of the Onex Partners and ONCAP Funds attributable to the management of Onex and ONCAP. The carried interest is estimated based on the current fair values of the underlying investments in the funds and the overall net gains in each respective fund determined in accordance with the limited partnership agreements. During 2016, a charge of \$59 million (2015 – \$130 million) was recorded in the consolidated statements of earnings for management's share of carried interest primarily due to an increase in the fair value of certain of the investments in the Onex Partners and ONCAP Funds. The ultimate amount of carried interest earned will be based on the overall performance of each fund.

Foreign exchange loss

The foreign exchange loss during 2016 was primarily due to Survitec and WireCo. The foreign exchange loss during 2015 was primarily due to losses recognized by SIG, Carestream Health and Survitec.

Derivatives losses (gains)

Derivatives losses and gains for the years ended December 31, 2016 and 2015 were primarily related to embedded derivatives associated with debt agreements and foreign exchange hedges.

Change in value of other Onex Partners investments

Other Onex Partners investments include investments in which Onex has no or limited remaining strategic or operating influence: FLY Leasing Limited and Genesis Healthcare (since February 2015). For 2016, Onex reported an increase in value of other Onex Partners investments of \$11 million (2015 – decrease of \$71 million). The increase in value of other Onex Partners investments during the year ended December 31, 2016 was due to an increase in the public share price of Genesis Healthcare.

The decrease in value of other Onex Partners investments during the year ended December 31, 2015 was primarily due to the public share value of Genesis Healthcare being below the value of the investment on the date of combination with Skilled Healthcare Group.

Change in fair value of contingent consideration

The fair value of contingent consideration liabilities is typically based on the estimated future financial performance of the acquired businesses. Financial targets used in the estimation process typically include certain defined financial targets and realized internal rates of return.

Onex recorded a recovery of \$39 million (2015 – \$76 million) during 2016 in relation to the estimated change in fair value of contingent consideration related to acquisitions completed by Onex and its operating companies. Partially offsetting the recovery for the year ended December 31, 2016 was the final determination of the additional consideration payable based on SIG's financial performance in 2015. The final determination resulted in an additional consideration of \$162 million (€150 million) being paid by SIG based on its 2015 financial performance. The majority of the additional consideration had been accrued by SIG at December 31, 2015.

The total estimated fair value of contingent consideration liabilities at December 31, 2016 was \$127 million (December 31, 2015 – \$318 million). The amount represents management's best estimate of the fair value at December 31, 2016, which is subject to sensitivity associated with various factors, including foreign currency fluctuations, as well as uncertainty regarding the treatment of certain items.

Losses (gains) on investments and long-term debt in CLOs and Onex Credit Funds

Gains on investments in CLOs and Onex Credit Funds were primarily unrealized and driven by a recovery in the leveraged loan market during 2016. Partially offsetting these gains were losses on the long-term debt in the CLOs.

During 2015, losses on investments in CLOs and Onex Credit Funds were primarily unrealized and driven by volatility in the leveraged loan market. Partially offsetting these losses were gains on the long-term debt in the CLOs.

Impairment of goodwill, intangible assets and long-lived assets, net

Table 11 provides a breakdown of the net impairment of goodwill, intangible assets and long-lived assets by operating company for the years ended December 31, 2016 and 2015.

Impairment of Goodwill, Intangible Assets and Long-lived Assets, Net

TABLE 11	Year ended December 31 (\$ millions)	2016	2015
York	\$	226	\$ -
Emerald Expositions		4	6
ResCare		-	51
Celestica		-	12
Other, net ^(a)		4	13
Total	\$	234	\$ 82

(a) 2016 other included net impairments related to Carestream Health and JELD-WEN. 2015 other included net impairments related to JELD-WEN, sgsco and SIG.

York

During the second quarter of 2016, York recorded a non-cash goodwill impairment charge of \$226 million, measured in accordance with IAS 36, *Impairment of Assets*, primarily due to a decrease in projected future earnings from its claims management business. Note 26 to the consolidated financial statements provides additional information on the impairment calculation.

Emerald Expositions

During 2016 and 2015, Emerald Expositions recorded non-cash impairment charges primarily related to certain trade names and customer relationships.

ResCare

Due to a decline in the recoverable amount of ResCare's HomeCare segment, measured in accordance with IAS 36, *Impairment of Assets*, ResCare recorded a non-cash goodwill and intangible asset impairment of \$51 million during 2015. Note 26 to the consolidated financial statements provides additional information on the impairment calculation.

Celestica

During 2015, Celestica recorded a non-cash impairment charge of \$12 million to impair certain of its property, plant and equipment.

Limited Partners' Interests charge

The Limited Partners' Interests charge in Onex' consolidated statements of earnings primarily represents the change in the fair value of the underlying investments in the Onex Partners, ONCAP and Onex Credit Funds that is allocated to the limited partners and recorded as Limited Partners' Interests liability in Onex' consolidated balance sheets. The Limited Partners' Interests charge for the Onex Partners and ONCAP Funds includes the fair value changes of consolidated operating companies, investments in joint ventures and associates and other investments that are held in the Onex Partners and ONCAP Funds. The Limited Partners' Interests charge for the Onex Credit Funds includes the fair value changes of the underlying investments in the Onex Credit Funds consolidated by Onex.

During 2016, Onex recorded a charge of \$587 million (2015 – \$882 million) for Limited Partners' Interests for Onex Partners and ONCAP Funds. The net increase in the fair value of certain of the investments held in the Onex Partners and ONCAP Funds contributed to the Limited Partners' Interests charge for the Onex Partners and ONCAP Funds recorded in 2016.

The Limited Partners' Interests charge for the Onex Partners and ONCAP Funds is net of an increase of \$91 million (2015 – \$192 million) in carried interest for the year ended December 31, 2016. Onex' share of the change in carried interest for 2016 was \$33 million (2015 – \$64 million). The change in the amount of carried interest that has been netted against the Limited Partners' Interests for the Onex Partners and ONCAP Funds decreased during 2016 due to a smaller net increase in the fair value of certain of the investments in the Onex Partners and ONCAP Funds. The ultimate amount of carried interest realized will be dependent on the actual realizations for each fund in accordance with the limited partnership agreements.

During 2016, Onex recorded a charge of \$60 million (2015 – recovery of \$26 million) for Limited Partners' Interests for the Onex Credit Funds.

Provision for income taxes

For the year ended December 31, 2016, Onex reported an income tax provision of \$46 million (2015 – \$116 million). The decrease from the provision recognized in 2015 primarily relates to deferred tax recoveries recorded by JELD-WEN, partially offset by the provision for income tax recognized by USI on the sale of Univers, as described on page 34 of this MD&A.

Loss from continuing operations

For the year ended December 31, 2016, Onex recorded a loss from continuing operations of \$514 million compared to \$884 million in 2015. The loss from continuing operations attributable to equity holders of Onex Corporation was \$577 million (\$5.56 per share) compared to \$946 million (\$8.84 per share) in 2015. For the year ended December 31, 2014, Onex recorded a loss from continuing operations of \$792 million. The loss from continuing operations attributable to equity holders of Onex Corporation was \$859 million (\$7.80 per share) in 2014. Note 34 to the consolidated financial statements shows the earnings (loss) from continuing operations by industry segment for the years ended December 31, 2016 and 2015.

Included in the loss from continuing operations for 2016 was a loss of \$712 million recorded in the other segment compared to \$888 million recorded during 2015 and \$737 million recorded during 2014. Table 12 shows the major components of the loss from continuing operations recorded in the other segment.

Loss from Continuing Operations Recorded in the Other Segment

TABLE 12	Year ended December 31 (\$ millions)	2016	2015	2014
Loss (earnings) from continuing operations – other:				
	Limited Partners' Interests charge	\$ 587	\$ 882	\$ 1,069
	Interest expense of operating companies	138	84	47
	Stock-based compensation expense	145	138	145
	Unrealized carried interest charge due to Onex and ONCAP management	59	130	160
	Other gains	(28)	(201)	(317)
	Increase in value of investments in joint ventures and associates at fair value, net	(180)	(175)	(412)
	Other	(9)	30	45
Loss from continuing operations – other segment		\$ 712	\$ 888	\$ 737

Earnings from discontinued operations

Earnings from discontinued operations for 2016 were \$478 million and represented the results of operations of KraussMaffei, and include a portion of the gain from the sale of Sitel Worldwide. Earnings from discontinued operations for 2015 were \$379 million and represented the results of operations of KraussMaffei, Sitel Worldwide (up to September 2015) and Skilled Healthcare Group (up to February 2015).

The after-tax earnings from discontinued operations attributable to equity holders of Onex Corporation were \$447 million (\$4.31 per share) during 2016 compared to \$373 million (\$3.48 per share) in 2015. Note 8 to the consolidated financial statements provides earnings from discontinued operations and gain on sale, net of tax, for the years ended December 31, 2016 and 2015.

KraussMaffei

In April 2016, the Onex Partners III Group sold its entire investment in KraussMaffei, as described on page 34 of this MD&A.

Sitel Worldwide

In September 2015, the Company sold its entire investment in Sitel Worldwide. The Company's cash proceeds were \$35 million, of which Onex' share was \$33 million. In addition, the Company had estimated it could receive an earn-out component of approximately \$21 million, of which Onex' share would be \$20 million. No amounts were paid on account of the MIP for this transaction as the required investment return hurdle for Onex was not met.

A gain of \$365 million was recorded within discontinued operations during the third quarter of 2015 based on the excess of the proceeds over the carrying value of the investment. The carrying value of the investment was negative at the time of sale as a result of the Company's portion of the accumulated losses from the operations of Sitel Worldwide that offset the Company's original investments. Onex' share of the gain was \$360 million.

In June 2016, the Company signed an agreement to settle the earn-out component from the sale. As a result, the Company expects to receive payments totalling \$36 million over a period of six years. Onex' share of the earn-out component is expected to be \$33 million. A gain of \$23 million was recorded within discontinued operations during the second quarter of 2016, of which Onex' share was \$21 million. The gain reflects the present value of the future payments under the agreement. During the third quarter of 2016, the Company received \$3 million of the scheduled payments under the earn-out settlement agreement, of which Onex' share was \$3 million.

Skilled Healthcare Group

In February 2015, Skilled Healthcare Group combined with Genesis HealthCare, LLC, a leading U.S. operator of long-term care facilities. The combined company now operates under the Genesis Healthcare name and continues to be publicly traded (NYSE: GEN). The Company lost its multiple voting rights, which reduced its voting ownership to 10 percent from 86 percent before the combination. Onex no longer controls Skilled Healthcare Group due to the loss of the multiple voting rights and, therefore, the operations of Skilled Healthcare Group up to the date of the transaction in February 2015 are presented as discontinued.

Earnings from discontinued operations of \$70 million for the year ended December 31, 2015 included the recognition of a non-cash gain of \$68 million associated with measuring the Company's interest in Skilled Healthcare Group at fair value at the date of the combination. Subsequent to the February 2015 transaction date, the Company's investment in the combined company has been recorded as an other long-term investment at fair value through earnings, with changes in fair value recorded in other expense (income).

Consolidated net earnings (loss)

Table 13 presents the net earnings (loss) attributable to equity holders of Onex Corporation and non-controlling interests.

Net Earnings (Loss)

TABLE 13	Year ended December 31 (\$ millions)	2016	2015	2014
Net earnings (loss) attributable to:				
Equity holders of				
Onex Corporation		\$ (130)	\$ (573)	\$ (115)
Non-controlling interests		94	68	274
Net earnings (loss) for the year		\$ (36)	\$ (505)	\$ 159

Table 14 presents the net earnings (loss) per SVS of Onex Corporation.

Net Earnings (Loss) per SVS of Onex Corporation

TABLE 14	Year ended December 31 (\$ per share)	2016	2015	2014
Basic and Diluted:				
Continuing operations		\$ (5.56)	\$ (8.84)	\$ (7.80)
Discontinued operations		4.31	3.48	6.76
Net loss per SVS for the year		\$ (1.25)	\$ (5.36)	\$ (1.04)

Note 34 to the consolidated financial statements shows the consolidated net earnings (loss) by industry segment and the amounts attributable to the equity holders of Onex Corporation and non-controlling interests for the years ended December 31, 2016 and 2015.

Other comprehensive loss

Other comprehensive loss represents the unrealized gains or losses, all net of income taxes, related to cash flow hedges, available-for-sale financial assets, remeasurements for post-employment benefit plans and foreign exchange gains or losses on the translation to presentation currency. During the year ended December 31, 2016, Onex reported an other comprehensive loss of \$11 million compared to \$245 million in 2015. The loss recorded during 2016 was largely due to unfavourable currency translation adjustments of \$69 million (2015 – \$270 million), partially offset by other comprehensive earnings from discontinued operations of \$42 million (2015 – \$8 million).

FOURTH QUARTER RESULTS

Fourth quarter statements of loss

Table 15 presents the statements of earnings (loss) for the three months ended December 31, 2016 and 2015.

Fourth Quarter Statements of Loss

TABLE 15	Year ended December 31 (\$ millions)	2016	2015
Revenues		\$ 6,572	\$ 5,442
Cost of sales (excluding amortization of property, plant and equipment, intangible assets and deferred charges)		(4,629)	(3,820)
Operating expenses		(1,244)	(1,050)
Interest income		100	75
Amortization of property, plant and equipment		(161)	(126)
Amortization of intangible assets and deferred charges		(234)	(160)
Interest expense of operating companies		(333)	(241)
Increase in value of investments in joint ventures and associates at fair value, net		44	41
Stock-based compensation expense		(126)	(88)
Other gains		–	1
Other expense		(7)	(105)
Recovery (impairment) of goodwill, intangible assets and long-lived assets, net		2	(71)
Limited Partners' Interests charge		(193)	(191)
Loss before income taxes and discontinued operations		(209)	(293)
Recovery of (provision for) income taxes		57	(24)
Loss from continuing operations		(152)	(317)
Loss from discontinued operations		–	(19)
Net Loss for the Period		\$ (152)	\$ (336)

Fourth quarter consolidated revenues and cost of sales

Table 16 provides a breakdown of the 2016 and 2015 fourth quarter revenues and cost of sales by industry segment.

Revenues and Cost of Sales by Industry Segment

Year ended December 31	Revenues			Cost of Sales		
	2016	2015	Change	2016	2015	Change
Electronics Manufacturing Services	\$ 1,623	\$ 1,515	7 %	\$ 1,489	\$ 1,394	7 %
Healthcare Imaging	578	602	(4)%	320	323	(1)%
Health and Human Services	438	463	(5)%	332	349	(5)%
Building Products	973	888	10 %	741	697	6 %
Insurance Services ^(a)	440	431	2 %	–	–	–
Packaging Products and Services ^(b)	673	642	5 %	416	423	(2)%
Business and Information Services ^(c)	232	26	792 %	105	7	1,400 %
Food Retail and Restaurants ^(d)	420	84	400 %	362	68	432 %
Credit Strategies ^(e)	1	1	–	–	–	–
Other ^(f)	1,194	790	51 %	864	559	55 %
Total	\$ 6,572	\$ 5,442	21 %	\$ 4,629	\$ 3,820	21 %

Results are reported in accordance with IFRS. These results may differ from those reported by the individual operating companies.

(a) The insurance services segment consists of USI and York. USI and York report their costs in operating expenses.

(b) The packaging products and services segment consists of sgsc and SIG.

(c) The business and information services segment consists of Clarivate Analytics and Emerald Expositions. Clarivate Analytics began to be consolidated in October 2016, when the business was acquired by the Onex Partners IV Group. Emerald Expositions was previously included within the other segment.

(d) The food retail and restaurants segment consists of Jack's and Save-A-Lot. Jack's was previously included within the other segment. Save-A-Lot began to be consolidated in December 2016, when the business was acquired by the Onex Partners IV Group.

(e) The credit strategies segment consists of (i) Onex Credit Manager, (ii) Onex Credit Collateralized Loan Obligations and (iii) Onex Credit Funds.

(f) 2016 other includes Flushing Town Center, Meridian Aviation, Survitec, Schumacher, WireCo, the operating companies of ONCAP II, III and IV and the parent company. 2015 other includes Flushing Town Center, Meridian Aviation, Survitec, Schumacher, the operating companies of ONCAP II and III and the parent company.

Revenues and cost of sales in the business and information services segment, consisting of Clarivate Analytics and Emerald Expositions, increased by \$206 million and \$98 million, respectively, compared to the fourth quarter of 2015. The increase was primarily due to the inclusion of the revenues of Clarivate Analytics, which was acquired by the Onex Partners IV Group in October 2016.

Revenues and cost of sales in the food retail and restaurants segment, consisting of Jack's and Save-A-Lot, increased by \$336 million and \$294 million, respectively, compared to the fourth quarter of 2015. The increase was primarily due to the inclusion of the revenues of Save-A-Lot, acquired by the Onex Partners IV Group in December 2016.

Fourth quarter interest expense

Fourth quarter 2016 interest expense totalled \$333 million compared to \$241 million during the fourth quarter of 2015. Fourth quarter interest expense increased by \$92 million primarily due to the inclusion of interest expense for Clarivate Analytics, Save-A-Lot, Tecta and WireCo, which were acquired during 2016, and the additional debt from CLOs.

Fourth quarter stock-based compensation expense

During the fourth quarter of 2016, Onex recorded a consolidated stock-based compensation expense of \$126 million compared to \$88 million for the same quarter of 2015. Onex, the parent company, recorded a stock-based compensation expense of \$67 million (2015 – \$57 million) in the fourth quarter of 2016 related to its stock options and MIP equity interests. That expense was primarily due to an 8 percent increase (2015 – 10 percent) in the market value of Onex' shares in the fourth quarter.

Fourth quarter other expense

During the fourth quarter of 2016, Onex recorded other expense of \$7 million compared to \$105 million during the same quarter of 2015. The charge for carried interest due to management of Onex and ONCAP contributed \$27 million (2015 – \$34 million) to other expense during the fourth quarter. The charge for carried interest was driven primarily by an increase in the fair value of certain of the investments in the Onex Partners and ONCAP Funds during the fourth quarters of 2016 and 2015. The charge for other expense was partially offset by other income recorded during the fourth quarter of 2016, which includes \$14 million (2015 – \$11 million) of gains on the sale of tax losses, as discussed below.

In November 2016, Onex sold entities, the sole assets of which were certain tax losses, to companies controlled by Mr. Gerald W. Schwartz, who is Onex' controlling shareholder. Onex received \$14 million (2015 – \$11 million) in cash for tax losses of \$142 million (2015 – \$109 million). The cash received was recorded as a gain in other expense (income) during the fourth quarter. Onex has significant non-capital and capital losses available; however, Onex does not expect to generate sufficient taxable income to fully utilize these losses in the foreseeable future. As such, no benefit was previously recognized in the consolidated financial statements for the tax losses sold. In connection with the 2016 and 2015 transactions, Deloitte LLP, an independent accounting firm retained by Onex' Audit and Corporate Governance Committee, provided an opinion that the value received by Onex for the tax losses was fair from a financial point of view. The transactions were unanimously approved by Onex' Audit and Corporate Governance Committee, all the members of which are independent directors.

Fourth quarter recovery (impairment) of goodwill, intangible assets and long-lived assets, net

During the fourth quarter of 2016, \$2 million of net impairment recoveries from goodwill, intangible assets and long-lived assets were recorded by Onex' operating companies compared to \$71 million of impairments during the same quarter of 2015. A discussion of these impairments by company is provided on page 54 of this MD&A.

Fourth quarter Limited Partners' Interests charge

During the fourth quarter of 2016, Onex recorded a \$193 million charge for Limited Partners' Interests compared to a \$191 million charge during 2015. The increase in the fair value of certain of the private investments in the Onex Partners and ONCAP Funds contributed significantly to the Limited Partners' Interests charge recorded during both quarters. The Limited Partners' Interests charge is net of a \$42 million (2015 – \$52 million) increase in carried interest for the three months ended December 31, 2016.

Fourth quarter recovery of (provision for) income taxes

During the fourth quarter of 2016, Onex recorded a recovery of income taxes of \$57 million compared to a provision for incomes taxes of \$24 million in the fourth quarter of 2015. The recovery of income taxes in the fourth quarter of 2016 was primarily due to a recovery recognized by JELD-WEN associated with the recognition of previously unrecognized deferred tax assets.

Fourth quarter earnings (loss) from discontinued operations

During the fourth quarter of 2016 and 2015, Onex recorded losses from discontinued operations of nil and \$19 million, respectively. The loss recognized in 2015 represents the results of KraussMaffei, as discussed on page 56 of this MD&A.

Fourth quarter cash flow

Table 17 presents the major components of cash flow for the fourth quarters of 2016 and 2015.

Major Cash Flow Components

TABLE 17	(\$ millions)	2016	2015
Cash from operating activities	\$	809	\$ 670
Cash from (used in) financing activities	\$	427	\$ (290)
Cash used in investing activities	\$	(887)	\$ (268)
Consolidated cash and cash equivalents held by continuing operations	\$	2,371	\$ 2,313

Cash from financing activities in the fourth quarter of 2016 included (i) \$589 million of net debt issuances primarily for CLO-12 and JELD-WEN; and (ii) \$541 million of contributions by limited partners primarily related to the acquisition of Save-A-Lot. Partially offsetting the cash from financing activities were (i) distributions of \$359 million

paid to non-controlling interests and to the limited partners of the Onex Partners and ONCAP Funds; and (ii) cash interest paid of \$298 million.

Cash used in financing activities in the fourth quarter of 2015 included (i) cash interest paid of \$231 million; and (ii) distributions of \$199 million to the limited partners of the Onex Partners Funds primarily related to Meridian Aviation and Jack's. Partially offsetting the cash used in financing activities was \$145 million of net debt issuances primarily for CLO-10.

Cash used in investing activities was \$887 million in the fourth quarter of 2016, primarily consisting of (i) \$2.4 billion of cash used to fund acquisitions, of which \$2.2 billion related to the acquisitions of Clarivate Analytics and Save-A-Lot by the Onex Partners IV Group and certain non-controlling interests; (ii) \$175 million in purchases of property, plant and equipment; (iii) \$162 million of cash used for the settlement of contingent consideration provisions primarily

by SIG; and (iv) \$100 million of net purchases of investments and securities by the CLOs and Onex Credit Funds. Partially offsetting the cash used in investing activities were (i) a \$1.6 billion change in restricted cash related to the acquisition of Clarivate Analytics; and (ii) \$287 million of proceeds primarily from the sale of investments managed by third-party investment managers for Onex, the parent company.

Cash used in investing activities was \$268 million in the fourth quarter of 2015, primarily consisting of (i) \$181 million in purchases of property, plant and equipment; (ii) \$162 million used to fund acquisitions by the operating companies; (iii) \$161 million of cash used by Onex, the parent company, for net purchases of short- and long-term investments managed by third-party investment managers; and (iv) \$70 million of net purchases of investments and securities by the CLOs and Onex Credit Funds. Partially offsetting the cash used in investing activities was \$164 million of proceeds from the sale of property, plant and equipment.

SUMMARY QUARTERLY INFORMATION

Table 18 summarizes Onex' key consolidated financial information for the last eight quarters. The financial information has been restated for discontinued operations.

Consolidated Quarterly Financial Information

TABLE 18 (\$ millions except per share amounts)	2016				2015			
	Dec.	Sept.	June	March	Dec.	Sept.	June	March
Revenues	\$ 6,572	\$ 5,528	\$ 5,425	\$ 4,998	\$ 5,442	\$ 5,184	\$ 4,926	\$ 4,129
Loss from continuing operations	\$ (152)	\$ (82)	\$ (109)	\$ (171)	\$ (317)	\$ (144)	\$ (271)	\$ (152)
Net earnings (loss)	\$ (152)	\$ (76)	\$ 367	\$ (175)	\$ (336)	\$ 204	\$ (289)	\$ (84)
Net earnings (loss) attributable to:								
Equity holders of Onex Corporation	\$ (135)	\$ (130)	\$ 322	\$ (187)	\$ (346)	\$ 186	\$ (306)	\$ (107)
Non-controlling Interests	(17)	54	45	12	10	18	17	23
Net earnings (loss)	\$ (152)	\$ (76)	\$ 367	\$ (175)	\$ (336)	\$ 204	\$ (289)	\$ (84)
Earnings (loss) per SVS of Onex Corporation								
Loss from continuing operations	\$ (1.31)	\$ (1.33)	\$ (1.16)	\$ (1.76)	\$ (3.10)	\$ (1.39)	\$ (2.74)	\$ (1.63)
Earnings (loss) from discontinued operations	-	0.06	4.28	(0.03)	(0.17)	3.15	(0.12)	0.65
Net earnings (loss)	\$ (1.31)	\$ (1.27)	\$ 3.12	\$ (1.79)	\$ (3.27)	\$ 1.76	\$ (2.86)	\$ (0.98)

Onex' quarterly consolidated financial results do not follow any specific trends due to the acquisitions or dispositions of businesses by Onex, the parent company, and the varying business activities and cycles at Onex' operating companies.

CONSOLIDATED FINANCIAL POSITION

Consolidated assets

Consolidated assets totalled \$42.9 billion at December 31, 2016 compared to \$35.8 billion at December 31, 2015. Onex' consolidated assets at December 31, 2016 increased from December 31, 2015 primarily due to the acquisitions of Clarivate Analytics, Save-A-Lot, Tecta and WireCo and the closings of two CLOs. Partially offsetting the increase in consolidated assets was a decrease due to the sales of Cicis in August 2016 and KraussMaffei in April 2016.

Table 19 shows consolidated assets by industry segment as at December 31, 2016, 2015 and 2014. The industry segment percentages of consolidated assets held by continuing operations are also shown.

Consolidated Assets by Industry Segment

TABLE 19	(\$ millions)	2016	Percentage Breakdown	2015	Percentage Breakdown	2014	Percentage Breakdown
Electronics Manufacturing Services		\$ 2,822	7%	\$ 2,612	7%	\$ 2,584	10%
Healthcare Imaging		1,473	3%	1,609	5%	1,803	7%
Health and Human Services		995	2%	1,034	3%	1,110	4%
Building Products		2,669	6%	2,374	7%	2,351	9%
Insurance Services ^(a)		4,656	11%	5,034	15%	5,088	19%
Packaging Products and Services ^(b)		6,144	14%	6,366	18%	1,037	4%
Business and Information Services ^(c)		5,765	14%	1,526	4%	1,514	6%
Food Retail and Restaurants ^(d)		2,185	5%	532	2%	–	n/a
Credit Strategies ^(e)		7,624	18%	6,284	18%	4,373	17%
Other ^(f)		8,580	20%	7,111	21%	6,298	24%
Assets held by continuing operations		42,913	100%	34,482	100%	26,158	100%
Other – assets held by discontinued operations ^(g)		–		1,328		2,778	
Total consolidated assets		\$ 42,913		\$ 35,810		\$ 28,936	

(a) The insurance services segment consists of USI and York.

(b) The packaging products and services segment consists of sgsc and SIG. SIG began to be consolidated in March 2015, when the business was acquired by the Onex Partners IV Group.

(c) The business and information services segment consists of Clarivate Analytics and Emerald Expositions. Clarivate Analytics began to be consolidated in October 2016, when the business was acquired by the Onex Partners IV Group. Emerald Expositions was previously included within the other segment.

(d) The food retail and restaurants segment consists of Jack's and Save-A-Lot. Jack's was previously included within the other segment and began to be consolidated in July 2015, when the business was acquired by the Onex Partners IV Group. Save-A-Lot began to be consolidated in December 2016, when the business was acquired by the Onex Partners IV Group.

(e) The credit strategies segment consists of (i) Onex Credit Manager, (ii) Onex Credit Collateralized Loan Obligations and (iii) Onex Credit Funds. Onex Credit Manager and Onex Credit Funds began to be consolidated in January 2015, when Onex acquired control of the Onex Credit asset management platform.

(f) 2016 other includes Flushing Town Center, Meridian Aviation, Survitec, Schumacher, WireCo, the operating companies of ONCAP II, III and IV and the parent company. In addition, 2016 other includes investments in AIT, BBAM, Genesis Healthcare, Incline Aviation Fund, ITG and Mavis Discount Tire. 2015 other includes Flushing Town Center, Meridian Aviation, Survitec, Schumacher, the operating companies of ONCAP II and III and the parent company. In addition, 2015 other includes investments in AIT, BBAM, Genesis Healthcare, ITG and Mavis Discount Tire. 2014 other includes Flushing Town Center, Tropicana Las Vegas, Meridian Aviation, the operating companies of ONCAP II and III and the parent company. In addition, 2014 other includes investments in AIT, BBAM, Mavis Discount Tire and certain Onex Real Estate investments.

(g) At December 31, 2015, the assets of KraussMaffei were included in the other segment as the company was presented as a discontinued operation. At December 31, 2014, the assets of KraussMaffei, Sitel Worldwide and Skilled Healthcare Group were included in the other segment as the companies were presented as discontinued operations.

**Consolidated long-term debt,
without recourse to Onex Corporation**

It has been Onex' policy to preserve a financially strong parent company that has funds available for new acquisitions and to support the growth of its operating companies. This policy means that all debt financing is within the operating companies and each company is required to support its own debt without recourse to Onex Corporation or other Onex operating companies.

The financing arrangements of each operating company typically contain certain restrictive covenants, which may include limitations or prohibitions on additional indebtedness, payment of cash dividends, redemption of capital, capital spending, making of investments, and acquisitions and sales of assets. The financing arrangements may also require the redemption of indebtedness in the event of a change of control of the operating company. In addition, the operating companies that have outstanding debt must meet certain financial covenants. Changes in business conditions relevant to an operating company, including those resulting from changes in financial markets and economic conditions generally, may result in non-compliance with certain covenants by that operating company.

Consolidated long-term debt does not include the debt of operating businesses that are included in investments in joint ventures and associates, as investments in those businesses are accounted for at fair value and are not consolidated. In addition, when operating companies are reported as discontinued operations or as held for sale, their long-term debt is excluded from consolidated long-term debt on a prospective basis. Prior periods are not restated.

Total consolidated long-term debt (consisting of the current and long-term portions of long-term debt, net of financing charges) was \$22.9 billion at December 31, 2016 compared to \$18.1 billion at December 31, 2015. Table 20 shows consolidated long-term debt by industry segment as at December 31, 2016, 2015 and 2014.

Consolidated Long-Term Debt of Operating Companies, Without Recourse to Onex Corporation

TABLE 20 As at December 31 (\$ millions)	2016	2015	2014
Electronics Manufacturing Services	\$ 226	\$ 261	\$ –
Healthcare Imaging	1,920	1,999	2,115
Health and Human Services	421	525	455
Building Products	1,615	1,257	804
Insurance Services ^(a)	2,824	2,866	2,644
Packaging Products and Services ^(b)	3,447	3,487	568
Business and Information Services ^(c)	2,667	731	754
Food Retail and Restaurants ^(d)	886	221	–
Credit Strategies ^(e)	5,912	4,899	3,431
Other ^{(f)(g)}	2,945	1,808	2,511
	22,863	18,054	13,282
Current portion of long-term debt of operating companies	(407)	(411)	(408)
Total	\$ 22,456	\$ 17,643	\$ 12,874

(a) The insurance services segment consists of USI and York.

(b) The packaging products and services segment consists of sgsco and SIG. SIG began to be consolidated in March 2015, when the business was acquired by the Onex Partners IV Group.

(c) The business and information services segment consists of Clarivate Analytics and Emerald Expositions. Clarivate Analytics began to be consolidated in October 2016, when the business was acquired by the Onex Partners IV Group. Emerald Expositions was previously included within the other segment.

(d) The food retail and restaurants segment consists of Jack's and Save-A-Lot. Jack's was previously included within the other segment and began to be consolidated in July 2015, when the business was acquired by the Onex Partners IV Group. Save-A-Lot began to be consolidated in December 2016, when the business was acquired by the Onex Partners IV Group.

(e) The credit strategies segment consists of (i) Onex Credit Manager, (ii) Onex Credit Collateralized Loan Obligations and (iii) Onex Credit Funds. Onex Credit Manager and Onex Credit Funds began to be consolidated in January 2015, when Onex acquired control of the Onex Credit asset management platform.

(f) 2016 other includes Flushing Town Center, Meridian Aviation, Survitec, Schumacher, WireCo, the operating companies of ONCAP II, III and IV and the parent company. 2015 other includes Flushing Town Center, Meridian Aviation, Survitec, Schumacher, the operating companies of ONCAP II and III and the parent company. 2014 other includes Flushing Town Center, Tropicana Las Vegas, Meridian Aviation, the operating companies of ONCAP II and III and the parent company.

(g) At December 31, 2015, the long-term debt of KraussMaffei is included in the other segment as the company has been presented as a discontinued operation. At December 31, 2014, the long-term debt of KraussMaffei and Sitel Worldwide is included in the other segment as the companies have been presented as discontinued operations.

The discussions that follow identify those significant changes in industry segments that affected Onex' consolidated long-term debt as at December 31, 2016. Note 14 to the consolidated financial statements provides details of the long-term debt outstanding by operating company and by credit facility.

JELD-WEN (Building Products segment)

In November 2016, JELD-WEN amended its existing credit facility to borrow an incremental \$375 million and to combine the incremental borrowing with its existing term loans into a combined term loan of \$1.6 billion. The proceeds from the incremental borrowing, along with a draw on the company's revolving credit facility, were used to fund a distribution of \$400 million to shareholders, as described on page 36

of this MD&A. The combined term loan bears interest at LIBOR (subject to a floor of 1.00 percent) plus a margin of up to 3.75 percent, depending on the company's leverage ratio. The combined term loan matures in July 2022.

In February 2017, JELD-WEN repaid \$375 million under its combined term loan from a portion of its net proceeds from the sale of shares in its initial public offering, as described on page 37 of this MD&A.

SIG (Packaging Products and Services segment)

In September 2016, SIG amended its senior secured credit facility to reduce the rate at which borrowings under its euro-denominated term loan bear interest to EURIBOR (subject to a floor of 0.00 percent) plus a margin of 3.75 percent and reduce the rate at which borrowings under its U.S. dollar-denominated term loan bear interest to LIBOR (subject to a floor of 1.00 percent) plus a margin of 3.00 percent. The amendment resulted in a total interest rate reduction of 50 basis points and 25 basis points on the euro- and U.S. dollar-denominated term loans, respectively. In addition, SIG reduced the rate at which borrowings under its multi-currency revolving credit facility bear interest to EURIBOR or LIBOR plus a margin of up to 3.00 percent, resulting in a 100 basis point reduction, and reduced the commitments available under the facility from €300 million to €260 million. As a result of the amendment, SIG incurred \$3 million in fees during the third quarter of 2016 that will be amortized over the term of the senior secured credit facility.

Clarivate Analytics (Business and Information Services segment)

Onex, in partnership with Baring Private Equity Asia, acquired Clarivate Analytics in October 2016, as described on page 35 of this MD&A. In October 2016, Clarivate Analytics entered into a senior secured credit facility consisting of a \$1.55 billion first lien term loan and a \$175 million revolving credit facility. Borrowings under the term loan bear interest at LIBOR (subject to a floor of 1.00 percent) plus a margin of 3.75 percent. The term loan can be repaid in whole or in part without premium or penalty at any time before maturity in October 2023. The revolving credit facility bears interest at LIBOR plus a margin of up to 3.25 percent, depending on the company's leverage ratio, and matures in October 2021.

In addition to the above senior secured credit facility, Clarivate Analytics has issued senior unsecured notes with an aggregate principal amount of \$500 million. The senior unsecured notes bear interest at 7.875 percent and mature in October 2024. The senior unsecured notes may be redeemed by the company at any time at various premiums above face value.

Emerald Expositions (Business and Information Services segment)

In October 2016, Emerald Expositions amended its existing credit facility to increase its term loan by \$200 million and the revolving credit facility by \$10 million. The net proceeds from the incremental term loan and cash on hand were used to redeem the company's senior notes with a principal amount of \$200 million at a redemption price of 104.5 percent of the principal amount plus accrued and unpaid interest. The senior notes bore interest at 9.00 percent and were due in June 2021. The borrowings under the amended term loan bear interest at LIBOR (subject to a floor of 1.00 percent) plus a margin of 3.75 percent and mature in June 2020. The amended revolving credit facility bears interest at LIBOR plus a margin of up to 4.50 percent, depending on the company's leverage ratio, and matures in June 2018.

The amendment and redemption resulted in a total interest rate reduction of 425 basis points on the \$200 million principal amount of the senior notes.

In connection with the credit facility, the company has entered into an interest rate swap agreement with a notional amount of \$100 million that swaps the variable rate portion for fixed rates through December 2018.

Jack's (Food Retail and Restaurants segment)

During the first six months of 2016, Jack's repaid \$40 million of the promissory note held by the Onex Partners IV Group, including accrued interest, as discussed on page 33 of this MD&A.

In June 2016, the balance outstanding under the promissory note was converted into additional equity of Jack's, as described on page 33 of this MD&A.

Save-A-Lot (Food Retail and Restaurants segment)

The Onex Partners IV Group acquired Save-A-Lot in December 2016, as described on page 36 of this MD&A. In December 2016, Save-A-Lot entered into a senior secured credit facility consisting of a \$740 million term loan and a \$250 million revolving credit facility. Borrowings under the term loan bear interest at LIBOR (subject to a floor of 1.00 percent) plus a margin of 6.00 percent. The term loan can be repaid in whole or in part without premium or penalty at any time before maturity in December 2023. Borrowings under the revolving credit facility bear interest at LIBOR plus an interest rate margin of up to 2.00 percent. The revolving credit facility matures in December 2021.

Meridian Aviation (Other segment)

In January 2016, Meridian Aviation entered into a \$100 million revolving credit facility. The revolving credit facility bears interest at LIBOR plus a margin of 1.50 percent. In December 2016, the maturity of the revolving credit facility was amended to November 2017. The borrowings under the revolving credit facility are guaranteed and reimbursable by capital calls from the Onex Partners III Group.

Schumacher (Other segment)

In connection with the June 2016 acquisition of ECI, as described on page 34 of this MD&A, Schumacher amended its senior secured facilities to increase its first lien term loan by \$130 million.

WireCo (Other segment)

The Onex Partners IV Group acquired WireCo in September 2016, as described on page 35 of this MD&A. In September 2016, WireCo entered into a senior secured credit facility consisting of a \$460 million first lien term loan, a \$135 million second lien term loan and a \$100 million revolving credit facility. Borrowings under the first lien term loan bear interest at LIBOR (subject to a floor of 1.00 percent) plus a margin of 5.50 percent. Borrowings under the second lien term loan bear interest at LIBOR (subject to a floor of 1.00 percent) plus a margin of 9.00 percent. Borrowings under the revolving credit facility bear interest at LIBOR (subject to a floor of 0.00 percent) plus a margin of up to 2.25 percent. The first and second lien term loans mature in September 2023 and September 2024, respectively. The revolving credit facility matures in September 2021.

Survitec (Other segment)

In November 2016, Survitec entered into an incremental €133 million euro-denominated term loan and increased the revolving facility by £20 million in connection with the acquisition of Wilhelmsen Safety, as described on page 36 of this MD&A. The borrowings under the incremental term loan bear interest at EURIBOR plus a margin of 4.25 percent and mature in March 2022, consistent with the terms and conditions of its existing euro-denominated term loan. The increase to the revolving credit facility was under the same terms and conditions as the existing revolving credit facility.

ONCAP IV (Other segment)

In January 2017, ONCAP IV entered into a \$100 million credit facility. The credit facility is available to finance ONCAP IV capital calls, bridge investments in ONCAP IV operating companies and finance other uses permitted by ONCAP IV's limited partnership agreement. The credit facility includes a deemed credit risk maximum of \$35 million available to ONCAP IV and its operating companies for foreign exchange transactions, including foreign exchange options, forwards and swaps. Amounts under the credit facility are available in Canadian and U.S. dollars. Borrowings drawn on the credit facility bear interest at a base rate plus a margin of 1.00 percent or bankers' acceptance rate (subject to a floor of 0.00 percent) plus a margin of 3.75 percent. The base rate and bankers' acceptance rate vary based on the currency of the borrowings. Borrowings under the credit facility are due and payable upon demand; however, ONCAP IV has 15 business days to complete a capital call to the limited partners of ONCAP IV. Onex Corporation, the parent company, is only obligated to fund borrowings under the credit facility based on its proportionate share as a limited partner in ONCAP IV.

Table 21 details the aggregate debt maturities as at December 31, 2016 for Onex' operating businesses for each of the years up to 2021 and in total thereafter. As the table includes debt of investments in joint ventures and associates and excludes debt of the CLOs and any warehouse facilities, the total amount does not reconcile to reported consolidated debt. As the following table illustrates, most of the maturities occur in 2019 and thereafter.

Debt Maturity Amounts by Year

TABLE 21 (\$ millions)	2017	2018	2019	2020	2021	Thereafter	Total
Consolidated operating companies ^(a)	\$ 350	\$ 582	\$ 4,149	\$ 1,355	\$ 1,595	\$ 9,301	\$ 17,332
Investments in joint ventures and associates ^(a)	15	14	15	454	281	–	779
Total	\$ 365	\$ 596	\$ 4,164	\$ 1,809	\$ 1,876	\$ 9,301	\$ 18,111

(a) Debt amounts are presented gross of financing charges. Excludes amounts invested by Onex, the parent company, in debt of the operating businesses, debt of the credit strategies segment and debt of Incline Aviation Fund.

Limited Partners' Interests

Limited Partners' Interests liability represents the fair value of limited partners' invested capital in the Onex Partners, ONCAP and Onex Credit Funds and is affected primarily by the change in the fair value of the underlying investments in the Onex Partners, ONCAP and Onex Credit Funds, the impact of the carried interest, as well as any contributions by and distributions to limited partners in those funds.

Table 22 shows the change in Limited Partners' Interests from December 31, 2014 to December 31, 2016.

Limited Partners' Interests

TABLE 22 (\$ millions)	Onex Partners and ONCAP Funds	Onex Credit Funds	Total
Balance – December 31, 2014	\$ 5,176	\$ –	\$ 5,176
Addition from the Onex Credit transaction ^(a)	–	368	368
Limited Partners' Interests charge (recovery)	882	(26)	856
Contributions by Limited Partners	1,819	6	1,825
Distributions paid to Limited Partners	(888)	(19)	(907)
Balance – December 31, 2015 ^(b)	6,989	329	7,318
Limited Partners' Interests charge	587	60	647
Contributions by Limited Partners	1,574	19	1,593
Distributions paid to Limited Partners	(1,046)	(38)	(1,084)
Balance – December 31, 2016	8,104	370	8,474
Current portion of Limited Partners' Interests ^(c)	(89)	–	(89)
Non-current portion of Limited Partners' Interests	\$ 8,015	\$ 370	\$ 8,385

(a) In January 2015, Onex began consolidating the Onex Credit Funds in which Onex has an investment. The Limited Partners' Interests liability for Onex Credit Funds includes investments by those other than Onex in the Onex Credit Funds consolidated by Onex.

(b) At December 31, 2015, the current portion of the Limited Partners' Interests was \$598 million. The current portion primarily represented the limited partners' share of a distribution from AIT, promissory note repayments by Jack's and expected proceeds from the sale of KraussMaffei.

(c) At December 31, 2016, the current portion of the Limited Partners' Interests was \$89 million. The current portion consisted primarily of the limited partners' share of (i) the distribution received from Hopkins Manufacturing; (ii) the return of capital to the limited partners of ONCAP III related to the syndication of a portion of the investment in Tecta to the ONCAP IV Group; and (iii) the remaining KraussMaffei proceeds to be distributed during 2017.

The Limited Partners' Interests charge is discussed in detail on page 55 of this MD&A.

Table 23 shows contributions by limited partners for Onex Partners and ONCAP Funds for the years ended December 31, 2016 and 2015.

Contributions by Limited Partners

TABLE 23 | (\$ millions)

Company	Fund	Transaction	2016
Clarivate Analytics ⁽ⁱ⁾	Onex Partners IV	Original investment	\$ 758
Save-A-Lot	Onex Partners IV	Original investment	474
WireCo	Onex Partners IV	Original investment	194
Tecta ⁽ⁱⁱⁱ⁾	ONCAP III and IV	Original investment	107
Survitec	Onex Partners IV	Add-on investment	27
Management fees, partnership expenses and other	Various	Various	14
Contributions by Limited Partners			\$ 1,574

(i) Includes amounts from certain limited partners and others.

(iii) Includes contributions of \$26 million returned to the limited partners of ONCAP III in January 2017 from the syndication of a portion of the Tecta investment to ONCAP IV, as described on page 35 of this MD&A.

Contributions by Limited Partners

TABLE 23 | (\$ millions)

Company	Fund	Transaction	2015
SIG ⁽ⁱ⁾	Onex Partners IV	Original investment	\$ 810
Jack's	Onex Partners IV	Original investment	295
Survitec ⁽ⁱⁱⁱ⁾	Onex Partners IV	Original and add-on investments	270
Schumacher	Onex Partners IV	Original and add-on investments	230
ITG	ONCAP III	Original investment	49
Chatters	ONCAP III	Original investment	30
Mavis Discount Tire ⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾	ONCAP III	Add-on investment	25
Management fees, partnership expenses and other	Various	Various	110
Contributions by Limited Partners			\$ 1,819

(i) Includes amounts from certain limited partners and others.

(ii) Includes amounts to fund a foreign currency hedge for the investments.

Table 24 shows distributions made to limited partners for Onex Partners and ONCAP Funds for the years ended December 31, 2016 and 2015.

Distributions to Limited Partners

TABLE 24 | (\$ millions)

Company	Fund	Transaction	2016
KraussMaffei	Onex Partners III	Sale of business	\$ 519
JELD-WEN ⁽ⁱ⁾⁽ⁱⁱ⁾	Onex Partners III	Distributions	264
AIT	Onex Partners IV	Distributions	104
Jack's	Onex Partners IV	Repayment of promissory note	55
BBAM	Onex Partners III	Distributions	37
Cicis	ONCAP II	Sale of business	28
Meridian Aviation	Onex Partners III	Distribution	24
Other	Various	Various	15
Distributions to Limited Partners			\$ 1,046

(i) Includes amounts distributed to certain limited partners and others.

(ii) Includes amounts received for a purchase price adjustment.

Distributions to Limited Partners

TABLE 24 | (\$ millions)

Company	Fund	Transaction	2015
JELD-WEN ⁽ⁱ⁾	Onex Partners III	Distribution	\$ 270
Tropicana Las Vegas	Onex Partners III	Sale of business	180
USI ⁽ⁱ⁾	Onex Partners III	Distribution	130
ResCare	Onex Partners I and III	Distribution	77
Jack's	Onex Partners IV	Repayments of promissory note	75
Meridian Aviation	Onex Partners III	Distributions	64
BBAM	Onex Partners III	Distributions	37
Tomkins ⁽ⁱ⁾	Onex Partners III	Sale of residual assets	21
AIT ⁽ⁱⁱ⁾	Onex Partners IV	Distributions	13
PURE Canadian Gaming	ONCAP II and III	Distribution	10
Other	Various	Various	11
Distributions to Limited Partners			\$ 888

(i) Includes amounts distributed to certain limited partners and others.

(ii) Includes amounts received for a purchase price adjustment.

At December 31, 2016, total carried interest netted against the Limited Partners' Interests for Onex Partners and ONCAP Funds in Onex' consolidated balance sheets was \$556 million (2015 – \$503 million), of which Onex' share was \$197 million (2015 – \$178 million).

Equity

Table 25 provides a reconciliation of the change in equity from December 31, 2015 to December 31, 2016. Onex' consolidated statements of equity also show the changes to the components of equity for the year ended December 31, 2016.

Change in Equity

TABLE 25	(\$ millions)
Balance – December 31, 2015	\$ 1,190
Dividends declared	(21)
Repurchase and cancellation of shares	(184)
Investments in operating companies by shareholders other than Onex	708
Transfer of non-controlling interests to liabilities	(97)
Distributions to non-controlling interests	(104)
Repurchase of shares of operating companies	(59)
Non-controlling interests on sale of an investment in an operating company	(35)
Net loss for the year	(36)
Other comprehensive loss for the year, net of tax	(11)
Equity as at December 31, 2016	\$ 1,351

Dividend policy

In May 2016, Onex announced that it had increased its quarterly dividend by 10 percent to C\$0.06875 per SVS beginning with the dividend declared by the Board of Directors payable in July 2016. In May 2015, Onex announced that it had increased its quarterly dividend by 25 percent to C\$0.0625 per SVS beginning with the dividend declared by the Board of Directors payable in July 2015.

Registered shareholders can elect to receive dividend payments in U.S. dollars by submitting a completed currency election form to CST Trust Company five business days before the record date of the dividend. Non-registered shareholders who wish to receive dividend payments in U.S. dollars should contact their broker to submit their currency election.

Table 26 presents Onex' dividend paid per share for the last twelve months ended December 31 during the past five years. The table reflects the increase in the dividend per share over this time.

TABLE 26	(\$ per share amounts)	Dividend Paid Per Share
Last twelve months ended December 31:		
2012		C\$ 0.11
2013		C\$ 0.13
2014		C\$ 0.18
2015		C\$ 0.23
2016		C\$ 0.26

Shares outstanding

At December 31, 2016, Onex had 100,000 Multiple Voting Shares outstanding, which have a nominal paid-in value reflected in Onex' consolidated financial statements. Onex also had 102,787,628 SVS issued and outstanding. Note 19 to the consolidated financial statements provides additional information on Onex' share capital. There was no change in the Multiple Voting Shares outstanding during 2016 or in January 2017.

Table 27 shows the change in the number of SVS outstanding from December 31, 2014 to January 31, 2017.

TABLE 27	(\$ millions except per share amounts)	Number of SVS	Average Price Per Share		Total Cost	
			(USD)	(CAD)	(USD)	(CAD)
SVS outstanding at December 31, 2014		108,858,066				
Shares repurchased and cancelled:						
Normal Course Issuer Bids	(2,809,877)		\$ 56.99	C\$ 70.82	\$ 160	C\$ 199
Private transactions	(275,000)		\$ 55.12	C\$ 69.50	\$ 15	C\$ 19
Issuance of shares:						
Dividend Reinvestment Plan	8,996		\$ 57.67	C\$ 72.36	\$ 1	C\$ 1
Onex Credit transaction	111,393					
SVS outstanding at December 31, 2015		105,893,578				
Shares repurchased and cancelled:						
Normal Course Issuer Bids	(2,114,397)		\$ 59.04	C\$ 78.25	\$ 125	C\$ 165
Private transaction	(1,000,000)		\$ 58.85	C\$ 84.12	\$ 59	C\$ 84
Issuance of shares:						
Dividend Reinvestment Plan	10,426		\$ 62.24	C\$ 82.52	\$ 1	C\$ 1
SVS outstanding at January 31, 2017		102,789,607				

Shares repurchased and cancelled

The private transactions include the repurchase of SVS that were held indirectly by Mr. Gerald W. Schwartz, Onex' controlling shareholder, as described on page 87 of this MD&A.

The NCIBs enable Onex to repurchase up to 10 percent of its public float of SVS during the period of the relevant NCIB. Onex believes that it is advantageous to Onex and its shareholders to continue to repurchase Onex' SVS from time to time when the SVS are trading at prices that reflect a significant discount to their value as perceived by Onex.

On April 18, 2016, Onex renewed its NCIB following the expiry of its previous NCIB on April 15, 2016. Under the new NCIB, Onex is permitted to purchase up to 10 percent of its public float of SVS, or 8,506,537 SVS. Onex may purchase up to 33,816 SVS during any trading day, being 25 percent of its average daily trading volume for the six months ended

March 31, 2016. Onex may also purchase SVS from time to time under the Toronto Stock Exchange's block purchase exemption, if available, or by way of private agreement pursuant to an issuer bid exemption order, if sought and received, under the new NCIB. The new NCIB commenced on April 18, 2016 and will conclude on the earlier of the date on which purchases under the NCIB have been completed and April 17, 2017. A copy of the Notice of Intention to make the NCIB filed with the Toronto Stock Exchange is available at no charge to shareholders by contacting Onex.

Under the previous NCIB that expired on April 15, 2016, Onex repurchased 2,963,425 SVS at a total cost of \$170 million (C\$217 million) or an average purchase price of \$57.39 (C\$73.21) per share. In addition, during the same period, Onex repurchased 1,275,000 SVS in private transactions at a total cost of \$74 million (C\$103 million) or an average purchase price of \$58.04 (C\$80.97) per share.

Table 28 shows a summary of Onex' repurchases of SVS for the past 10 years.

Onex' Repurchases of SVS for the Past 10 Years

TABLE 28	Shares Repurchased	Total Cost of Shares Repurchased (in C\$ millions)	Average Share Price (in C\$ per share)
2007	3,357,000	C\$ 113	C\$ 33.81
2008	3,481,381	101	28.89
2009	1,784,600	41	23.04
2010	2,040,750	52	25.44
2011	3,165,296	105	33.27
2012	627,061	24	38.59
2013 ⁽¹⁾	3,060,400	159	51.81
2014 ⁽²⁾	2,593,986	163	62.98
2015 ⁽³⁾	3,084,877	218	70.70
2016 ⁽⁴⁾	3,114,397	249	80.14
Total	26,309,748	C\$ 1,225	C\$ 46.61

(1) Includes 1,000,000 SVS repurchased in a private transaction.

(2) Includes 1,310,000 SVS repurchased in private transactions.

(3) Includes 275,000 SVS repurchased in private transactions.

(4) Includes 1,000,000 SVS repurchased in a private transaction.

Issuance of shares – Dividend Reinvestment Plan

Onex' Dividend Reinvestment Plan enables Canadian shareholders to reinvest cash dividends to acquire new SVS of Onex at a market-related price at the time of reinvestment. During the period from January 1, 2016 to January 31, 2017, Onex issued 10,426 SVS at an average cost of C\$82.52 per SVS, creating a cash savings of less than \$1 million (less than C\$1 million).

Investments in operating companies by shareholders other than Onex

Onex reported an increase in consolidated equity of \$708 million during 2016 due to investments in operating companies by shareholders other than Onex, primarily for: (i) the investment by Baring Private Equity Asia in Clarivate Analytics upon Onex acquiring control of Clarivate Analytics, as described on page 35 of this MD&A; (ii) the value of existing shareholders of WireCo upon Onex acquiring control of WireCo, as described on page 35 of this MD&A; and (iii) the rollover equity investment in Schumacher by management of ECI, as described on page 34 of this MD&A.

Transfer of non-controlling interests to liabilities

Onex reported a decrease in consolidated equity of \$97 million for the transfer of certain shares and options held by operating company management to liabilities. The shares and options held by certain operating company management contain terms and conditions that require liability classification and fair value remeasurement at each period end.

Distributions to non-controlling interests

Onex reported a decrease in equity of \$104 million during 2016 primarily due to distributions to non-controlling interests from the sale of KraussMaffei and a distribution by JELD-WEN.

Repurchase of shares of operating companies

Onex reported a decrease in equity of \$59 million during 2016 primarily due to shares repurchased by Celestica.

Stock Option Plan

Onex, the parent company, has a Stock Option Plan in place that provides for options and/or share appreciation rights to be granted to Onex directors, officers and employees for the acquisition of SVS of Onex, the parent company, for a term not exceeding 10 years. The options vest equally over five years, with the exception of a total of 6,775,000 options, which vest at a rate of 15 percent per year during the first four years and 40 percent in the fifth year. The exercise price of the options issued is at the market value of the SVS on the business day preceding the day of the grant. Vested options are not exercisable unless the average five-day market price of Onex SVS is at least 25 percent greater than the exercise price at the time of exercise.

At December 31, 2016, Onex had 12,943,183 options outstanding to acquire SVS, of which 5,815,598 options were vested and exercisable.

Table 29 provides information on the activity from December 31, 2014 to December 31, 2016.

Change in Stock Options Outstanding

TABLE 29	Number of Options	Weighted Average Exercise Price
Outstanding at December 31, 2014	12,411,542	C\$ 48.88
Granted	965,000	C\$ 80.85
Surrendered	(643,359)	C\$ 28.22
Expired	(105,150)	C\$ 49.50
Outstanding at December 31, 2015	12,628,033	C\$ 52.37
Granted	898,500	C\$ 93.40
Surrendered	(509,700)	C\$ 31.97
Expired	(73,650)	C\$ 59.44
Outstanding at December 31, 2016	12,943,183	C\$ 55.98

Options issued during 2016 consisted of: (i) 30,000 options to acquire SVS with an exercise price of C\$77.83 per share issued in May 2016; and (ii) 868,500 options to acquire SVS with an exercise price of C\$93.94 per share issued in December 2016. The options vest at a rate of 20 percent per year from the date of grant.

Options issued during 2015 consisted of: (i) 10,000 options to acquire SVS with an exercise price of C\$74.87 per share issued in March 2015; (ii) 10,000 options to acquire SVS with an exercise price of C\$79.79 per share issued in September 2015; and (iii) 885,000 options to acquire SVS with an exercise price of C\$81.76 per share issued in November 2015. The options vest at a rate of 20 percent per year from the date of grant.

In addition, in January 2015, in connection with acquiring control of the Onex Credit asset management platform, Onex issued 60,000 options to Onex Credit's chief executive officer to acquire SVS. The options have an exercise price of C\$68.57 per share and vest at a rate of 20 percent per year from the date of grant. The options are subject to the same terms and conditions as the Company's existing Stock Option Plan; however, the options are also subject to an additional performance threshold specific to the Onex Credit asset management platform.

During 2016, 509,700 options were surrendered at a weighted average exercise price of C\$31.97 for aggregate cash consideration of \$21 million (C\$28 million) and 73,650 options expired.

During 2015, 643,359 options were surrendered at a weighted average exercise price of C\$28.22 for aggregate cash consideration of \$24 million (C\$32 million) and 105,150 options expired.

Director Deferred Share Unit Plan

During the second quarter of 2016, an annual grant of 27,712 (2015 – 29,653) DSUs was issued to directors having an aggregate value, at the date of grant, of \$2 million (C\$2 million) (2015 – \$2 million (C\$2 million)) in lieu of that amount of cash compensation for directors' fees. At December 31, 2016, there were 665,871 (2015 – 626,481) Director DSUs outstanding. Onex has economically hedged 580,648 (2015 – 578,799) of the outstanding Director DSUs with a counterparty financial institution.

Management Deferred Share Unit Plan

In early 2016, Onex issued 44,333 Management DSUs ("MDSUs") to management having an aggregate value, at the date of grant, of \$3 million (C\$4 million) in lieu of that amount of cash compensation for Onex' 2015 fiscal year. In early 2015, Onex issued 116,037 MDSUs to management having an aggregate value, at the date of grant, of \$7 million (C\$8 million) in lieu of that amount of cash compensation for Onex' 2014 fiscal year.

At December 31, 2016, there were 635,326 (2015 – 684,515) MDSUs outstanding.

In early 2017, Onex issued 28,671 Management DSUs ("MDSUs") to management having an aggregate value, at the date of grant, of \$2 million (C\$3 million) in lieu of that amount of cash compensation for Onex' 2016 fiscal year.

Forward agreements were entered into with a counterparty financial institution to economically hedge Onex' exposure to changes in the value of all outstanding MDSUs.

DSUs and MDSUs must be held until leaving the employment of Onex or retirement from the Board. Table 30 reconciles the changes in the DSUs and MDSUs outstanding at December 31, 2016 from December 31, 2014.

Change in Outstanding Deferred Share Units

TABLE 30	Director DSU Plan		Management DSU Plan	
	Number of DSUs	Weighted Average Price	Number of MDSUs	Weighted Average Price
Outstanding at December 31, 2014	584,507		566,494	
Granted	29,653	C\$ 69.01	–	–
Additional units issued in lieu of compensation and cash dividends	12,321	C\$ 75.80	118,021	C\$ 68.73
Outstanding at December 31, 2015	626,481		684,515	
Granted	27,712	C\$ 79.30	–	–
Exercised	–	–	(95,641)	C\$ 80.77
Additional units issued in lieu of compensation and cash dividends	11,678	C\$ 83.18	46,452	C\$ 85.18
Outstanding at December 31, 2016	665,871		635,326	
Hedged with a counterparty financial institution at December 31, 2016	(580,648)		(635,326)	
Outstanding at December 31, 2016 – Unhedged	85,223		–	

Management of capital

Onex considers the capital it manages to be the amounts it has in cash and cash equivalents, near-cash investments, short- and long-term investments managed by third-party investment managers, and the investments made in the operating businesses and credit strategies. Onex also manages capital from other investors in the Onex Partners, ONCAP and Onex Credit Funds. Onex' objectives in managing capital are to:

- preserve a financially strong parent company with appropriate liquidity and no, or a limited amount of, debt so that funds are available to pursue new acquisitions and growth opportunities, as well as support expansion of its existing businesses. Onex does not generally have the ability to draw cash from its operating businesses. Accordingly, maintaining adequate liquidity at the parent company is important;

- achieve an appropriate return on capital invested commensurate with the level of assumed risk;
- build the long-term value of its operating businesses;
- control the risk associated with capital invested in any particular business or activity. All debt financing is within the operating businesses and each company is required to support its own debt. Onex Corporation does not guarantee the debt of the operating businesses and there are no cross-guarantees of debt between the operating businesses; and
- have appropriate levels of committed limited partners' capital available to invest along with Onex' capital. This allows Onex to respond quickly to opportunities and pursue acquisitions of businesses of a size it could not achieve using only its own capital. The management of limited partners' capital also provides management fees to Onex and the ability to enhance Onex' returns by earning a carried interest on the profits of limited partners.

At December 31, 2016, Onex, the parent company, had \$679 million of cash on hand and \$907 million of near-cash items at fair value. Near-cash items include short- and long-term investments managed by third-party investment managers, as described below, \$376 million invested in a segregated unlevered fund managed by Onex Credit and \$48 million in management fees receivable from limited partners of its private equity platforms. Onex, the parent company, expects to invest \$170 million in the acquisition of Parkdean Resorts, as described on page 36 of this MD&A.

Onex, the parent company, has a conservative cash management policy driven toward maintaining liquidity and preserving principal in all its investments.

Beginning in the second quarter of 2015, Onex, the parent company, transferred cash and cash equivalents to accounts managed by third-party investment managers in order to increase the return on this capital while maintaining appropriate liquidity. At December 31, 2016, the fair value of investments, including cash yet to be deployed, managed by third-party investment managers was \$483 million. The investments are managed in a mix of short-term and long-term portfolios. Short-term investments consist of liquid investments and include money market instruments and commercial paper with original maturities of three months to one year. Long-term investments consist of securities and include money market instruments, federal and municipal debt instruments, corporate obligations and structured products with maturities of one to five years. The short- and long-term investments have current Standard & Poor's ratings ranging from BBB to AAA. The portfolio concentration limits range from a maximum of 10 percent for BBB investments to 100 percent for AAA investments. The investments are managed to maintain an overall weighted average duration of two years or less.

At December 31, 2016, Onex had access to \$2.4 billion of uncalled committed limited partner capital for acquisitions through Onex Partners IV (\$1.7 billion) and ONCAP IV (\$679 million). Onex Partners IV uncalled committed limited partner capital has subsequently decreased by \$301 million for the capital called for the pending acquisition of Parkdean Resorts.

Non-controlling interests

Non-controlling interests in equity in Onex' consolidated balance sheets as at December 31, 2016 primarily represent the ownership interests of shareholders, other than Onex and its limited partners in the funds, in Onex' controlled operating companies. The non-controlling interests balance at December 31, 2016 of \$1.8 billion increased from \$1.4 billion at December 31, 2015. The increase was primarily due to (i) the investment by Baring Private Equity Asia in Clarivate Analytics upon Onex acquiring control of Clarivate Analytics, as described on page 35 of this MD&A; (ii) the value of existing shareholders of WireCo upon Onex acquiring control of WireCo, as described on page 35 of this MD&A; and (iii) the rollover equity investment in Schumacher by management of ECI, as described on page 34 of this MD&A.

LIQUIDITY AND CAPITAL RESOURCES

Major cash flow components

This section should be read in conjunction with the consolidated statements of cash flows and the corresponding notes thereto. Table 31 summarizes the major consolidated cash flow components for the years ended December 31, 2016 and 2015.

Major Cash Flow Components

TABLE 31	(\$ millions)	2016	2015
Cash from operating activities		\$ 1,912	\$ 1,880
Cash from financing activities		\$ 850	\$ 1,652
Cash used in investing activities		\$(2,801)	\$ (4,837)
Consolidated cash and cash equivalents held by continuing operations		\$ 2,371	\$ 2,313

Cash from operating activities

Table 32 provides a breakdown of cash from operating activities by cash generated from operations and changes in non-cash working capital items, other operating activities and operating activities of discontinued operations for the years ended December 31, 2016 and 2015.

Components of Cash from Operating Activities

TABLE 32	(\$ millions)	2016	2015
Cash generated from operations		\$ 2,005	\$ 1,754
Changes in non-cash working capital items:			
Accounts receivable		(447)	(23)
Inventories		(172)	92
Other current assets		(42)	3
Accounts payable, accrued liabilities and other current liabilities		577	(52)
Increase (decrease) in cash and cash equivalents due to changes in non-cash working capital items		(84)	20
Decrease in other operating activities		(47)	(113)
Cash from operating activities of discontinued operations		38	219
Cash from operating activities		\$ 1,912	\$ 1,880

Cash generated from operations includes net earnings (loss) from continuing operations before interest and income taxes, adjusted for cash taxes paid and items not affecting cash and cash equivalents. The significant changes in non-cash working capital items for the year ended December 31, 2016 were:

- a \$447 million increase in accounts receivable primarily at Celestica, Clarivate Analytics and JELD-WEN;
- a \$172 million increase in inventory primarily at Celestica and Flushing Town Center, partially offset by decreases in inventory at JELD-WEN, Save-A-Lot, SIG and WireCo; and
- a \$577 million increase in accounts payable, accrued liabilities and other current liabilities primarily at Celestica, Clarivate Analytics and SIG.

The significant changes in non-cash working capital items for the year ended December 31, 2015 were:

- a \$92 million decrease in inventory primarily at Meridian Aviation due to the sale of an aircraft, partially offset by increases in inventory at Celestica and Flushing Town Center; and
- a \$52 million decrease in accounts payable, accrued liabilities and other current liabilities primarily at Schumacher and Survitec.

Cash from operating activities for the year ended December 31, 2016 also included \$38 million (2015 – \$219 million) of cash flows from the operating activities of discontinued operations. Discontinued operations for the year ended December 31, 2016 represent the operations of KraussMaffei and include a portion of the gain from the sale of Sitel Worldwide. Discontinued operations for the year ended December 31, 2015 represent the operations of KraussMaffei, Sitel Worldwide (up to September 2015) and Skilled Healthcare Group (up to February 2015).

Cash from financing activities

Cash from financing activities was \$850 million for 2016 compared to cash from financing activities of \$1.7 billion for 2015. Cash from financing activities for the year ended December 31, 2016 included:

- \$1.6 billion of contributions received primarily from the limited partners of the Onex Partners and ONCAP Funds, as discussed under the Limited Partners' Interest on page 67 of this MD&A;
- \$1.3 billion of net new long-term debt primarily from the closings of CLO-11 and CLO-12 and increases in outstanding debt at Flushing Town Center, Hopkins, JELD-WEN, Schumacher and Survitec. This was partially offset by debt repayments made by CLO-2, Carestream Health, Jack's, ResCare, SIG and USI; and
- \$458 million received from Baring Private Equity Asia for the October 2016 investment in Clarivate Analytics, as described on page 35 of this MD&A.

Partially offsetting these were:

- \$1.2 billion of distributions primarily to the limited partners of the Onex Partners and ONCAP Funds, as discussed under the Limited Partners' Interests on page 67 of this MD&A, and distributions primarily to third-party shareholders of JELD-WEN and KraussMaffei;
- \$1.0 billion of cash interest paid;
- \$184 million of cash used by Onex, the parent company, for purchases of its shares; and
- \$59 million of cash used for share repurchases primarily by Celestica.

For the year ended December 31, 2015, cash from financing activities was \$1.7 billion and included:

- \$2.4 billion of net new long-term debt primarily from the closings of CLO-8, CLO-9 and CLO-10 and an increase in outstanding debt at Celestica, JELD-WEN, Schumacher and USI. This was partially offset by debt repayments made by Carestream Health, Jack's and Meridian Aviation; and
- \$1.8 billion of contributions received primarily from the limited partners of the Onex Partners and ONCAP Funds, as discussed under the Limited Partners' Interests on page 67 of this MD&A.

Partially offsetting these were:

- \$1.0 billion of distributions primarily to the limited partners of the Onex Partners and ONCAP Funds, as discussed under the Limited Partners' Interests on page 67 of this MD&A, and distributions primarily to third-party shareholders of JELD-WEN and USI;
- \$776 million of cash interest paid;
- \$435 million of cash used for share repurchases primarily by Celestica and JELD-WEN;
- \$175 million of cash used by Onex, the parent company, for purchases of its shares; and
- \$123 million of cash used in financing activities of discontinued operations.

Cash used in investing activities

Cash used in investing activities totalled \$2.8 billion for the year ended December 31, 2016 compared to cash used in investing activities of \$4.8 billion during 2015. Cash used in investing activities during 2016 primarily consisted of:

- \$3.1 billion used to fund investments in operating companies, which primarily related to the Onex Partners IV Group's investments in Clarivate Analytics, Save-A-Lot and WireCo and the ONCAP Funds' investment in Tecta, in addition to acquisitions completed by operating companies;
- \$1.0 billion of net purchases of investments and securities by the CLOs and Onex Credit Funds;
- \$569 million used for the purchase of property, plant and equipment primarily at: (i) Carestream Health for capital purchases for operating lease rental units and information technology infrastructure maintenance; (ii) Celestica to enhance manufacturing capabilities and to support new customer programs; (iii) JELD-WEN for improvements and upgrades for its production machinery; and (iv) SIG for maintenance and upgrades to existing facilities and the construction of new facilities and equipment;
- \$163 million of cash used for the settlement of contingent consideration provisions primarily by SIG; and
- \$155 million of cash used in investing activities of discontinued operations.

Partially offsetting these were:

- \$1.0 billion of proceeds from the sale of companies and businesses no longer controlled, primarily from the sale of KraussMaffei;
- \$666 million of proceeds primarily from the sale of investments managed by third-party investment managers for Onex, the parent company;
- \$325 million of cash interest received primarily by the CLOs; and
- \$206 million of distributions received from investments in joint ventures and associates, primarily from AIT and BBAM.

Cash used in investing activities totalled \$4.8 billion for the year ended December 31, 2015 and consisted primarily of:

- \$2.5 billion of cash used to fund investments in operating companies, which primarily related to the Onex Partners IV Group's investments in Jack's, Schumacher, SIG and Survitec;
- \$1.5 billion of net purchases of investments and securities by the CLOs and Onex Credit Funds;
- \$1.2 billion of cash used by Onex, the parent company, for purchases of short- and long-term investments by third-party investment managers;
- \$704 million of cash used for purchases of property, plant and equipment primarily at: (i) SIG for maintenance and upgrades to existing facilities and the construction of new facilities; (ii) JELD-WEN for improvements and upgrades for its production machinery; and (iii) Celestica to enhance manufacturing capabilities and to support new customer programs; and
- \$120 million for the ONCAP III Group's joint venture investments in ITG and Mavis Discount Tire.

Partially offsetting these were:

- \$525 million of proceeds from the sale of property, plant and equipment consisting primarily of \$190 million of proceeds from the sale of two aircraft by Meridian Aviation, \$143 million of net proceeds received by Jack's from the sale-leaseback transaction completed for certain of its fee-owned restaurant properties, \$128 million of proceeds from the sale of substantially all of the retail space and adjoining parking structures of Flushing Town Center and \$54 million of proceeds from the sale of the B.C. Sugar residual property;
- \$264 million of proceeds from the sale of investments in Sitel Worldwide and Tropicana Las Vegas;
- \$257 million of cash interest received; and
- \$82 million of distributions received from AIT and BBAM.

Consolidated cash resources

At December 31, 2016, consolidated cash held by continuing operations increased to \$2.4 billion from \$2.3 billion at December 31, 2015. The major component at December 31, 2016 was \$679 million of cash on hand at Onex, the parent company (2015 – \$588 million). In addition to cash at the parent company, Onex had \$907 million of near-cash items at December 31, 2016 (2015 – \$1.5 billion). Near-cash items at December 31, 2016 include short- and long-term investments managed by third-party investment managers, as described on page 74 of this MD&A, \$376 million (2015 – \$351 million) invested in a segregated unlevered fund managed by Onex Credit and \$48 million in management fees receivable from limited partners of its private equity platforms.

Cash and near-cash at Onex, the parent company

Table 33 provides a reconciliation of the change in cash and near-cash at Onex, the parent company, from December 31, 2015 to December 31, 2016.

Change in Cash and Near-Cash at Onex, the Parent Company

TABLE 33	(\$ millions)	Amount
Cash and near-cash on hand at December 31, 2015^(a)		\$ 2,138
Private equity realizations:		
KraussMaffei sale	191	
JELD-WEN distributions	87	
AIT distributions	27	
Cicis sale	23	
Hopkins distribution	21	
BBAM distributions	13	
Jack's repayments of promissory note	12	
Meridian Aviation distribution	12	
Total private equity realizations		386
Flushing Town Center distributions		33
Private equity investments:		
Acquisition of Clarivate Analytics	(419)	
Acquisition of Save-A-Lot	(186)	
Acquisition of WireCo	(76)	
Acquisition of Tecta	(43)	
Add-on investment in Survitec	(8)	
Total private equity investments		(732)
Net investment in Incline Aviation Fund		(13)
Net Onex Credit activity, including investments in warehouse facilities		(15)
Onex share repurchases		(184)
Other, net, including dividends, management fees, operating costs and treasury income ^(b)		(27)
Cash and near-cash on hand at December 31, 2016^(a)		\$ 1,586

(a) Includes \$483 million (December 31, 2015 – \$1.2 billion) of short- and long-term investments managed by third-party investment managers, \$376 million (December 31, 2015 – \$351 million) invested in a segregated Onex Credit unlevered senior secured loan strategy fund and \$48 million (December 31, 2015 – nil) of management fees receivable.

(b) Other includes the impact of unfavourable foreign exchange on cash.

Subsequent to December 31, 2016, Onex, the parent company, received cash of \$40 million, including approximately \$6 million of carried interest, from the initial public offering by JELD-WEN, as described on page 37 of this MD&A, and received \$5 million from the PURE Canadian Gaming distribution, as described on page 37 of this MD&A.

During the first quarter of 2017, Onex, the parent company, expects to invest \$170 million in the acquisition of Parkdean Resorts, as described on page 36 of this MD&A.

ADDITIONAL USES OF CASH

Contractual obligations

Table 34 presents the contractual obligations of Onex and its operating companies as at December 31, 2016.

Contractual Obligations

TABLE 34	(\$ millions)	Payments Due by Period			
	Total	Less than 1 year	1–3 years	4–5 years	After 5 years
Long-term debt, without recourse to Onex ^(a)	\$ 23,244	\$ 407	\$ 4,730	\$ 2,950	\$ 15,157
Finance and operating leases	1,873	403	560	332	578
Purchase obligations	124	98	25	1	–
Total contractual obligations	\$ 25,241	\$ 908	\$ 5,315	\$ 3,283	\$ 15,735

(a) Excludes debt amounts of subsidiaries held by Onex, the parent company, and debt of investments in joint ventures and associates. Amounts are gross of financing charges.

In addition to the obligations in table 34, certain of Onex' consolidated operating companies have funding obligations related to their defined benefit pension plans. The operating companies estimate that \$10 million of contributions will be required in 2017 for their defined benefit pension plans. Onex, the parent company, does not provide pension, other retirement or post-retirement benefits to its employees or to employees of any of the operating companies. In addition, Onex, the parent company, does not have any obligations and has not made any guarantees with respect to the plans of the operating companies.

A breakdown of long-term debt by industry segment is provided in table 20 on page 64 of this MD&A. In addition, notes 14 and 15 to the consolidated financial statements provide further disclosure on long-term debt and lease commitments. Our consolidated operating companies currently believe they have adequate cash from operations, cash on hand and borrowings available to them to meet anticipated debt service requirements, capital expenditures and working capital needs. There is, however, no assurance that our consolidated operating companies will generate sufficient cash flow from operations or that future borrowings will be available to enable them to grow their business, service all indebtedness or make anticipated capital expenditures.

Commitments

At December 31, 2016, Onex and its operating companies had total commitments of \$439 million. Commitments by Onex and its operating companies provided in the normal course of business include commitments for corporate investments, capital assets and letters of credit, letters of guarantee and surety and performance bonds.

Approximately \$315 million of the total commitments in 2016 were for contingent liabilities in the form of letters of credit, letters of guarantee and surety and performance bonds provided by certain operating companies to various third parties, including bank guarantees. These guarantees are without recourse to Onex, the parent company.

In February 2016, Onex, the parent company, committed to investing \$75 million in Incline Aviation Fund, an aircraft investment fund to be managed by BBAM and focused on investments in contractually leased commercial jet aircraft. At December 31, 2016, Onex had uncalled commitments of \$60 million to Incline Aviation Fund. In February 2017, Mr. Gerald W. Schwartz, who is Onex' controlling shareholder, assumed \$25 million of Onex' commitment, reducing the amount committed by Onex to investing in Incline Aviation Fund to \$50 million.

In addition, commitments at December 31, 2016 include \$1.7 billion (£1.4 billion) related to the pending acquisition of Parkdean Resorts, as discussed on page 36 of this MD&A.

Onex' commitment to the Funds

Onex, the parent company, is the largest limited partner in each of the Onex Partners and ONCAP Funds. Table 35 presents the commitment and the uncalled committed capital of Onex, the parent company, in these funds at December 31, 2016.

Commitment and Uncalled Committed Capital of Onex, the Parent Company, at December 31, 2016

TABLE 35	(\$ millions)	Fund Size	Onex' Commitment	Onex' Uncalled Committed Capital ^(a)
Onex Partners I		\$ 1,655	\$ 400	\$ 20 ^(b)
Onex Partners II		\$ 3,450	\$ 1,407	\$ 158 ^(b)
Onex Partners III		\$ 4,700	\$ 1,200	\$ 121
Onex Partners IV		\$ 5,660	\$ 1,700	\$ 657 ^(c)
ONCAP II		C\$ 574	C\$ 252	C\$ 1 ^(b)
ONCAP III ^(d)		C\$ 800	C\$ 252	C\$ 36
ONCAP IV		\$ 1,107	\$ 480	\$ 455

(a) Onex' uncalled committed capital is calculated based on the assumption that all of the remaining limited partners' commitments are invested.

(b) Uncalled committed capital for Onex Partners I and II and ONCAP II is available only for possible future funding of partnership expenses.

(c) The principal repayments of the promissory note by Jack's, as described on page 33 of this MD&A, increased the uncalled commitments for the Onex Partners Funds.

(d) Onex' commitment has been reduced for the annual commitment for Onex management's participation.

Pension plans

Six (2015 – five) of Onex' operating companies have defined benefit pension plans, including Carestream Health, Celestica, Clarivate Analytics, JELD-WEN, SIG and Survitec. At December 31, 2016, the defined benefit pension plans at these operating companies had combined assets of \$1.4 billion (2015 – \$1.4 billion) against combined obligations of \$1.6 billion (2015 – \$1.6 billion), with a net deficit of \$167 million (2015 – \$151 million). A surplus in any plan is not available to offset deficiencies in others.

Onex, the parent company, does not have a pension plan and has no obligation to the pension plans of its operating companies. The operating companies with significant defined benefit pension plans are described below.

At December 31, 2016, Carestream Health's defined benefit pension plans were in an underfunded position of approximately \$83 million (2015 – \$72 million). The company's pension plan assets are broadly diversified in equity and debt investment funds, as well as other investments. Carestream Health expects to contribute approximately \$1 million in 2017 to its defined benefit pension plans, and it does not believe that future pension contributions will materially impact its liquidity.

At December 31, 2016, Celestica's defined benefit pension plans were overfunded on a net basis by \$52 million (2015 – \$38 million). Celestica's pension funding policy is to contribute amounts sufficient to meet minimum local statutory funding requirements that are based on actuarial calculations. The company may make additional discretionary contributions based on actuarial assessments. Celestica estimates \$2 million of contributions will be required for its defined benefit pension plans in 2017 based on the most recent actuarial valuations.

At December 31, 2016, JELD-WEN's defined benefit pension plans were in an underfunded position of approximately \$127 million (2015 – \$117 million). The company's pension plan assets are broadly diversified in equity and debt securities, as well as other investments. JELD-WEN estimates that no contributions will be required for its defined benefit pension plans in 2017.

At December 31, 2016, SIG's defined benefit pension plans were in an overfunded position of approximately \$10 million (2015 – \$9 million). The company's pension plan assets are broadly diversified in equity and debt investment funds, as well as other investments. SIG estimates that \$5 million of contributions will be required for its defined benefit pension plans in 2017.

At December 31, 2016, Survitec's defined benefit pension plans were in an underfunded position of approximately \$10 million (2015 – \$8 million). The company's pension plan assets are broadly diversified in equity and debt securities, as well as other investments. Survitec estimates that \$1 million of contributions will be required for its defined benefit pension plans in 2017.

ADDITIONAL SOURCES OF CASH

Private equity funds

Onex' private equity funds provide capital for Onex-sponsored acquisitions that are not related to Onex' operating companies that existed prior to the formation of the funds. The funds provide a substantial pool of committed capital, which enables Onex to be flexible and timely in responding to investment opportunities.

Table 36 provides a summary of the remaining commitments available from limited partners at December 31, 2016. The remaining commitments for Onex Partners IV and ONCAP IV will be used for future Onex-sponsored acquisitions. The remaining commitments from limited partners of Onex Partners I and II are for future funding of partnership expenses. The remaining commitments from limited partners of ONCAP II are for possible future funding of management fees and partnership expenses. The remaining commitments from limited partners of Onex Partners III and ONCAP III are for possible future funding of remaining businesses and future funding of management fees and partnership expenses.

Private Equity Funds' Uncalled Limited Partners' Committed Capital, at December 31, 2016

TABLE 36	(\$ millions)	Available Uncalled Committed Capital (excluding Onex) ^(a)
Onex Partners I		\$ 65 ^(b)
Onex Partners II		\$ 241 ^(b)
Onex Partners III		\$ 382
Onex Partners IV		\$ 1,674 ^(c)
ONCAP II		C\$ 2 ^(d)
ONCAP III		C\$ 86 ^(e)
ONCAP IV		\$ 679

(a) Includes committed amounts from the management of Onex and ONCAP and directors, calculated based on the assumption that all of the remaining limited partners' commitments are invested.

(b) Uncalled committed capital for Onex Partners I and II is available only for possible future funding of partnership expenses.

(c) The principal repayments of the promissory note by Jack's, as described on page 33 of this MD&A, increased the uncalled commitments for the Onex Partners Funds.

(d) Uncalled committed capital for ONCAP II is available only for possible future funding of management fees and partnership expenses.

(e) Uncalled committed capital for ONCAP III includes bridge financing for the investment in Tecta that was returned to limited partners in January 2017.

The committed amounts from the limited partners are not included in Onex' consolidated cash and are funded as capital is called.

During 2003, Onex raised its first large-cap fund, Onex Partners I, with \$1.655 billion of committed capital, including committed capital of \$400 million from Onex. Since 2003, Onex Partners I has completed 10 investments, investing \$1.5 billion, including Onex. While Onex Partners I has concluded its investment period, the fund still has uncalled limited partners' committed capital of \$65 million for possible future funding of partnership expenses. In January 2015, with the approval of a majority in interest of the limited partners, the term of Onex Partners I was extended to February 4, 2016. In connection with this extension, the management fee was reduced to 1 percent of net funded commitments relating to Onex Partners I's investment in ResCare only. Further, in January 2016, with the approval of a majority in interest of the limited partners, the term of Onex Partners I was extended to February 4, 2017, and in January 2017 the term was extended to February 4, 2019. As a result of the extension in January 2016, management fees will no longer be earned for Onex Partners I as of February 4, 2016.

During 2006, Onex raised its second large-cap fund, Onex Partners II, a \$3.45 billion private equity fund, including committed capital of \$1.4 billion from Onex. Onex Partners II has completed seven investments, investing \$2.9 billion, including Onex. While Onex Partners II has concluded its investment period, at December 31, 2016, the fund still has uncalled limited partners' committed capital of \$241 million for possible future funding for Onex Partners II's partnership expenses. In July 2016, the term of Onex Partners II was extended to August 1, 2017.

During 2009, Onex completed fundraising for its third large-cap private equity fund, Onex Partners III, a \$4.7 billion private equity fund. Onex' commitment to Onex Partners III has been \$1.2 billion for new investments completed since May 15, 2012. Onex Partners III has completed 10 investments, investing \$4.2 billion, including Onex. The amount invested includes capitalized costs. While Onex Partners III has concluded its investment period, at December 31, 2016, the fund had uncalled limited partners' committed capital of \$382 million for possible future funding for any of Onex Partners III's remaining businesses and for management fees and partnership expenses.

During 2014, Onex completed fundraising for its fourth large-cap private equity fund, Onex Partners IV, a \$5.2 billion private equity fund. Onex' initial commitment to the fund was \$1.2 billion. In June 2015, Onex increased its commitment to the fund by \$500 million to \$1.7 billion. The increased commitment was applied to new Onex Partners IV investments completed after June 3, 2015 and did not change Onex' ownership of businesses acquired prior to that date. The investment in Jack's, in July 2015, was the first investment to reflect Onex' increased commitment. At December 31, 2016, Onex Partners IV had completed eight investments, investing \$3.4 billion, including Onex. The amount invested includes capitalized costs. At December 31, 2016, Onex Partners IV had \$1.7 billion of uncalled limited partners' committed capital available for future investments

and for management fees and partnership expenses. Onex Partners IV uncalled committed limited partner capital has subsequently decreased by \$301 million for the capital called for the pending acquisition of Parkdean Resorts.

During 2006, Onex raised its second mid-market fund, ONCAP II, a C\$574 million private equity fund, including a commitment of C\$252 million from Onex. ONCAP II has completed eight investments, investing C\$483 million, including Onex. At December 31, 2016, this fund had uncalled committed limited partners' capital of C\$2 million for possible future funding for ONCAP II's management fees and partnership expenses. In May 2015, the term of ONCAP II was extended for one year to November 22, 2016. In October 2016, the term of the Partnership was further extended for a second year to November 22, 2017.

During 2011, Onex raised its third mid-market private equity fund, ONCAP III, an C\$800 million private equity fund, including committed capital of C\$252 million from Onex. ONCAP III has completed eight investments, investing C\$632 million, including Onex. While ONCAP III has concluded its investment period, at December 31, 2016, the fund had uncalled limited partners' committed capital of C\$86 million for possible future funding for any of ONCAP III's remaining businesses and for management fees and partnership expenses. Uncalled committed capital at December 31, 2016 includes bridge financing for the investment in Tecta that was returned to limited partners in January 2017.

In November 2016, Onex raised its fourth mid-market private equity fund, ONCAP IV, reaching aggregate commitments of \$1.1 billion, including Onex' commitment of \$480 million. ONCAP IV has completed one investment, investing \$62 million, including Onex. At December 31, 2016, ONCAP IV had uncalled limited partners' committed capital of \$679 million available for future investments and for management fees and partnership expenses.

RELATED PARTY TRANSACTIONS

Investment programs

Investment programs are designed to align the Onex management team's interests with those of Onex' shareholders and the limited partner investors in Onex' Funds.

The various investment programs are described in detail in the following pages and certain key aspects are summarized in table 37.

TABLE 37	Minimum Stock Price Appreciation/ Return Threshold	Vesting	Associated Investment by Management
Management Investment Plan ⁽ⁱ⁾	15% Compound Return	Vests equally over 6 years	- personal "at risk" equity investment required 25% of gross proceeds on the 7.5% gain allocated under the MIP to be reinvested in SVS or Management DSUs until 1,000,000 shares and DSUs owned
Carried Interest Participation – Onex Partners ⁽ⁱⁱⁱ⁾	8% Compound Return	Onex Partners I Fully vested Onex Partners II Fully vested Onex Partners III Fully vested Onex Partners IV Vests equally over 6 years ending in August 2020	- corresponds to participation in minimum "at risk" Onex Partners management equity investment for Onex Partners I through Onex Partners IV 25% of gross proceeds to be reinvested in SVS or Management DSUs until 1,000,000 shares and DSUs owned
Carried Interest Participation – ONCAP ⁽ⁱⁱⁱ⁾	8% Compound Return	ONCAP II Fully vested ONCAP III Fully vested ONCAP IV Vests equally over 5 years ending in November 2021	corresponds to participation in minimum "at risk" ONCAP management equity investment
Stock Option Plan ⁽ⁱⁱⁱ⁾	25% Price Appreciation	Vests equally over 5 years, except for 6,775,000 options which vest at a rate of 15% per year during the first four years and 40% in the fifth year	satisfaction of exercise price (market value at grant date)
Management DSU Plan ^(iv)	n/a	n/a	- investment of elected portion of annual compensation in Management DSUs - value reflects changes in Onex' share price - units not redeemable while employed
Director DSU Plan ^(v)	n/a	n/a	- investment of elected portion of annual directors' fees in Director DSUs - value reflects changes in Onex' share price - units not redeemable until retirement

(i) Management Investment Plan

Onex has an MIP that requires its management members to invest in each of the operating businesses acquired or invested in by Onex. Management's required cash investment is 1.5 percent of Onex' interest in each acquisition or investment. An amount invested in an Onex Partners acquisition under the fund's investment requirement (discussed below) also applies toward the 1.5 percent investment requirement under the MIP.

In addition to the 1.5 percent participation, management is allocated 7.5 percent of Onex' realized gain from an operating business investment, subject to certain conditions. In particular, Onex must realize the full return of its investment plus a net 15 percent internal rate of return from the investment in order for management to be allocated the additional 7.5 percent of Onex' gain. The plan has vesting requirements, certain limitations and voting requirements.

During 2016, management received \$7 million under the MIP (2015 – \$4 million). Notes 1 and 31 to the consolidated financial statements provide additional details on the MIP.

In addition, management of ONCAP has an incentive program related to Onex' co-investment in ONCAP operating companies.

(ii) Carried interest participation

The General Partners of the Onex Partners and ONCAP Funds, which are controlled by Onex, are entitled to a carried interest of 20 percent on the realized net gains of the limited partners in each fund, subject to an 8 percent compound annual preferred return to those limited partners on all amounts contributed in each particular fund. Onex, as sponsor of the Onex Partners Funds, is entitled to 40 percent of the carried interest realized in the Onex Partners Funds. Onex management is allocated 60 percent of the carried interest realized in the Onex Partners Funds. ONCAP management is entitled to that portion of the carried interest realized in the ONCAP Funds that equates to a 12 percent carried interest on both limited partners' and Onex' capital. Once the ONCAP IV investors achieve a return of two times their aggregate capital contributions, carried interest participation increases from 20 percent to

25 percent of the realized net gains of the limited partners in ONCAP IV, equating to a 15 percent carried interest for ONCAP management on both limited partners' and Onex' capital. Under the terms of the partnership agreements, the General Partners may receive carried interest as realizations occur. The ultimate amount of carried interest earned will be based on the overall performance of each fund, independently, and includes typical catch-up and claw-back provisions within each fund, but not between funds.

Table 38 shows the amount of net carried interest received by Onex, the parent company, up to December 31, 2016.

Carried Interest

TABLE 38	(\$ millions)	Carried Interest Received
2011 and prior years		\$ 237
2012		3
2013		75
2014		171
2015		1
2016		14
Total		\$ 501

During 2016, Onex, the parent company, received carried interest totalling \$14 million primarily related to the sale of KraussMaffei. Onex has the potential to receive \$197 million of carried interest on its businesses in the Onex Partners Funds based on their fair values determined at December 31, 2016.

During the year ended December 31, 2015, Onex, the parent company, realized carried interest of \$1 million associated with residual proceeds on investments sold in 2015.

During the year ended December 31, 2016, management of Onex and ONCAP received carried interest totalling \$24 million primarily related to the sale of KraussMaffei. Management of Onex and ONCAP has the potential to receive \$366 million of carried interest on businesses in the Onex Partners and ONCAP Funds based on their values determined at December 31, 2016.

During the year ended December 31, 2015, management of Onex and ONCAP received carried interest totalling \$3 million associated with residual proceeds on investments sold prior to 2015.

(iii) Stock Option Plan

Onex, the parent company, has a Stock Option Plan in place that provides for options and/or share appreciation rights to be granted to Onex directors, officers and employees for the acquisition of SVS of Onex, the parent company, for a term not exceeding 10 years. The options vest equally over five years, with the exception of a total of 6,775,000 options, which vest at a rate of 15 percent per year during the first four years and 40 percent in the fifth year. The price of the options issued is at the market value of the SVS on the business day preceding the day of the grant. Vested options are not exercisable unless the average five-day market price of Onex SVS is at least 25 percent greater than the exercise price at the time of exercise. Table 29 on page 73 of this MD&A provides details of the change in the stock options outstanding at December 31, 2016 and 2015.

(iv) Management Deferred Share Unit Plan

Effective December 2007, a Management Deferred Share Unit Plan ("MDSU Plan") was established as a further means of encouraging personal and direct economic interests by the Company's senior management in the performance of the SVS. Under the MDSU Plan, the members of the Company's senior management team are given the opportunity to designate all or a portion of their annual compensation to acquire MDSUs based on the market value of Onex shares at the time in lieu of cash. MDSUs vest immediately but are redeemable by the participant only after he or she has ceased to be an officer or employee of the Company or an affiliate for a cash payment equal to the then current market price of SVS. Additional units are issued equivalent to the value of any cash dividends that would have been paid on the SVS. To hedge Onex' exposure to changes in the trading price of Onex shares associated with the MDSU Plan, the Company enters into forward agreements with a counterparty financial institution for all grants under the MDSU Plan. The costs of those arrangements are borne entirely by participants in the MDSU Plan.

MDSUs are redeemable only for cash and no shares or other securities of Onex will be issued on the exercise, redemption or other settlement thereof. Table 30 on page 74 of this MD&A provides details of the change in the MDSUs outstanding during 2016 and 2015.

(v) Director Deferred Share Unit Plan

Onex, the parent company, established a Director Deferred Share Unit Plan ("DSU Plan") in 2004, which allows Onex directors to apply directors' fees to acquire DSUs based on the market value of Onex shares at the time. Grants of DSUs may also be made to Onex directors from time to time. Holders of DSUs are entitled to receive for each DSU, upon redemption, a cash payment equivalent to the market value of an SVS at the redemption date. The DSUs vest immediately, are only redeemable once the holder retires from the Board of Directors and must be redeemed by the end of the year following the year of retirement. Additional units are issued equivalent to the value of any cash dividends that would have been paid on the SVS. To hedge Onex' exposure to changes in the trading price of Onex shares associated with the Director DSU Plan, the Company has entered into forward agreements with a counterparty financial institution for a portion of the grants under the Director DSU Plan. Table 30 on page 74 of this MD&A provides details of the change in the DSUs outstanding during 2016 and 2015.

Onex management team investments in Onex' Funds

The Onex management team invests meaningfully in each operating business acquired by the Onex Partners and ONCAP Funds and in strategies managed by Onex Credit.

The structure of the Onex Partners and ONCAP Funds requires the management of Onex Partners and ONCAP Funds to invest a minimum of 1 percent in all acquisitions, with the exception of Onex Partners IV and ONCAP IV, which require a minimum 2 percent investment in all acquisitions. This investment represents the minimum "at risk" equity investment on which the management of Onex and ONCAP earn carried interest, as described on page 85 of this MD&A.

The Onex management team and directors have committed to invest 4 percent of the total capital invested by Onex Partners IV for new investments completed in 2017, including the minimum “at risk” equity investment. The Onex management team and directors have committed to invest 10 percent of the total capital invested by ONCAP IV for new investments completed in 2017, including the minimum “at risk” equity investment. The Onex management team and directors invest in any add-on investments in existing businesses pro-rata with their initial investment in the relevant business.

The total amount invested in 2016 by the Onex management team and directors in acquisitions and investments completed through the Onex Partners and ONCAP Funds was \$142 million (2015 – \$142 million).

In addition, the Onex management team may invest in Onex Credit strategies. At December 31, 2016, investments at market held by the Onex management team in Onex Credit strategies were approximately \$275 million (2015 – approximately \$275 million).

Investment in Onex shares and other investments

In 2006, Onex adopted a program designed to further align the interests of the Company's senior management and other investment professionals with those of Onex shareholders through increased share ownership. Under this program, members of senior management of Onex are required to invest at least 25 percent of all amounts received on the 7.5 percent gain allocated under the MIP and the Onex Partners' carried interest in Onex SVS and/or Management DSUs until they individually hold at least 1,000,000 Onex SVS and/or Management DSUs. Under this program, during 2016 Onex management reinvested C\$5 million (2015 – C\$1 million) in the purchase of SVS.

Members of management and the Board of Directors of Onex can invest limited amounts in partnership with Onex in all acquisitions outside the Onex Partners and ONCAP Funds, including co-investment opportunities, at the same time and cost as Onex and other outside investors. During 2016, less than \$1 million (2015 – \$5 million) in investments were made by the Onex management team and directors in Incline Aviation Fund and Onex Real Estate Partners' investments.

Repurchase of shares

In January 2016, Onex repurchased in a private transaction 1,000,000 of its SVS that were held indirectly by Mr. Gerald W. Schwartz, Onex' controlling shareholder. The private transaction was approved by the disinterested directors of the Board of Directors of the Company. The shares were repurchased at C\$84.12 per SVS, or a total cost of \$59 million (C\$84 million), which represents a slight discount to the trading price of Onex shares at that date.

Tax loss transaction

During 2016, Onex sold entities, the sole assets of which were certain tax losses, to companies controlled by Mr. Gerald W. Schwartz, who is also Onex' controlling shareholder. As a result of this transaction, Onex recorded a gain of \$14 million (2015 – \$11 million) in other expense (income) in 2016. A discussion of these transactions is included on page 60 of this MD&A. In connection with these transactions, Deloitte LLP, an independent accounting firm retained by Onex' Audit and Corporate Governance Committee, provided an opinion that the value received by Onex for the tax losses was fair from a financial point of view. The transactions were unanimously approved by Onex' Audit and Corporate Governance Committee, all the members of which are independent directors.

Management fees

Onex receives management fees on limited partner capital through its private equity platforms, Onex Partners and ONCAP Funds, from Onex Credit Funds and CLOs and directly from certain of its operating businesses. As Onex consolidates the Onex Partners, ONCAP, CLOs and certain Onex Credit Funds, the management fees received in respect of limited partner capital represent related party transactions.

During the initial fee period of the Onex Partners and ONCAP Funds, Onex receives a management fee based on limited partners' committed capital to each fund. At December 31, 2016, the management fees of Onex Partners IV and ONCAP IV are determined based on limited partners' committed capital.

Following the termination of the initial fee period, Onex becomes entitled to a management fee based on limited partners' net funded commitments. In August 2016, the commitment period of ONCAP III ended with the investment in Tecta, and as a result, Onex' entitlement to management fees changed from being based on 2.00 percent of committed capital to being based on 1.50 percent of limited partner net funded commitments. At December 31, 2016, the management fees of Onex Partners III and ONCAP II and III are determined based on their limited partners' net funded commitments. As realizations occur in these funds, the management fees calculated based on limited partners' net funded commitments will decline.

In November 2016, Onex raised \$1.1 billion of capital commitments from limited partners for ONCAP IV, including Onex' commitment of \$480 million. Onex earns annual management fees of 2.0 percent on capital committed by limited partners of ONCAP IV, starting in early November 2016.

During 2016, Onex elected to defer further cash receipt of management fees from limited partners of its private equity funds until the later stages of each fund's life. At December 31, 2016, \$48 million of management fees were receivable from the limited partners of the private equity funds.

Onex Credit earns management fees on \$6.6 billion of fund investor capital as of December 31, 2016, which is invested in a variety of investment strategies focused on event-driven, long/short, long-only, par, stressed and distressed opportunities as well as its CLOs. The management fees range from 0.50 percent to 2.00 percent on the capital invested in Onex Credit Funds and up to 0.50 percent on the capital invested in its CLOs.

Incentive fees

Onex Credit is entitled to incentive fees on \$6.4 billion of fund investor capital it manages as of December 31, 2016, where applicable. Incentive fees range between 5 percent and 20 percent. Certain incentive fees (including incentive fees on CLOs) are subject to a hurdle or minimum preferred return to investors. Onex acquired control of the Onex Credit asset management platform in January 2015. As such, beginning in January 2015, incentive fees earned by Onex Credit are entirely attributable to Onex for accounting purposes.

Debt of operating companies

Onex' practice is not to guarantee the debt of its operating companies, and there are no cross-guarantees between operating companies. Onex may hold debt as part of its investment in certain operating companies, which amounted to \$319 million at December 31, 2016 compared to \$395 million at December 31, 2015. Note 14 to the consolidated financial statements provides information on the debt of operating companies held by Onex.

Related party transaction with Celestica

In July 2015, Celestica entered into an agreement of purchase and sale to sell certain of its real property to a special-purpose entity to be formed by a consortium of three real estate developers (the "Property Purchaser") for approximately \$101 million (C\$137 million), exclusive of taxes and subject to adjustment. The proceeds to Celestica consist of a C\$15 million deposit that was received upon execution of the agreement, C\$54 million upon closing and C\$68 million in the form of an interest-free, first-ranking mortgage having a term of two years from the closing date. The transaction is subject to various conditions, including municipal approvals, and is currently expected to close within approximately two years from the execution date of the purchase and sale agreement.

Approximately 30 percent of the interests in the Property Purchaser are to be held by a private entity in which Mr. Gerald W. Schwartz, who is Onex' controlling shareholder and a director of Celestica (until December 31, 2016), has a material interest. Mr. Schwartz also has a non-voting interest in an entity which is to have an approximate 25 percent interest in the Property Purchaser. Celestica formed a Special Committee, consisting solely of independent directors, to review and supervise the competitive bidding process. The bid of the Property Purchaser was approved by Celestica's board of directors, at a meeting at which Mr. Schwartz was not present, based on the unanimous recommendation of the Special Committee. Onex, the parent company, is not participating in this transaction.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Chief Executive Officer and the Chief Financial Officer have designed, or caused to be designed under their supervision, internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Chief Executive Officer and the Chief Financial Officer have also designed, or caused to be designed under their supervision, disclosure controls and procedures to provide reasonable assurance that information required to be disclosed by the Company in its corporate filings has been recorded, processed, summarized and reported within the time periods specified in securities legislation.

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that its objectives are met. Due to inherent limitations in all such systems, no evaluations of controls can provide absolute assurance that all control issues, if any, within a company have been detected. Accordingly, our internal controls over financial reporting and disclosure controls and procedures are effective in providing reasonable, not absolute, assurance that the objectives of our control systems have been met.

Limitation on scope of design

Management has limited the scope of the design of internal controls over financial reporting and disclosure controls and procedures to exclude the controls, policies and procedures of Clarivate Analytics (acquired in October 2016) and Save-A-Lot (acquired in December 2016), the operating results of which are included in the December 31, 2016 consolidated financial statements of Onex. The scope limitation is in accordance with Section 3.3 of National Instrument 52-109, *Certification of Disclosure in Issuer's Annual and Interim Filings*, which allows an issuer to limit its design of internal controls over financial reporting and disclosure controls and procedures to exclude the controls, policies and procedures of a company acquired not more than 365 days before the end of the financial period to which the certificate relates.

Table 39 shows a summary of the financial information for Clarivate Analytics and Save-A-Lot, which is included in the December 31, 2016 consolidated financial statements of Onex.

TABLE 39	(\$ millions)	Clarivate Analytics	Save-A-Lot
Year ended December 31, 2016			
Revenue		\$ 202	\$ 324
Net loss		\$ 137	\$ 19
As at December 31, 2016			
Current assets		\$ 531	\$ 439
Non-current assets		\$ 3,676	\$ 1,256
Current liabilities		\$ 636	\$ 323
Non-current liabilities		\$ 2,076	\$ 731

RISK MANAGEMENT

This section describes the risks that we believe are material to Onex that could adversely affect Onex' business, financial condition or results of operations. The risks described below are not the only risks that may impact our business. Additional risks not currently known to us or that we currently believe are immaterial may also have a material adverse effect on future business and operations.

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

Managing risk

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

As a general rule, Onex attempts to arrange as many factors as practical to minimize risk without hampering its opportunity to maximize returns. When an acquisition opportunity meets Onex' criteria, for example, typically a fair price is paid for a high-quality business. Onex does not commit all of its capital to a single acquisition and has equity partners with whom it shares the risk of ownership. The Onex Partners and ONCAP Funds streamline Onex' process of sourcing and drawing on commitments from such equity partners.

An acquired company is not burdened with more debt than it can likely sustain, but rather is structured so that it has the financial and operating leeway to maximize long-term growth in value. Finally, Onex invests in financial partnership with management. This strategy not only gives Onex the benefit of experienced managers but is also designed to ensure that an operating company is run entrepreneurially for the benefit of all shareholders.

Onex maintains an active involvement in its operating businesses in the areas of strategic planning, financial structures, and negotiations and acquisitions. In the early stages of ownership, Onex may provide resources for business and strategic planning and financial reporting while an operating business builds these capabilities in-house. In almost all cases, Onex ensures there is oversight of its investment through representation on the acquired company's board of directors. Onex does not get involved in the day-to-day operations of acquired companies.

Operating businesses are encouraged to reduce risk and/or expand opportunity by diversifying their customer bases, broadening their geographic reach or product and service offerings and improving productivity. In certain instances, we may also encourage an operating business to seek additional equity in the public markets in order to continue its growth without eroding its balance sheet. One element of this approach may be to use new equity investment, when financial markets are favourable, to prepay existing debt and absorb related penalties. Some of the strategies and policies to manage business risk at Onex and its operating businesses are discussed in this section.

Business cycles

Diversification by industry and geography is a deliberate strategy at Onex to reduce the risk inherent in business cycles. Onex' practice of owning companies in various industries with differing business cycles reduces the risk of holding a major portion of Onex' assets in just one or two industries. Similarly, the Company's focus on building industry leaders with extensive international operations reduces the financial impact of downturns in specific regions. Onex is well-diversified among various industry segments, with no single industry or business representing more than 11 percent of its capital. The table in note 34 to the consolidated financial statements provides information on the geographic diversification of Onex' consolidated revenues.

Operating liquidity

It is Onex' view that one of the most important things Onex can do to control risk is to maintain a strong parent company with an appropriate level of liquidity. Onex needs to be in a position to support its operating businesses when and if it is appropriate and reasonable for Onex, as an equity owner with paramount duties to act in the best interests of Onex shareholders, to do so. Maintaining sufficient liquidity is important because Onex, as a holding company, generally does not have guaranteed sources of meaningful cash flow other than management fees. The \$150 million in run-rate management fees that are expected to be earned by Onex Partners, ONCAP and Onex Credit in 2017 will be used to substantially offset the costs of running the parent company.

A significant portion of the purchase price for new acquisitions is generally funded with debt provided by third-party lenders. This debt, sourced exclusively on the strength of the acquired company's financial condition and prospects, is debt of the acquired company at closing and is without recourse to Onex, the parent company, or to its other operating companies or partnerships. The foremost consideration, however, in developing a financing structure for an acquisition is identifying the appropriate amount of equity to invest. In Onex' view, this should be the amount of equity that maximizes the risk/reward equation for both shareholders and the acquired company. In other words, it allows the acquired company to not only manage its debt through reasonable business cycles but also to have sufficient financial latitude for the business to vigorously pursue its growth objectives.

While Onex seeks to optimize the risk/reward equation in all acquisitions, there is the risk that the acquired company will not generate sufficient profitability or cash flow to service its debt requirements and/or meet related debt covenants or provide adequate financial flexibility for growth. In such circumstances, additional investment by the equity partners, including Onex, may be appropriate. In severe circumstances, the recovery of Onex' equity and any other investment in that operating company is at risk.

Timeliness of investment commitments

Onex' ability to create value for shareholders is dependent in part on its ability to successfully complete large acquisitions. Our preferred course is to complete acquisitions on an exclusive basis. However, we also participate in large acquisitions through investment bank-led auction processes with multiple potential purchasers. These processes are often very competitive for the large-scale acquisitions that are Onex' primary interest, and the ability to make knowledgeable, timely investment commitments is a key component in successful purchases. In such instances, the vendor often establishes a relatively short time frame for Onex to respond definitively. In order to improve the efficiency of Onex' internal processes on both auction and exclusive acquisition processes, and so reduce the risk of missing out on high-quality acquisition opportunities, Onex has committed pools of capital from limited partner investors with the Onex Partners and ONCAP Funds. As at December 31, 2016, Onex Partners IV had \$1.7 billion of undrawn committed limited partners' capital and ONCAP IV had \$679 million of such undrawn capital. Onex Partners IV uncalled committed limited partner capital has subsequently decreased by \$301 million for the capital called for the pending acquisition of Parkdean Resorts.

In November 2016, ONCAP IV raised \$1.1 billion of committed limited partners' capital, exceeding the \$1.0 billion target. The ability to raise new capital commitments is dependent on the fundraising environment generally and the track record Onex has achieved with the investment and management of prior funds. To date, Onex has a strong track record of investing other investors' capital and most investors in the original Onex Partners and ONCAP Funds have committed to invest in the successor funds that have been established.

Capital commitment risk The limited partners in the Onex Partners and ONCAP Funds comprise a relatively small group of high-quality, primarily institutional, investors. To date, each of these investors has met its commitments on called capital, and Onex has received no indications that any investor will be unable to meet its commitments in the future. While Onex' experience with its limited partners suggests that commitments will be honoured, there is always the risk that a limited partner may not be able to meet its entire commitment over the life of the fund.

Financial risks

In the normal course of business, Onex and its operating companies may face a variety of risks related to financial management. In dealing with these risks, it is a matter of Company policy that neither Onex nor its operating companies engage in speculative derivatives trading or other speculative activities.

Default on known credit As previously noted, new investments generally include a meaningful amount of third-party debt. Those lenders typically require that the acquired company meet ongoing tests of financial performance as defined by the terms of the lending agreement, such as ratios of total debt to operating income (or EBITDA) and the ratio of operating income (or EBITDA) to interest costs. It is Onex' practice to not burden acquired companies with levels of debt that might put at risk their ability to generate sufficient levels of profitability or cash flow to service their debts – and thereby meet their related debt covenants – or which might hamper their flexibility to grow.

Financing risk The continued volatility in the global credit markets has created some unpredictability about whether businesses will be able to obtain new loans. This represents a risk to the ongoing viability of many otherwise healthy businesses whose loans or operating lines of credit are up for renewal in the short term. A significant portion of Onex' operating companies' refinancings will take place in 2019 and thereafter. Table 21 on page 67 of this MD&A provides the aggregate debt maturities for Onex' consolidated operating companies and investments in joint ventures and associates for each of the years up to 2021 and in total thereafter.

Interest rate risk An important element in controlling risk is to manage, to the extent reasonable, the impact of fluctuations in interest rates on the debt of the operating company.

Onex' operating companies generally seek to fix the interest on some of their term debt or otherwise minimize the effect of interest rate increases on a portion of their debt at the time of acquisition. This is achieved by

taking on debt at fixed interest rates or entering into interest rate swap agreements or financial contracts to control the level of interest rate fluctuation on variable rate debt. At December 31, 2016, excluding Onex Credit CLOs, approximately 42 percent (2015 – 45 percent) of Onex' operating companies' long-term debt had a fixed interest rate or the interest rate was effectively fixed by interest rate swap contracts. The risk inherent in such a strategy is that, should interest rates decline, the benefit of such decline may not be obtainable or may only be achieved at the cost of penalties to terminate existing arrangements. There is also the risk that the counterparty on an interest rate swap agreement may not be able to meet its commitments. Guidelines are in place that specify the nature of the financial institutions that operating companies can deal with on interest rate contracts.

The Onex Credit CLOs are exposed to interest rate risk on the debt issued by each CLO as substantially all interest for debt issued by the CLOs is based on a spread over a floating base rate. However, the interest rate risk is largely offset within each CLO by holding investments in debt securities which receive interest based on a spread over the same or similar floating base rate.

Onex, the parent company, has exposure to interest rate risk primarily through its short- and long-term investments managed by third-party investment managers. As interest rates change, the fair values of fixed income investments are inversely impacted. Investments with shorter durations are less impacted by changes in interest rates compared to investments with longer durations. At December 31, 2016, Onex' short- and long-term investments included \$348 million of fixed income securities measured at fair value, which are subject to interest rate risk. These securities had a weighted average duration of 1.3 years. Other factors, including general economic and political conditions, may also affect the value of fixed income securities. These risks are monitored on an ongoing basis and the short- and long-term investments may be repositioned in response to changes in market conditions.

Currency fluctuations The functional currency of Onex, the parent company, and a majority of Onex' operating companies, is the U.S. dollar. Onex' investments in operating companies that have a functional currency other than the U.S. dollar or companies with global operations increase Onex' exposure to changes in many currency exchange rates. In addition, a number of the operating companies conduct business outside the United States and as a result are exposed to currency risk on the portion of business that is not based on the U.S. dollar. Fluctuations in the value of the U.S. dollar relative to these other currencies impact Onex' reported results and consolidated financial position. Onex' operating companies may use currency derivatives in the normal course of business to hedge against adverse fluctuations in key operating currencies, but speculative activity is not permitted. Additionally, where possible, Onex and its operating companies aim to reduce the exposure to foreign currency fluctuations through natural hedges by transacting in local currencies.

Onex and its operating companies have minimal exposure to fluctuations in the value of the U.S. dollar relative to the Canadian dollar.

Onex' results are reported in U.S. dollars, and fluctuations in the value of the U.S. dollar relative to other currencies will have an impact on Onex' reported results and consolidated financial position. During 2016, Onex' equity balance reflected a \$2 million increase in the value of Onex' equity for the translation of its operations with non-U.S. dollar functional currencies (2015 – decrease of \$268 million).

Fair value changes The fair value measurements for investments in joint ventures and associates, Limited Partners' Interests and carried interest are primarily driven by the underlying fair value of the investments in the Onex Partners and ONCAP Funds. A change to a reasonably possible alternative estimate and/or assumption used in the valuation of non-public investments in the Onex Partners and ONCAP Funds could have a significant impact on the fair values calculated for investments in joint ventures and associates, Limited Partners' Interests and carried interest, which would impact both Onex' financial condition and results of operations.

Commodity price risk

Certain Onex operating companies are vulnerable to price fluctuations in major commodities. Individual operating companies may use financial instruments to offset the impact of anticipated changes in commodity prices related to the conduct of their businesses.

In particular, silver is a significant commodity used in Carestream Health's manufacturing of x-ray film. The company's management continually monitors movements and trends in the silver market and enters into collar and forward agreements when considered appropriate to mitigate some of the risk of future price fluctuations, generally for periods of up to a year.

Additionally, resin and aluminum are significant commodities used by SIG. The company generally purchases commodities at spot market prices and actively uses derivative instruments to hedge the exposure in relation to the cost of resin (and its components) and aluminum. Due to this approach, the company has been able to fix the prices one year forward for approximately 90 percent of its expected resin and aluminum purchases, which substantially minimizes the exposure to the price fluctuations of the commodities over that period.

Rod, polymers and synthetic fibres are significant commodities used by WireCo in its manufacturing operations, in addition to certain energy sources, principally electricity, natural gas and propane. The company monitors the cost of raw materials and passes along price increases and decreases accordingly. The company does not enter into commodity contracts to manage the exposure on forecasted purchases of raw materials.

Regulatory risk

Certain of Onex' operating companies and investment advisor affiliates may be subject to extensive government regulations and oversight with respect to their business activities. Failure to comply with applicable regulations, obtain applicable regulatory approvals or maintain those approvals may subject the applicable operating company to civil penalties, suspension or withdrawal of any regulatory approval obtained, injunctions, operating restrictions and criminal prosecutions and penalties, which could, individually or in the aggregate, have a material adverse effect on Onex' consolidated financial position.

Integration of acquired companies

An important aspect of Onex' strategy for value creation is to acquire what we consider to be "platform" companies. Such companies often have distinct competitive advantages in products or services in their respective industries that provide a solid foundation for growth in scale and value. In these instances, Onex works with company management to identify attractive add-on acquisitions that may enable the platform company to achieve its goals more quickly and successfully than by focusing solely on the development and/or diversification of its customer base, which is known as organic growth. Growth by acquisition, however, may carry more risk than organic growth. While as many of these risks as possible are considered in the acquisition planning, operating companies undertaking these acquisitions also face such risks as unknown expenses related to the cost-effective amalgamation of operations, the retention of key personnel and customers, and the future value of goodwill, intangible assets and intellectual property. There are also risk factors associated with the industry and the combined business more generally. Onex works with company management to understand and attempt to mitigate such risks as much as possible.

Dependence on government funding

Some of the revenues of businesses in the U.S. healthcare industry are partially dependent on funding from federal, state and local government agencies, especially those agencies responsible for state Medicaid and Medicare funding. Budgetary pressures, as well as economic, industry, political and other factors, could influence governments to not increase or, in some cases, to decrease appropriations for the services that are offered by Onex' operating subsidiaries, which could reduce their revenues materially. Future revenues may be affected by changes in rate-setting structures, methodologies or interpretations that may be proposed or are under consideration. Ongoing pressure on government appropriations is a normal aspect of business for companies in the U.S. healthcare industry. Productivity improvements and other initiatives are utilized to minimize the effect of possible funding reductions.

Political uncertainty

Recent global political events in a number of countries have resulted in increased uncertainty on aspects of the business, operations or financial affairs of some of the businesses in which Onex is invested. The impact of those events and ongoing or future developments cannot be known or quantified at this time and may or may not have a material effect on Onex' consolidated financial position.

Significant customers

Some of Onex' major acquisitions have been divisions of large companies. As part of these purchases, the acquired company has often continued to supply its former owner through long-term supply arrangements. It has been Onex' policy to encourage its operating companies to quickly diversify their customer bases to the extent practical in order to manage the risk associated with serving a single major customer. Certain Onex operating companies have major customers that represent more than 10 percent of their annual revenues. None of the major customers of the operating companies represents more than 10 percent of Onex' consolidated revenues.

Environmental considerations

Onex has an environmental protection policy that has been adopted by its operating businesses subject to company-specific modifications; many of the operating businesses have also adopted supplemental policies appropriate to their industries or businesses. Senior officers at each of the operating businesses are ultimately responsible for ensuring compliance with these policies. They are required to report annually to their company's board of directors and/or to Onex regarding compliance.

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

Many of the operating businesses are involved in the remediation of particular environmental situations, such as soil contamination. In almost all cases, these situations have occurred prior to Onex' acquisition of those businesses, and the estimated costs of remedial work and related activities are managed either through agreements with the vendor of the company or through provisions established at the time of acquisition. Manufacturing activities carry the inherent risk that changing environmental regulations may identify additional situations requiring capital expenditures or remedial work and associated costs to meet those regulations.

Income taxes

The Company has investments in companies that operate in a number of tax jurisdictions. Onex provides for the tax on undistributed earnings of its subsidiaries that are probable to reverse in the foreseeable future based on the expected future income tax rates that are substantively enacted at the time of the income/gain recognition events. Changes to the expected future income tax rate will affect the provision for future taxes, both in the current year and in respect of prior year amounts that are still outstanding, either positively or negatively, depending on whether rates decrease or increase. Changes to tax legislation or the application of tax legislation may affect the provision for future taxes and the taxation of deferred amounts.

Other contingencies

Onex and its operating companies are or may become parties to legal, product liability and warranty claims arising in the ordinary course of business. The operating companies have recorded liability provisions based on their consideration and analysis of their exposure in respect of such claims. Such provisions are reflected, as appropriate, in Onex' consolidated financial statements. Onex, the parent company, has not currently recorded any further liability provision and we do not believe that the resolution of known claims would reasonably be expected to have a material adverse impact on Onex' consolidated financial position. However, the final outcome with respect to outstanding, pending or future actions cannot be predicted with certainty, and therefore there can be no assurance that their resolution will not have an adverse effect on our consolidated financial position.