# INTERIM CONSOLIDATED BALANCE SHEETS

| *(Unaudited)*<br>*(in millions of U.S. dollars)* | **As at June 30, 2020** | As at December 31, 2019 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | **$ 716** | $ 988 |
| Treasury investments (note 2) | **630** | 306 |
| Management and advisory fees, recoverable fund expenses and other receivables (note 3) | **295** | 332 |
| Corporate investments (including intercompany loans receivable from Onex and the Asset Managers of $4,321 (December 31, 2019 – $4,217), comprising part of the fair value of Investment Holding Companies) (note 4) | **8,944** | 9,450 |
| Other assets (note 6) | **80** | 126 |
| Property and equipment | **170** | 181 |
| Intangible assets (note 10) | **136** | 158 |
| Goodwill (note 10) | **169** | 261 |
| **Total assets** | **11,140** | 11,802 |
| Intercompany loans payable to Investment Holding Companies (note 5) | **(4,321)** | (4,217) |
| **Total assets net of intercompany loans payable to Investment Holding Companies** | **$ 6,819** | $ 7,585 |
| **Other liabilities** | | |
| Accounts payable and accrued liabilities | **$ 27** | $ 39 |
| Accrued compensation | **59** | 109 |
| Stock-based compensation payable (note 6) | **168** | 301 |
| Lease and other liabilities | **121** | 153 |
| **Total other liabilities** | **$ 375** | $ 602 |
| **Net assets** | **$ 6,444** | $ 6,983 |
| **Equity** | | |
| Share capital (note 7) | **$ 334** | $ 342 |
| Retained earnings and accumulated other comprehensive earnings (loss) | **6,110** | 6,641 |
| **Total equity** | **$ 6,444** | $ 6,983 |

These unaudited interim consolidated financial statements should be read in conjunction with the 2019 audited annual consolidated financial statements.

# INTERIM CONSOLIDATED STATEMENTS OF EARNINGS

| *(Unaudited)* *(in millions of U.S. dollars except per share data)* | Three months ended June 30 **2020** | 2019 | Six months ended June 30 **2020** | 2019 |
|---|---|---|---|---|
| **Income** | | | | |
| Net gain (loss) on corporate investments (including an increase in carried interest of $17 and a decrease in carried interest of $45 during the three and six months ended June 30, 2020, respectively (2019 – decrease of $2 and increase of $2)) (note 4) | **$ 682** | $ 293 | **$ (375)** | $ 493 |
| Management and advisory fees (note 8) | **60** | 58 | **121** | 107 |
| Interest and net treasury investment income (note 9) | **12** | 3 | **14** | 7 |
| Reimbursement of expenses from investment funds and operating businesses (note 8) | **4** | 12 | **7** | 12 |
| Other income | **–** | 1 | **1** | 1 |
| **Total income (loss)** | **$ 758** | $ 367 | **$ (232)** | $ 620 |
| **Expenses** | | | | |
| Compensation | **$ (48)** | $ (37) | **$ (94)** | $ (84) |
| Stock-based compensation recovery (expense) (note 6) | **(49)** | (27) | **105** | (35) |
| Amortization of property and equipment, and other intangible assets | **(13)** | (9) | **(28)** | (15) |
| Recoverable expenses from investment funds and operating businesses | **(4)** | (12) | **(7)** | (12) |
| Impairment of goodwill (note 10) | **–** | – | **(85)** | – |
| Acquisition, integration and other expenses | **(16)** | (61) | **(27)** | (70) |
| **Total expenses** | **$ (130)** | $ (146) | **$ (136)** | $ (216) |
| Gain on derecognition of previously consolidated corporate investments (note 1) | **$ –** | $ – | **$ –** | $ 3,719 |
| Reclassification from accumulated other comprehensive loss on derecognition of previously consolidated corporate investments (note 1) | **–** | – | **–** | (170) |
| Net gain on derecognition of previously consolidated corporate investments | **$ –** | $ – | **$ –** | $ 3,549 |
| Earnings (loss) before income taxes | **$ 628** | $ 221 | **$ (368)** | $ 3,953 |
| Recovery of income taxes | **1** | 37 | **–** | 37 |
| **Net earnings (loss)** | **$ 629** | $ 258 | **$ (368)** | $ 3,990 |
| **Net Earnings (Loss) per Subordinate Voting Share of Onex Corporation (note 11)** | | | | |
| Basic | **$ 6.44** | $ 2.58 | **$ (3.72)** | $ 39.96 |
| Diluted | **$ 6.43** | $ 2.58 | **$ (3.72)** | $ 39.95 |

These unaudited interim consolidated financial statements should be read in conjunction with the 2019 audited annual consolidated financial statements.

# INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS

| *(Unaudited)* *(in millions of U.S. dollars)* | Three months ended June 30 **2020** | 2019 | Six months ended June 30 **2020** | 2019 |
|---|---|---|---|---|
| **Net earnings (loss)** | **$ 629** | $ 258 | **$ (368)** | $ 3,990 |
| **Other comprehensive earnings (loss), net of tax** | | | | |
| Items that may be reclassified to net earnings (loss): | | | | |
| Currency translation adjustments | **10** | 11 | **(17)** | 11 |
| Reclassification to net earnings on derecognition of previously consolidated corporate investments | **–** | – | **–** | 170 |
| **Other comprehensive earnings (loss), net of tax** | **$ 10** | $ 11 | **$ (17)** | $ 181 |
| **Total comprehensive earnings (loss)** | **$ 639** | $ 269 | **$ (385)** | $ 4,171 |

These unaudited interim consolidated financial statements should be read in conjunction with the 2019 audited annual consolidated financial statements.

# INTERIM CONSOLIDATED STATEMENTS OF EQUITY

| *(Unaudited)* *(in millions of U.S. dollars except per share data)* | Share Capital (note 7) | Retained Earnings | Accumulated Other Comprehensive Earnings (Loss) | Total Equity Attributable to Equity Holders of Onex Corporation | Non-controlling Interests | Total Equity |
|---|---|---|---|---|---|---|
| **Balance – December 31, 2018** | $ 320 | $ 2,412 | $ (170)[a] | $ 2,562 | $ 3,075 | $ 5,637 |
| Derecognition of previously consolidated corporate investments | – | – | 170 | 170 | (3,075) | (2,905) |
| Dividends declared[b] | – | (14) | – | (14) | – | (14) |
| Repurchase and cancellation of shares (note 7) | (1) | (33) | – | (34) | – | (34) |
| Equity issued in connection with the acquisition of Gluskin Sheff | 21 | – | – | 21 | – | 21 |
| Net earnings | – | 3,990 | – | 3,990 | – | 3,990 |
| Currency translation adjustments included in other comprehensive earnings | – | – | 11 | 11 | – | 11 |
| **Balance – June 30, 2019** | $ 340 | $ 6,355 | $ 11[c] | $ 6,706 | $ – | $ 6,706 |
| **Balance – December 31, 2019** | $ 342 | $ 6,627 | $ 14[d] | $ 6,983 | $ – | $ 6,983 |
| Dividends declared[b] | **–** | **(14)** | **–** | **(14)** | **–** | **(14)** |
| Repurchase and cancellation of shares (note 7) | **(8)** | **(132)** | **–** | **(140)** | **–** | **(140)** |
| Net loss | **–** | **(368)** | **–** | **(368)** | **–** | **(368)** |
| Currency translation adjustments included in other comprehensive loss | **–** | **–** | **(17)** | **(17)** | **–** | **(17)** |
| **Balance – June 30, 2020** | **$ 334** | **$ 6,113** | **$ (3)[e]** | **$ 6,444** | **$ –** | **$ 6,444** |

(a) Accumulated other comprehensive loss as at December 31, 2018 consisted of currency translation adjustments of negative $156 and unrealized losses on the effective portion of cash flow hedges of $14. Accumulated other comprehensive loss as at December 31, 2018 included $2 of net losses related to discontinued operations. Income taxes did not have a significant effect on these items.

(b) Dividends declared per Subordinate Voting Share were C$0.20 for the six months ended June 30, 2020 (2019 – C$0.1875). During 2019, shares issued under the dividend reinvestment plan amounted to less than $1. There are no tax effects for Onex on the declaration or payment of dividends.

(c) Accumulated other comprehensive income as at June 30, 2019 consisted of currency translation adjustments of positive $11.

(d) Accumulated other comprehensive income as at December 31, 2019 consisted of currency translation adjustments of positive $14. Income taxes did not have a significant effect on this item.

(e) Accumulated other comprehensive loss as at June 30, 2020 consisted of currency translation adjustments of negative $3. Income taxes did not have a significant effect on this item.

These unaudited interim consolidated financial statements should be read in conjunction with the 2019 audited annual consolidated financial statements.

# INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

| *(Unaudited)* *(in millions of U.S. dollars)* | Six months ended June 30 **2020** | 2019 |
|---|---|---|
| **Operating Activities** | | |
| Net earnings (loss) | **$ (368)** | $ 3,990 |
| Adjustments to net earnings (loss): | | |
| Recovery of income taxes | **–** | (37) |
| Interest and net treasury investment income | **(14)** | (7) |
| Interest expense | **1** | 1 |
| Earnings (loss) before interest and provision for income taxes | **(381)** | 3,947 |
| Cash taxes received (paid) | **1** | (1) |
| Investments made in and loans made to Investment Holding Companies | **(317)** | (18) |
| Distributions and loan repayments received from Investment Holdings Companies | **448** | 141 |
| Items not affecting cash and cash equivalents: | | |
| Amortization of property and equipment, and other intangible assets | **28** | 15 |
| Net loss (gain) on corporate investments (note 4) | **375** | (493) |
| Stock-based compensation (note 6) | **(113)** | 14 |
| Impairment of goodwill (note 10) | **85** | – |
| Gain on derecognition of previously consolidated corporate investments (note 1) | **–** | (3,719) |
| Reclassification from accumulated other comprehensive loss on derecognition of previously consolidated corporate investments (note 1) | **–** | 170 |
| Foreign exchange gain (loss) | **(1)** | 2 |
| Expense related to future Onex Credit asset manager distributions | **–** | 41 |
| Other | **–** | 2 |
| | **125** | 101 |
| Changes in non-cash working capital items: | | |
| Management and advisory fees, recoverable fund expenses and other receivables | **28** | (9) |
| Other assets | **(2)** | (2) |
| Accounts payable, accrued liabilities and other liabilities | **(6)** | (8) |
| Accrued compensation | **(50)** | (14) |
| Decrease in cash and cash equivalents due to changes in non-cash working capital items | **(30)** | (33) |
| Cash provided by operating activities | **$ 95** | $ 68 |
| **Financing Activities** | | |
| Cash dividends paid | **$ (15)** | $ (13) |
| Principal elements of lease payments | **(4)** | (4) |
| Cash interest paid | **(1)** | – |
| Repurchase of share capital of Onex Corporation | **(139)** | (36) |
| Issuance of loans from Investment Holding Companies | **157** | 119 |
| Repayment of loans to Investment Holding Companies | **(53)** | (70) |
| Cash used in financing activities | **$ (55)** | $ (4) |
| **Investing Activities** | | |
| Net sale (purchase) of treasury investments | **$ (315)** | $ 145 |
| Cash interest received | **6** | 7 |
| Purchases of property and equipment | **(1)** | (2) |
| Acquisition of Gluskin Sheff, net of cash and cash equivalents acquired of $11 | **–** | (297) |
| Decrease due to other investing activities | **–** | (1) |
| Cash used in investing activities | **$ (310)** | $ (148) |
| **Decrease in Cash and Cash Equivalents** | **$ (270)** | $ (84) |
| Decrease in cash due to the derecognition of previously consolidated corporate investments, including cash from discontinued operations | **–** | (2,169) |
| Decrease in cash due to changes in foreign exchange rates | **(2)** | (3) |
| Cash and cash equivalents, beginning of the period – continuing operations | **988** | 2,680 |
| Cash and cash equivalents, beginning of the period – discontinued operations | **–** | 27 |
| **Cash and Cash Equivalents** | **$ 716** | $ 451 |

These unaudited interim consolidated financial statements should be read in conjunction with the 2019 audited annual consolidated financial statements.

# NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

*(Unaudited) (in millions of U.S. dollars except per share data)*

Onex Corporation and its wholly-owned subsidiaries manage capital invested and committed by investors from around the world and invest shareholder capital primarily in private equity and non-investment grade credit strategies.

Onex invests in its two private equity platforms: Onex Partners for larger transactions and ONCAP for middle-market and smaller transactions. Onex is currently investing through Onex Partners V, a $7,150 fund raised in November 2017, and ONCAP IV, a $1,107 fund raised in November 2016.

Onex also invests in Onex Credit strategies, which consist of non-investment grade debt in collateralized loan obligations, direct lending and other credit strategies.

Throughout these statements, the terms "Onex" and the "Company" refer to Onex Corporation, the ultimate parent company.

Onex is a Canadian corporation domiciled in Canada and listed on the Toronto Stock Exchange under the symbol ONEX. Onex' shares are traded in Canadian dollars. The registered address for Onex is 161 Bay Street, Toronto, Ontario. Mr. Gerald W. Schwartz controls Onex through his ownership of all of the outstanding Multiple Voting Shares of the corporation. Mr. Schwartz also indirectly held 12% of the outstanding Subordinate Voting Shares of Onex at June 30, 2020.

All amounts included in the notes to the unaudited interim consolidated financial statements are in millions of U.S. dollars unless otherwise noted.

The unaudited interim consolidated financial statements were authorized for issue by the Audit and Corporate Governance Committee on August 5, 2020.

## 1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

### STATEMENT OF COMPLIANCE

The unaudited interim consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, using accounting policies consistent with International Financial Reporting Standards ("IFRS") and its interpretations adopted by the International Accounting Standards Board ("IASB"). Accordingly, certain information and note disclosures normally included in annual financial statements prepared in accordance with IFRS have been omitted or condensed. These unaudited interim consolidated financial statements were prepared on a going concern basis.

The U.S. dollar is Onex' functional currency and the financial statements have been reported on a U.S. dollar basis.

### BASIS OF PRESENTATION

Throughout the notes to the unaudited interim consolidated financial statements, **investments** and **investing activity** of Onex' capital primarily relate to its private equity funds, credit strategies and certain investments held outside the private equity funds and credit strategies. These investments are held directly or indirectly through wholly-owned subsidiaries of Onex, which are referred to as **Investment Holding Companies**. While there are a number of Investment Holding Companies, substantially all of these companies consist of direct or indirect subsidiaries of Onex Private Equity Holdings LLC, Onex CLO Holdings LLC or Onex Credit Holdings LLC. These three companies, which are referred to as the **Primary Investment Holding Companies**, are the holding companies for substantially all of Onex' investments, excluding intercompany loans receivable from Onex and the Asset Managers, as defined below. The Primary Investment Holding Companies were formed in the United States.

**Asset management** refers to the activity of managing capital in Onex' private equity funds, private credit strategies, public debt strategies and public equity strategies. This activity is conducted through wholly-owned subsidiaries of Onex, which are the managers of the Onex Partners Funds, ONCAP Funds, Onex Credit strategies and the Gluskin Sheff + Associates Inc. ("Gluskin Sheff") strategies. These subsidiaries are referred to as Onex' **Asset Managers** and are consolidated by Onex.

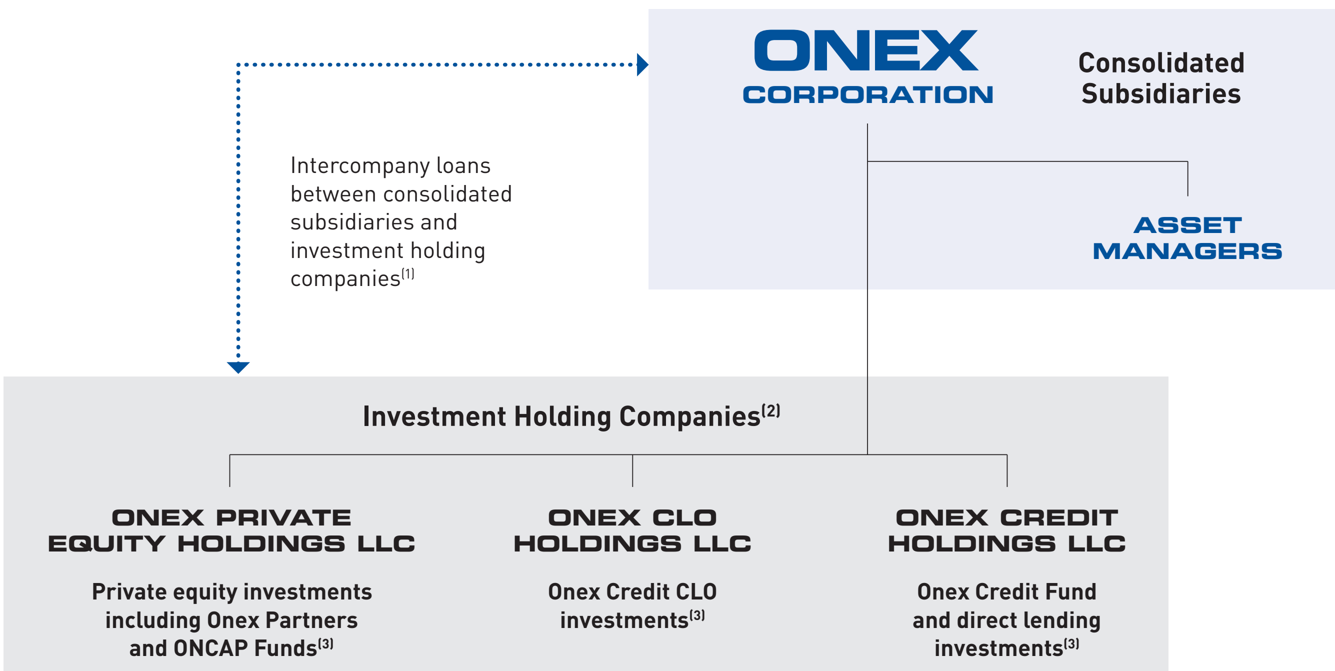
References to the Onex management team include the management of Onex, Onex Partners, ONCAP, Onex Credit and Gluskin Sheff. References to management without the use of "team" include only the relevant group. References to an Onex Partners Group represent Onex, the limited partners of the relevant Onex Partners Fund, the Onex management team and, where applicable, certain other limited partners as co-investors. References to an ONCAP Group represent Onex, the limited partners of the relevant ONCAP Fund, the Onex management team and, where applicable, certain other limited partners as co-investors.

Onex meets the definition of an investment entity, as defined by IFRS 10, *Consolidated financial statements* ("IFRS 10"). As a result, Onex' investments in its subsidiaries that do not provide investment-related services are accounted for as corporate investments at fair value through net earnings (loss). On January 1, 2019, Onex recognized a net gain on the transition to investment entity status, as described in note 1 to the 2019 audited annual consolidated financial statements.

The Company has also performed an assessment to determine which of its subsidiaries are investment entities, as defined under IFRS 10. When performing this assessment, the Company considered the subsidiaries' current business purpose along with the business purpose of the subsidiaries' direct and indirect investments. The Company has concluded that the Primary Investment Holding Companies meet the definition of an investment entity.

Throughout these unaudited interim consolidated financial statements, wholly-owned subsidiaries of Onex that are recognized at fair value are referred to as Investment Holding Companies. Investment Holding Companies include subsidiaries determined to be investment entities under IFRS 10, and all other subsidiaries that do not provide investment-related services and are not investment entities.

The simplified diagram below illustrates the types of subsidiaries included within Onex' corporate structure and the basis on which they are accounted for.




(1) Onex Corporation and the consolidated asset management subsidiaries enter into intercompany loans that, in aggregate, have no net effect on Onex' financial position. Intercompany loans payable by Onex and the consolidated subsidiaries to the Investment Holding Companies are recognized as liabilities in the unaudited interim consolidated balance sheets, with the corresponding loans receivable classified as an asset within corporate investments in the unaudited interim consolidated balance sheets.

(2) Onex' investments in the Investment Holding Companies are recorded as corporate investments at fair value through net earnings (loss).

(3) Onex' investments in private equity, direct lending, CLOs and Onex Credit Funds are typically held directly or indirectly through wholly-owned investment holding companies, which are subsidiaries of the Primary Investment Holding Companies identified above.

## SIGNIFICANT ACCOUNTING POLICIES

The disclosures contained in these unaudited interim consolidated financial statements do not include all the requirements of IFRS for annual financial statements. The unaudited interim consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements for the year ended December 31, 2019.

The unaudited interim consolidated financial statements are based on accounting policies, as described in note 1 to the 2019 audited annual consolidated financial statements. Several amendments and interpretations of IFRS apply for the first time in 2020; however, these items do not have an impact on the unaudited interim consolidated financial statements of the Company.

### Use of judgements and estimates

In addition to the use of judgements and estimates outlined in note 1 to the 2019 audited annual financial statements, the Company also exercised significant judgement when evaluating the impact of the 2019 novel coronavirus disease ("COVID-19") on the fair value of its corporate investments and when testing goodwill and intangible assets for impairment, as described in the following section.

#### *Impact of COVID-19 on significant estimates*

During March 2020, the World Health Organization characterized COVID-19 as a pandemic. COVID-19 has had a material adverse impact on global economies, including economies that the underlying private equity operating businesses operate in, as well as global credit markets. As a result of COVID-19, the fair value estimates of the Company's private equity investments were impacted as follows:

- higher weightings were given to valuation approaches that reflected more current market information;
- cash flow forecasts used in discounted cash flow valuation models were updated to reflect the known and expected impacts of COVID-19, which resulted in an overall reduction in expected future cash flows; and
- risk premiums implied by equity and credit markets due to the uncertainty surrounding the long-term impacts of COVID-19 were considered.

As a result of the above impacts, certain private equity investments held by the Company reflected significant fair value declines.

Determining the impact of COVID-19 on the valuation of the Company's corporate investments and the recoverable amount of the Company's goodwill and intangible assets required significant judgement given the amount of uncertainty regarding the long-term impact of COVID-19. The ultimate impact of COVID-19 on the financial results of the Company will depend on future developments, including the duration and spread of the pandemic and related advisories and restrictions. These developments and the impact of COVID-19 on the financial markets and the overall economy are highly uncertain and are difficult to predict. If the financial markets and/or the overall economy are impacted for a period significantly longer than currently implied by the markets, the financial results of the Company, including the fair value of its corporate investments, may be materially adversely affected.

## 2. TREASURY INVESTMENTS

Treasury investments comprised the following:

| | June 30, 2020 | December 31, 2019 |
|---|---|---|
| Commercial paper and corporate obligations | $ 399 | $ 207 |
| Federal and provincial debt instruments | 192 | 82 |
| Other | 39 | 17 |
| Total treasury investments | $ 630 | $ 306 |

## 3. MANAGEMENT AND ADVISORY FEES, RECOVERABLE FUND EXPENSES AND OTHER RECEIVABLES

The Company's receivables comprised the following:

| | June 30, 2020 | December 31, 2019 |
|---|---|---|
| Management and advisory fees | $ 209 | $ 205 |
| Recoverable fund and operating businesses' expenses | 75 | 82 |
| Performance fees | – | 20 |
| Other | 11 | 25 |
| Total | $ 295 | $ 332 |

Management and advisory fees receivable primarily consisted of management fees receivable of $192 (December 31, 2019 – $190) from the Onex Partners and ONCAP Funds. Onex has elected to defer cash receipt of management fees from certain funds until the later stages of each fund's life. At June 30, 2020, the receivable for management and advisory fees primarily related to fees due from Onex Partners IV.

## 4. CORPORATE INVESTMENTS

The Company's interests in its Investment Holding Companies are recorded at fair value through net earnings (loss). The Investment Holding Companies directly or indirectly invest the Company's capital in the Onex Partners Funds, ONCAP Funds, Onex Credit strategies and other investments. The Company's corporate investments comprised the following amounts at June 30, 2020:

| | December 31, 2019 | Capital Deployed | Realizations and Distributions | Change in Fair Value | June 30, 2020 | Change in Fair Value During the Three Months Ended June 30, 2020 |
|---|---|---|---|---|---|---|
| Onex Partners Funds | $ 2,999 | $ 82 | $ (385) | $ (244) | $ 2,452 | $ 270 |
| ONCAP Funds | 501 | 4 | (1) | (19) | 485 | 79 |
| Other private equity | 421 | 31 | (19) | 66 | 499 | 106 |
| Carried interest | 66 | n/a | – | (45) | 21 | 17 |
| Total private equity investments[a] | 3,987 | 117 | (405) | (242) | 3,457 | 472 |
| Onex Credit Strategies[b] | 746 | 241 | (197) | (114) | 676 | 209 |
| Real estate[c] | 90 | – | (15) | (11) | 64 | – |
| Other net assets[d] | 410 | (198) | 222 | (8) | 426 | 1 |
| Total corporate investments excluding intercompany loans | 5,233 | 160 | (395) | (375) | 4,623 | 682 |
| Intercompany loans receivable from Onex and the Asset Managers[e] | 4,217 | 157 | (53) | – | 4,321 | – |
| Intercompany loans payable to Onex and the Asset Managers[f] | (714) | (15) | 300 | – | (429) | – |
| Intercompany loans receivable from Investment Holding Companies[f] | 714 | 15 | (300) | – | 429 | – |
| Total corporate investments | $ 9,450 | $ 317 | $ (448) | $ (375) | $ 8,944 | $ 682 |

### a) Private equity investments

The Company's private equity investments comprised the following:

| | December 31, 2019 | Capital Deployed | Realizations and Distributions | Change in Fair Value | June 30, 2020 | Change in Fair Value During the Three Months Ended June 30, 2020 |
|---|---|---|---|---|---|---|
| **Onex Partners Funds** | | | | | | |
| Onex Partners I | $ 1 | $ – | $ – | $ – | $ 1 | $ – |
| Onex Partners II | 84 | – | – | (23) | 61 | (4) |
| Onex Partners III | 554 | – | (2) | (196) | 356 | 57 |
| Onex Partners IV | 2,087 | 10 | (383) | 50 | 1,764 | 200 |
| Onex Partners V | 463 | 72 | – | (60) | 475 | 51 |
| Management incentive programs | (190) | n/a | – | (15) | (205) | (34) |
| **Total investment in Onex Partners Funds[i]** | 2,999 | 82 | (385) | (244) | 2,452 | 270 |
| **ONCAP Funds** | | | | | | |
| ONCAP II | 106 | – | (1) | (31) | 74 | 4 |
| ONCAP III | 184 | – | – | 12 | 196 | 38 |
| ONCAP IV | 248 | 4 | – | (3) | 249 | 50 |
| Management incentive programs | (37) | n/a | – | 3 | (34) | (13) |
| **Total investment in ONCAP Funds[ii]** | 501 | 4 | (1) | (19) | 485 | 79 |
| **Other private equity investments[iii]** | 421 | 31 | (19) | 66 | 499 | 106 |
| **Carried interest[iv]** | 66 | n/a | – | (45) | 21 | 17 |
| **Total private equity investments** | $ 3,987 | $ 117 | $ (405) | $ (242) | $ 3,457 | $ 472 |

*i) Onex Partners Funds*

At June 30, 2020, the Onex Partners Funds had investments in 18 operating businesses in various industry sectors and countries. Onex' investments in the Onex Partners Funds include co-investments, where applicable.

In March 2020, the Onex Partners IV Group sold approximately 37.5 million shares of SIG Combibloc Group AG ("SIG") at a price of CHF 14.20 per share. SIG is a systems and solutions provider for aseptic carton packaging. Onex' combined share of the net proceeds from the Onex Partners IV Group was CHF 187 ($202). At June 30, 2020, Onex' economic and voting interest in SIG was 7% and 20%, respectively.

In April 2020, the Onex Partners IV Group received a dividend from SIG, of which Onex' share was CHF 9 ($9).

In June 2020, the Onex Partners IV Group sold approximately 20.8 million ordinary shares of Clarivate Analytics Plc ("Clarivate Analytics") at a price of $22.50 per share. Clarivate Analytics is a global analytics provider. Onex' share of the net proceeds from the Onex Partners IV Group was $171. At June 30, 2020, Onex' economic and voting interest in Clarivate Analytics was 7% and 19%, respectively.

In June 2020, Onex invested $72 in Onex Partners V as part of the fund's investment in preferred shares of Emerald Holding, Inc. ("Emerald"). Emerald is an operator of large business-to-business trade shows in the United States across several end markets.

*ii) ONCAP Funds*

At June 30, 2020, the ONCAP Funds had investments in 16 operating businesses headquartered in North America. Onex' investments in the ONCAP Funds include co-investments, where applicable.

During the six months ended June 30, 2020, there were no significant transactions related to Onex' investments in the ONCAP Funds.

*iii) Other private equity investments*

Other private equity investments primarily consist of Onex' investments in Celestica and Ryan Specialty Group ("RSG"). During the six months ended June 30, 2020, Onex entered into an agreement to invest up to an additional $125 in preferred shares of RSG, as described in note 15.

*iv) Carried interest*

Unrealized carried interest is calculated based on the current fair values of the Funds and the overall realized and unrealized gains in each Fund in accordance with its limited partnership agreements. At June 30, 2020, carried interest included an unrealized carried interest liability to the limited partners of Onex Partners III based on the June 30, 2020 value of unrealized investments in the Fund. The amount of carried interest received that may be repaid to limited partners, if any, will depend upon the value of future realizations in Onex Partners III.

### b) Onex Credit strategies

The Company's investment in Onex Credit strategies comprised the following:

| | December 31, 2019 | Capital Deployed | Realizations and Distributions | Change in Fair Value | June 30, 2020 | Change in Fair Value During the Three Months Ended June 30, 2020 |
|---|---|---|---|---|---|---|
| **Onex Credit Strategies** | | | | | | |
| U.S. CLOs | $ 340 | **$ 70** | **$ (39)** | **$ (70)** | **$ 301** | **$ 71** |
| EURO CLOs | 92 | **35** | **(7)** | **(24)** | **96** | **36** |
| CLO warehouses | 52 | **92** | **(149)** | **5** | **–** | **68** |
| Direct lending | 73 | **11** | **(2)** | **(15)** | **67** | **16** |
| Senior loan strategies | 187 | **–** | **–** | **(12)** | **175** | **16** |
| Opportunistic and special situation strategies | 2 | **33** | **–** | **2** | **37** | **2** |
| **Total investment in Onex Credit Strategies** | $ 746 | **$ 241** | **$ (197)** | **$ (114)** | **$ 676** | **$ 209** |

During the second quarter of 2020, Onex closed its eighteenth U.S. collateralized loan obligation ("CLO-18"), investing a net $41 for all of the most subordinated capital of CLO-18. On closing, Onex received $68 plus interest for the investment that supported the warehouse facility for CLO-18.

In June 2020, Onex closed its nineteenth U.S. collateralized loan obligation ("CLO-19"), investing $21 for approximately 65% of the most subordinated capital of CLO-19. On closing, Onex received $10 plus interest for the investment that supported the warehouse facility for CLO-19.

In June 2020, Onex closed its fourth European collateralized loan obligation ("EURO CLO-4"), investing €31 ($35) for all of the most subordinated capital of EURO CLO-4. On closing, Onex received €59 ($66) plus interest for the investment that supported the warehouse facility for EURO CLO-4.

During the six months ended June 30, 2020, Onex made investments in direct lending totalling $11.

During the second quarter of 2020, Onex Credit completed the first close for the Onex Senior Loan Opportunity Fund, as described in note 15, which invests primarily in North American and European first-lien, senior-secured loans, second-lien loans and other debt investments having similar characteristics. During the three months ended June 30, 2020, Onex invested a total of $8 in the Onex Senior Loan Opportunity Fund, in addition to $25 invested in a separately managed account which follows a similar strategy as the Onex Senior Loan Opportunity Fund.

During the six months ended June 30, 2020, Onex received distributions of $38 from CLO investments and a $2 distribution from OCLP I.

### c) Real estate

Onex' investment in real estate is comprised of an investment in Flushing Town Center, a commercial and residential complex located in Flushing, New York. During the six months ended June 30, 2020, Onex received distributions of $15 from Flushing Town Center, which were funded by the sale of residential condominium units and the receipt of investment-related tax credits.

### d) Other net assets

Other net assets consist of assets and liabilities of the Investment Holding Companies, excluding investments in private equity, Onex Credit strategies, real estate and intercompany loans receivable from and payable to Onex and the Asset Managers. The non-investment related assets and liabilities comprised the following:

| | **June 30, 2020** | December 31, 2019 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | **$ 88** | $ 306 |
| Treasury investments | **298** | 89 |
| Receivables | **391** | 142 |
| Other assets[i] | **69** | 46 |
| **Total assets** | **$ 846** | $ 583 |
| **Liabilities** | | |
| Accounts payable and accrued liabilities | **$ 390** | $ 149 |
| Other liabilities | **30** | 24 |
| **Total liabilities** | **$ 420** | $ 173 |
| **Net assets** | **$ 426** | $ 410 |

(i) Other assets include $22 (December 31, 2019 – $22) of restricted cash and cash equivalents for which the Company can readily remove the external restriction and a loan receivable totalling $23 (December 31, 2019 – nil) from the Onex Partners IV Fund, which was repaid to Onex in July 2020.

Treasury investments held by the Investment Holding Companies comprised the following:

| | **June 30, 2020** | December 31, 2019 |
|---|---|---|
| Federal and provincial debt instruments | **$ 160** | $ 35 |
| Commercial paper and corporate obligation | **117** | 43 |
| Other | **21** | 11 |
| Total treasury investments | **$ 298** | $ 89 |

### e) Intercompany loans receivable from Onex and the Asset Managers

The Investment Holding Companies have advanced intercompany loans to Onex and the Asset Managers. The intercompany loans receivable from Onex and the Asset Managers of $4,321 (December 31, 2019 – $4,217) form part of Onex' net investment in the Investment Holding Companies, which is recorded at fair value through net earnings (loss). These intercompany loans receivable are the same loans presented as intercompany loans payable to the Investment Holding Companies in the unaudited interim consolidated balance sheets, which total $4,321 (December 31, 2019 – $4,217) and are described in note 5. There is no impact on net assets or net earnings (loss) from these intercompany loans.

### f) Intercompany loans payable to Onex and the Asset Managers and intercompany loans receivable from Investment Holding Companies

At June 30, 2020, Onex and the Asset Managers have advanced intercompany loans to the Investment Holding Companies totalling $429 (December 31, 2019 – $714). The corresponding intercompany loans payable to Onex and the Asset Managers, which total $429 (December 31, 2019 – $714), form part of Onex' net investment in the Investment Holding Companies, which is recorded at fair value through net earnings (loss). There is no impact on net assets or net earnings from these intercompany loans.

## 5. INTERCOMPANY LOANS PAYABLE TO INVESTMENT HOLDING COMPANIES

Onex and the Asset Managers have intercompany loans payable to the Investment Holding Companies. The loans are primarily due on demand and are non-interest bearing. At June 30, 2020, intercompany loans payable to the Investment Holding Companies totalled $4,321 (December 31, 2019 – $4,217) and the corresponding receivable of $4,321 (December 31, 2019 – $4,217) was included in the fair value of the Investment Holding Companies within corporate investments (note 4). There is no impact on net assets or net earnings (loss) from these intercompany loans.

## 6. STOCK-BASED COMPENSATION PAYABLE

Stock-based compensation payable comprised the following:

| | June 30, 2020 | December 31, 2019 |
|---|---|---|
| Stock Option Plan | $ 101 | $ 212 |
| Director DSU Plan | 34 | 44 |
| Management DSU Plan | 33 | 45 |
| Total stock-based compensation payable | $ 168 | $ 301 |

Included in other assets is $61 (December 31, 2019 – $82) related to forward agreements to economically hedge the Company's exposure to changes in the trading price of Onex shares associated with the Management and Director DSU plans.

The decline in stock-based compensation payable at June 30, 2020 was primarily driven by a 25% decrease in the market value of Onex' SVS to C$61.33 at June 30, 2020 from C$82.17 at December 31, 2019. The decrease in the market value of Onex' SVS similarly contributed to the stock-based compensation recovery recognized during the six months ended June 30, 2020 of $105 (2019 – expense of $35). During the three months ended June 30, 2020, stock-based compensation expense was $49 (2019 – $27), driven primarily by a 19% increase in the market value of Onex' SVS to C$61.33 at June 30, 2020 from C$51.51 at March 31, 2020.

## 7. SHARE CAPITAL

a) At June 30, 2020, the issued and outstanding share capital consisted of 100,000 Multiple Voting Shares (December 31, 2019 – 100,000) and 96,771,327 SVS (December 31, 2019 – 100,063,143). The Multiple Voting Shares have a nominal paid-in value in these unaudited interim consolidated financial statements.

There were no issued and outstanding Senior and Junior Preferred shares at June 30, 2020 or December 31, 2019.

b) During the six months ended June 30, 2019, the Company issued 4,443 SVS under its former Dividend Reinvestment Plan at an average cost of C$76.25 per share. The Company's Dividend Reinvestment Plan was suspended effective September 19, 2019. During the six months ended June 30, 2020 and 2019, no SVS were issued upon the exercise of stock options.

Onex renewed its Normal Course Issuer Bid in April 2020 for one year, permitting the Company to purchase on the Toronto Stock Exchange up to 10% of the public float of its SVS. The 10% limit represents approximately 8.1 million shares.

During the six months ended June 30, 2020, the Company repurchased and cancelled 3,387,416 of its SVS under the Normal Course Issuer Bid for a total cost of $140 (C$194) or an average cost per share of $41.40 (C$57.34). The excess of the purchase cost of these shares over the average paid-in amount was $132 (C$182), which was charged to retained earnings.

During the six months ended June 30, 2019, the Company repurchased and cancelled 629,027 of its SVS under the Normal Course Issuer Bid for a total cost of $34 (C$46) or an average cost per share of $54.80 (C$73.59). The excess of the purchase cost of these shares over the average paid-in amount was $33 (C$44), which was charged to retained earnings.

c) During the six months ended June 30, 2020, the total cash consideration paid on 196,750 options (2019 – 748,917) surrendered was $7 (C$10) (2019 – $19 (C$26)). This amount represents the difference between the market value of the SVS at the time of surrender and the exercise price, both as determined under Onex' Stock Option plan, as described in note 16(e) to the 2019 audited annual consolidated financial statements.

In addition, 75,750 options (2019 – 112,500) expired during the six months ended June 30, 2020. At June 30, 2020, the Company had 13,844,050 options (December 31, 2019 – 14,073,050) outstanding to acquire SVS, of which 721,100 options were vested and exercisable. The exercisable options at June 30, 2020 had a weighted average exercise price of C$37.87.

d) The directors have chosen to receive their directors' fees in DSUs in lieu of cash. During the second quarter of 2020, a grant of 10,842 DSUs was issued to the directors, representing 25% of the annual grant. During the second quarter of 2019, an annual grant of 34,014 DSUs was issued to the directors. During the first six months of 2020 and 2019, no DSUs were redeemed. At June 30, 2020, 724,087 Director DSUs were outstanding (December 31, 2019 – 702,857).

Certain members of the Onex management team have chosen in prior years to apply a portion of their annual compensation earned to acquire DSUs based on the market value of Onex shares at the time. In early 2020, 58,770 DSUs (2019 – 14,472) were issued to certain members of the Onex management team in lieu of a portion of cash compensation for the prior fiscal year. At June 30, 2020, 767,916 Management DSUs were outstanding (December 31, 2019 – 707,048).

The Company has entered into forward agreements with a counterparty financial institution to hedge the Company's exposure to changes in the market value of Onex' SVS associated with 81% of the outstanding Director DSUs and all of the outstanding Management DSUs, as described in note 1 to the 2019 audited annual consolidated financial statements. The forward agreements, which have a fair value of $61 at June 30, 2020, are included within other assets.

## 8. REVENUES

The Company generates revenues from the provision of asset management and advisory services, which were recognized over time from the following sources:

| Management and Advisory Fees | Three Months Ended June 30, 2020 | Three Months Ended June 30, 2019 | Six Months Ended June 30, 2020 | Six Months Ended June 30, 2019 |
|---|---|---|---|---|
| **Source of revenues** | | | | |
| Onex Partners Funds(i) | $ 28 | $ 35 | $ 56 | $ 67 |
| Onex Credit Strategies | 13 | 13 | 26 | 25 |
| Public Debt Strategies(ii) | 9 | 4 | 19 | 4 |
| Public Equity Strategies(ii) | 6 | 3 | 12 | 3 |
| ONCAP Funds(iii) | 4 | 3 | 8 | 8 |
| Total | $ 60 | $ 58 | $ 121 | $ 107 |

(i) Includes advisory fees from Onex Partners operating businesses.

(ii) Includes management fees earned from the Gluskin Sheff strategies since June 2019, when Onex acquired the company.

(iii) Includes advisory fees from ONCAP operating businesses.

| Reimbursement of Expenses | Three Months Ended June 30, 2020 | Three Months Ended June 30, 2019 | Six Months Ended June 30, 2020 | Six Months Ended June 30, 2019 |
|---|---|---|---|---|
| **Source of revenues** | | | | |
| Onex Partners Funds(i) | $ 3 | $ 11 | $ 6 | $ 11 |
| Onex Credit Strategies | 1 | – | 1 | – |
| ONCAP Funds(ii) | – | 1 | – | 1 |
| Total | $ 4 | $ 12 | $ 7 | $ 12 |

(i) Includes the reimbursement of expenses from Onex Partners operating businesses.

(ii) Includes the reimbursement of expenses from ONCAP operating businesses.

Management and advisory fees, and the reimbursement of expenses from investment funds and operating businesses, are recognized over time.

In addition, segment income (note 17) includes allocations of $14 and $28 relating to management fees on Onex' capital for the three and six months ended June 30, 2020, respectively (2019 – $15 and $31, respectively). These management fees reduce Onex' investing segment income in the period and are included in Onex' asset and wealth management segment income.

## 9. INTEREST AND NET TREASURY INVESTMENT INCOME

Interest and net treasury investment income recognized by the Company relates to income earned from certain investments recognized at fair value through net earnings (loss).

## 10. IMPAIRMENT OF GOODWILL

As at June 30, 2020, management concluded that there were no conditions present which would indicate that goodwill and intangible assets associated with the acquisitions of Gluskin Sheff and Onex Credit were impaired.

Management concluded that as at March 31, 2020, conditions existed which may indicate that goodwill and intangible assets associated with the acquisitions of Gluskin Sheff and Onex Credit were impaired as a result of the market volatility and economic disruption which occurred during March 2020 in connection with the COVID-19 pandemic, as described in note 1. As a result, management tested the goodwill and intangible assets of Gluskin Sheff and Onex Credit for impairment as at March 31, 2020 and recorded a non-cash goodwill impairment charge of C$114 ($85) associated with the goodwill of Gluskin Sheff, measured in accordance with IAS 36, *Impairment of Assets* ("IAS 36"). The impairment was primarily due to the decrease in assets under management as a result of the COVID-19 pandemic, as described in note 1. The impairment for Gluskin Sheff was calculated on a fair value less costs of disposal basis, which resulted in a recoverable amount of C$310 ($219) as at March 31, 2020. The recoverable amount was a Level 3 measurement in the fair value hierarchy due to significant unobservable inputs used in determining the recoverable amount, which was based on a five-year discounted cash flow projection. Significant assumptions included in the discounted cash flow projection were i) a 16.5% discount rate; ii) net growth in assets under management; and iii) a terminal value growth rate of 2.5%. The impact to the goodwill impairment expense during the three months ended March 31, 2020 from changes in the discount rate and terminal value growth rate include the following:

| Significant Unobservable Inputs | Decrease of 1.0 Percentage Points | Increase of 1.0 Percentage Points |
|---|---|---|
| Discount rate | $28 decrease in impairment expense | $23 increase in impairment expense |
| Terminal value growth rate | $14 increase in impairment expense | $17 decrease in impairment expense |

As a result of the impairment charge, goodwill associated with the acquisition of Gluskin Sheff was reduced to a value of C$146 ($107) as at June 30, 2020.

Management determined that the goodwill and intangible assets associated with the acquisition of Onex Credit were not impaired as at March 31, 2020, based on their value in use.

## 11. NET EARNINGS (LOSS) PER SUBORDINATE VOTING SHARE

The weighted average number of SVS for the purpose of the earnings (loss) per share calculations was as follows:

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| Weighted average number of shares outstanding *(in millions)*: | | | | |
| Basic | **98** | 100 | **99** | 100 |
| Diluted | **98** | 100 | **99** | 100 |

## 12. FINANCIAL INSTRUMENTS

Financial assets held by the Company, presented by financial statement line item, were as follows:

| | Fair Value through Net Earnings (Loss) | | | |
|---|---|---|---|---|
| | Recognized | Designated | Amortized Cost | Total |
| **June 30, 2020** | | | | |
| **Assets as per balance sheet** | | | | |
| Cash and cash equivalents | $ 716 | $ – | $ – | $ 716 |
| Treasury investments | 630 | – | – | 630 |
| Management and advisory fees, recoverable fund expenses and other receivables | – | – | 295 | 295 |
| Corporate investments | 8,515 | 429 | – | 8,944 |
| Other assets | 73 | – | – | 73 |
| **Total** | $ 9,934 | $ 429 | $ 295[i] | $ 10,658 |

(i) The carrying value of financial assets at amortized cost approximates their fair value.

| | Fair Value through Net Earnings (Loss) | | | |
|---|---|---|---|---|
| | Recognized | Designated | Amortized Cost | Total |
| **December 31, 2019** | | | | |
| **Assets as per balance sheet** | | | | |
| Cash and cash equivalents | $ 988 | $ – | $ – | $ 988 |
| Treasury investments | 306 | – | – | 306 |
| Management and advisory fees, recoverable fund expenses and other receivables | – | – | 332 | 332 |
| Corporate investments | 8,736 | 714 | – | 9,450 |
| Other assets | 116 | – | – | 116 |
| **Total** | $ 10,146 | $ 714 | $ 332[i] | $ 11,192 |

(i) The carrying value of financial assets at amortized cost approximates their fair value.

Financial liabilities held by the Company, presented by financial statement line item, were as follows:

| | Fair Value through Net Earnings (Loss) – Designated | Amortized Cost | Total |
|---|---|---|---|
| **June 30, 2020** | | | |
| **Liabilities as per balance sheet** | | | |
| Intercompany loans payable to Investment Holding Companies | **$ 4,321** | **$ –** | **$ 4,321** |
| Accounts payable and accrued liabilities | **–** | **27** | **27** |
| Lease liabilities | **–** | **68** | **68** |
| Other liabilities | **–** | **5** | **5** |
| **Total** | **$ 4,321** | **$ 100** | **$ 4,421** |

| | Fair Value through Net Earnings (Loss) – Designated | Amortized Cost | Total |
|---|---|---|---|
| **December 31, 2019** | | | |
| **Liabilities as per balance sheet** | | | |
| Intercompany loans payable to Investment Holding Companies | $ 4,217 | $ – | $ 4,217 |
| Accounts payable and accrued liabilities | – | 39 | 39 |
| Lease liabilities | – | 72 | 72 |
| Other liabilities | – | 27 | 27 |
| **Total** | $ 4,217 | $ 138 | $ 4,355 |

Intercompany loans payable to Investment Holding Companies that are recorded at fair value through net earnings (loss) have contractual amounts due on maturity of $4,321 (December 31, 2019 – $4,217).

## 13. FAIR VALUE MEASUREMENTS

### Fair values of financial instruments

The estimated fair values of financial instruments as at June 30, 2020 and December 31, 2019 are based on relevant market prices and information available at those dates. The carrying values of receivables, accounts payable, accrued liabilities, lease liabilities and other liabilities approximate the fair values of these financial instruments.

Financial instruments measured at fair value are allocated within the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement. Transfers between the three levels of the fair value hierarchy are recognized on the date of the event or change in circumstances that caused the transfer. There were no significant transfers between the three levels of the fair value hierarchy during the six months ended June 30, 2020. The three levels of the fair value hierarchy are as follows:

- Quoted prices in active markets for identical assets (“Level 1”);
- Significant other observable inputs (“Level 2”); and
- Significant other unobservable inputs (“Level 3”).

The allocation of financial assets in the fair value hierarchy, excluding cash and cash equivalents, at June 30, 2020 was as follows:

| | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| Financial assets at fair value through net earnings (loss) | | | | |
| Investments in equities | **$ –** | **$ –** | **$ 8,515** | **$ 8,515** |
| Investments in debt | **–** | **630** | **–** | **630** |
| Intercompany loans receivable from Investment Holding Companies | **–** | **429** | **–** | **429** |
| Restricted cash and other | **9** | **64** | **–** | **73** |
| Total financial assets at fair value through net earnings (loss) | **$ 9** | **$ 1,123** | **$ 8,515** | **$ 9,647** |

The allocation of financial assets in the fair value hierarchy, excluding cash and cash equivalents, at December 31, 2019 was as follows:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets at fair value through net earnings (loss) | | | | |
| Investments in equities | $ – | $ – | $ 8,736 | $ 8,736 |
| Investments in debt | – | 306 | – | 306 |
| Intercompany loans receivable from Investment Holding Companies | – | 714 | – | 714 |
| Restricted cash and other | 30 | 86 | – | 116 |
| Total financial assets at fair value through net earnings (loss) | $ 30 | $ 1,106 | $ 8,736 | $ 9,872 |

Financial liabilities measured at fair value at June 30, 2020 and December 31, 2019 consisted solely of intercompany loans payable to Investment Holding Companies totalling $4,321 (December 31, 2019 – $4,217), which are Level 2 measurements in the fair value hierarchy.

Details of financial assets and liabilities measured at fair value with significant unobservable inputs (Level 3) were as follows:

| | Financial Assets at Fair Value through Net Earnings (Loss) | Long-Term Debt of Credit Strategies at Fair Value through Net Earnings (Loss) | Other Financial Liabilities at Fair Value through Net Earnings (Loss) |
|---|---|---|---|
| Balance – December 31, 2018 | $ 226 | $ 7,506 | $ 230 |
| Derecognition of previously consolidated corporate investments | (226) | (7,506) | (230) |
| Recognition of corporate investments | 8,742 | – | – |
| Change in fair value recognized in net earnings | 799 | – | – |
| Net cash flows related to intercompany loans and distributions | (805) | – | – |
| Balance – December 31, 2019 | $ 8,736 | $ – | $ – |
| Change in fair value recognized in net earnings (loss) | **(375)** | **–** | **–** |
| Net cash flows related to intercompany loans and distributions | **154** | **–** | **–** |
| Balance – June 30, 2020 | **$ 8,515** | **$ –** | **$ –** |
| Unrealized change in fair value of assets and liabilities held at the end of the reporting period | **$ (375)** | **$ –** | **$ –** |

During the three and six months ended June 30, 2020 and 2019, financial assets measured at fair value with significant unobservable inputs (Level 3) were recognized in the unaudited interim consolidated statements of earnings in the following line items: (i) net gain (loss) on corporate investments; (ii) gain on derecognition of previously consolidated corporate investments; and (iii) reclassification from accumulated other comprehensive loss on derecognition of previously consolidated corporate investments.

The valuation of financial assets and liabilities measured at fair value with significant unobservable inputs (Level 3) is determined quarterly utilizing company-specific considerations and available market data of comparable public companies. The valuation of investments in the Onex Partners and ONCAP Funds is reviewed and approved by the General Partner of the respective Fund each quarter.

The fair value measurements for corporate investments were primarily driven by the underlying net asset values of Onex' investments in the Onex Partners Funds, ONCAP Funds and Onex Credit strategies. A change to reasonably possible alternative estimates and assumptions used in the valuation of non-public investments in the Onex Partners Funds and ONCAP Funds, and investments held in Onex Credit strategies, may have a significant impact on the fair values calculated for these financial assets.

The valuation of public investments held directly by Onex or through the Onex Partners Funds and ONCAP Funds is based on their publicly traded closing prices at June 30, 2020 and December 31, 2019. For certain public investments, a discount was applied to the closing price in relation to restrictions that were in place at June 30, 2020 and December 31, 2019 relating to the securities held by Onex, the Onex Partners Funds or the ONCAP Funds. At June 30, 2020, these discounts resulted in a reduction of $45 in the fair value of corporate investments (December 31, 2019 – $84).

The valuation of investments in debt securities is measured at fair value with significant other observable inputs (Level 2) generally determined by obtaining quoted market prices or dealer quotes for identical or similar instruments in inactive markets, or other inputs that are observable or can be corroborated by observable market data.

The Company utilized the adjusted net asset method to derive the fair values of its investments in its Investment Holding Companies, by reference to the underlying fair value of the Investment Holding Companies' assets and liabilities, along with assessing any required discount or premium to be applied to the net asset values. The discount or premium applied to the net asset values of the Investment Holding Companies was a significant unobservable input. The Company determined that the adjusted net asset method was the appropriate valuation technique to be used, considering the value of the Investment Holding Companies is primarily derived from the assets they hold, which primarily consist of investments in private equity, investments in Onex Credit strategies, treasury investments and intercompany loans receivable from Onex and the Asset Managers. The Company has determined that no discount or premium was required for the net asset values of its Investment Holding Companies at June 30, 2020 and December 31, 2019. If a discount of 1% or a premium of 1% were applied to all of the net asset values of the Investment Holding Companies, with all other variables remaining constant, the total fair value of the Company's corporate investments at June 30, 2020 would decrease or increase by $85, respectively.

Valuation methodologies for the underlying private equity investments may include observations of the trading multiples of public companies considered comparable to the private companies being valued and discounted cash flows. The following table presents the significant unobservable inputs used to value the private equity funds' underlying private securities that impact the valuation of corporate investments.

| Investment Platform | Valuation Technique | Significant Unobservable Inputs | Inputs at June 30, 2020 | Inputs at December 31, 2019 |
|---|---|---|---|---|
| Onex Partners Funds | Market comparable companies | Adjusted EBITDA multiple | 8.8x – 13.0x | 8.4x – 13.0x |
| Onex Partners Funds | Discounted cash flow | Weighted average cost of capital | 10.6% – 15.5% | 13.4% – 15.8% |
| | | Exit multiple | 4.2x – 16.0x | 5.3x – 16.0x |
| ONCAP Funds | Market comparable companies | Adjusted EBITDA multiple | 6.9x – 9.5x | 6.9x – 9.5x |
| ONCAP Funds | Discounted cash flow | Weighted average cost of capital | 12.1% – 22.8% | 12.5% – 22.9% |
| | | Exit multiple | 7.0x – 10.0x | 7.0x – 10.5x |

In addition, at June 30, 2020, the Onex Partners Funds had one investment that was valued using market comparable transactions, one investment that was valued based on a multiple of book value and one investment that was valued using an option approach. At December 31, 2019, the Onex Partners Funds had one investment that was valued using market comparable transactions, one investment that was valued based on a multiple of book value and one investment that was valued using the adjusted cost approach. The adjusted cost approach incorporated adjustments to the original cost based on the financial performance of the investment since the date the Onex Partners Fund agreed to purchase the investment to December 31, 2019.

The impact on the fair value of corporate investments as at June 30, 2020 from changes in the significant unobservable inputs used to value the private equity funds' underlying private securities include the following:

| Investment Platform | Valuation Technique | Significant Unobservable Inputs | Multiple Increase by 0.5 | Multiple Decrease by 0.5 |
|---|---|---|---|---|
| Onex Partners Funds | Market comparable companies | Adjusted EBITDA multiple | $ 57 | $ (58) |
| ONCAP Funds | Market comparable companies | Adjusted EBITDA multiple | $ 32 | $ (32) |

| Investment Platform | Valuation Technique | Significant Unobservable Inputs | Multiple Increase by 0.5 | Multiple Decrease by 0.5 |
|---|---|---|---|---|
| Onex Partners Funds | Discounted cash flow | Exit multiple | $ 88 | $ (88) |
| ONCAP Funds | Discounted cash flow | Exit multiple | $ 14 | $ (14) |

| Investment Platform | Valuation Technique | Significant Unobservable Inputs | Decrease of 0.5 Percentage Points | Increase of 0.5 Percentage Points |
|---|---|---|---|---|
| Onex Partners Funds | Discounted cash flow | Weighted average cost of capital | $ 22 | $ (22) |
| ONCAP Funds | Discounted cash flow | Weighted average cost of capital | $ 2 | $ (2) |

Generally, adjusted EBITDA represents 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, annualized pro-forma adjustments for acquisitions, the impact of derivative instruments that no longer qualify for hedge accounting, the impacts of purchase accounting and other similar amounts. Adjusted EBITDA is a measurement that is not defined under IFRS.

As at June 30, 2020, certain investments in the Onex Credit CLOs were valued using internally developed pricing models based on a projection of the future cash flows expected to be realized from the underlying collateral of the CLOs, which are a Level 3 measurement in the fair value hierarchy. These pricing models include third-party pricing information and a number of unobservable inputs, including default rates, discount rates and recovery rates. Significant increases or decreases in certain unobservable inputs in isolation may result in a significantly lower or higher fair value measurement. The fair values determined by the internally developed pricing models are also compared to fair values determined by third-party pricing models to ensure management's estimates are reasonable.

The following table presents the significant unobservable inputs used to value Onex' investments in the Onex Credit CLOs.

| Investment Platform | Significant Unobservable Inputs | Inputs at June 30, 2020 |
|---|---|---|
| U.S. CLOs | Default rate | 2.0% |
| | Discount rate | 16.0% – 20.0% |
| | Recovery rate | 55.0% |
| EURO CLOs | Default rate | 2.0% |
| | Discount rate | 12.0% – 17.0% |
| | Recovery rate | 60.0% |

In addition, at June 30, 2020, Onex' investments in CLO-18, CLO-19 and EURO CLO-4 were valued at cost as this approximated the fair value of these investments. Onex' investments in CLO-18, CLO-19 and EURO CLO-4 were completed during the three months ended June 30, 2020.

The impact on the fair value of corporate investments as at June 30, 2020 from changes in the significant unobservable inputs used to value Onex' investments in the CLOs include the following:

| Investment Platform | Significant Unobservable Inputs | Decrease of 1.5 Percentage Points | Increase of 1.5 Percentage Points |
|---|---|---|---|
| U.S. CLOs | Default rate | $ 59 | $ (61) |
| EURO CLOs | Default rate | $ 12 | $ (13) |

| Investment Platform | Significant Unobservable Inputs | Decrease of 3.0 Percentage Points | Increase of 3.0 Percentage Points |
|---|---|---|---|
| U.S. CLOs | Discount rate | $ 15 | $ (13) |
| EURO CLOs | Discount rate | $ 6 | $ (5) |

| Investment Platform | Significant Unobservable Inputs | Decrease of 15.0 Percentage Points | Increase of 15.0 Percentage Points |
|---|---|---|---|
| U.S. CLOs | Recovery rate | $ (22) | $ 22 |
| EURO CLOs | Recovery rate | $ (5) | $ 5 |

At December 31, 2019, Onex' investments in the Onex Credit CLOs were valued using third-party pricing models, without adjustment by the Company, based on a projection of the future cash flows expected to be realized from the underlying collateral of the CLOs, which are a Level 3 measurement in the fair value hierarchy. The significant unobservable inputs included in these pricing models have not been provided as this information is not reasonably available.

## 14. RELATED-PARTY TRANSACTIONS

Onex receives management fees on limited partners' and clients' capital within the Onex Partners Funds, ONCAP Funds, Onex Credit strategies and advisory fees directly from certain operating businesses. Onex also receives performance fees from the Onex Credit strategies and recovers certain deal investigation, research and other expenses from the Onex Partners Funds, ONCAP Funds, Onex Credit strategies and the operating businesses of Onex Partners and ONCAP. Onex indirectly controls the Onex Partners Funds, ONCAP Funds and Onex Credit strategies, and therefore the management and performance fees earned from these sources represent related-party transactions. Furthermore, Onex indirectly controls, jointly controls or has significant influence over certain operating businesses held by the Onex Partners and ONCAP Funds, and as such, advisory fees from these operating businesses represent related-party transactions.

Gluskin Sheff has agreements to manage its pooled fund vehicles, where it generally acts as the trustee, manager, transfer agent and principal distributor. In the case of those pooled fund vehicles that are limited partnerships, Gluskin Sheff or an affiliate of Gluskin Sheff is the General Partner. As such, the Gluskin Sheff pooled fund vehicles are related parties of the Company.

Related-party revenues recognized during the three and six months ended June 30, 2020 included the following:

| | Three Months Ended June 30, 2020 | | Six Months Ended June 30, 2020 | |
|---|---|---|---|---|
| | Management and Advisory Fees | Reimbursement of Expenses | Management and Advisory Fees | Reimbursement of Expenses |
| **Source of revenues** | | | | |
| Onex Partners Funds | $ 28 | $ 3 | $ 56 | $ 6 |
| Gluskin Sheff pooled fund vehicles[i] | 14 | – | 29 | – |
| Onex Credit Strategies | 13 | 1 | 26 | 1 |
| ONCAP Funds | 4 | – | 8 | – |
| Total related-party revenues | $ 59 | $ 4 | $ 119 | $ 7 |
| Gluskin Sheff third-party revenues | 1 | – | 2 | – |
| Total revenues | $ 60 | $ 4 | $ 121 | $ 7 |

(i) Revenue associated with the reimbursement of expenses from the Gluskin Sheff pooled fund vehicles is included within other income.

Related-party receivables included the following:

| | As at June 30, 2020 | | | |
|---|---|---|---|---|
| | Management and Advisory Fees Receivable | Recoverable Fund and Operating Expenses Receivable | Other Receivables | Total |
| Onex Partners Funds | $ 181 | $ 68 | $ 5 | $ 254 |
| ONCAP Funds | 11 | 3 | – | 14 |
| Onex Credit Strategies | 10 | 2 | – | 12 |
| Gluskin Sheff pooled fund vehicles | 6 | 2 | 1 | 9 |
| Total related-party receivables | $ 208 | $ 75 | $ 6 | $ 289 |
| Third-party receivables | 1 | – | 5 | 6 |
| Total | $ 209 | $ 75 | $ 11 | $ 295 |

During the three and six months ended June 30, 2020 and 2019, Onex received services from certain operating companies, the value of which was not significant.

## 15. COMMITMENTS

During the second quarter of 2020, Onex completed the first close for the Onex Senior Loan Opportunity Fund, reaching aggregate commitments of $72, including $20 from Onex and $25 from the Onex management team, as described in note 4. In addition to Onex' $20 commitment to the fund, Onex also committed an additional $80 to be invested through a separately managed account which follows a similar strategy as the Onex Senior Loan Opportunity Fund. As at June 30, 2020, Onex had invested $33 of its aggregate $100 commitment, while Onex management had invested $10 of its $25 commitment.

In June 2020, Onex entered into an agreement to invest up to an additional $125 in preferred shares of RSG, in connection with an add-on acquisition to be completed by RSG. RSG is an international specialty insurance organization, which includes a wholesale brokerage firm and an underwriting management organization. The amount ultimately invested by Onex will be contingent on the amount of financing raised to fund the add-on acquisition. The investment in preferred shares of RSG is expected to close during the third quarter of 2020.

## 16. SUBSEQUENT EVENT

In August 2020, the Onex Partners IV Group announced that it had agreed to sell approximately 32.0 million shares of SIG at a price of CHF 15.50 per share. Onex' expected share of the gross proceeds from the Onex Partners IV Group is approximately CHF 175 ($190). The sale is expected to close in August 2020, subject to customary closing conditions, at which time Onex' expected economic and voting interest in SIG will be 4% and 10%, respectively.

## 17. INFORMATION BY REPORTABLE SEGMENT

The Company has two reportable segments:

- **Investing,** which comprises the activity of investing Onex' capital; and
- **Asset and wealth management,** which comprises the asset and wealth management activities provided by Onex to support its private equity, public equity and credit investing platforms, as well as Onex' corporate functions.

Onex' segmented results include allocations of management fees and carried interest that would have been recognized on Onex' capital in the Onex Partners and ONCAP Funds, as this presentation is used by Onex management, in part, to assess Onex' performance. During the three and six months ended June 30, 2020 and 2019, these allocations, on a net basis, reduced Onex' investing segment income and increased Onex' asset and wealth management segment income, with no net impact to total segment net earnings (loss).

Onex' segmented results exclude revenues and expenses associated with recoverable expenses from the Onex Partners, ONCAP and Onex Credit Funds, and the operating businesses of Onex Partners and ONCAP. Onex management excludes these amounts when assessing Onex' performance given the nature of these expenses, which are recoverable at cost.

| | Three Months Ended June 30, 2020 | | | Three Months Ended June 30, 2019 | | |
|---|---|---|---|---|---|---|
| *(Unaudited)* | Investing | Asset and Wealth Management | Total | Investing | Asset and Wealth Management | Total |
| Net gain (loss) on corporate investments (including an increase (decrease) in carried interest and incentive fees) | $ 645(i)(ii) | $ 23(i) | $ 668(i)(ii) | $ 280(i)(ii) | $ (2)(i) | $ 278(i)(ii) |
| Management and advisory fees | – | 74(ii) | 74(ii) | – | 73(ii) | 73(ii) |
| Interest and net treasury investment income | 12 | – | 12 | 3 | – | 3 |
| Other income | – | – | – | – | 1 | 1 |
| Total segment income | 657 | 97 | 754 | 283 | 72 | 355 |
| Compensation | – | (48) | (48) | – | (37) | (37) |
| Amortization of right-of-use assets | – | (2) | (2) | – | (2) | (2) |
| Other expense | – | (15) | (15) | – | (17) | (17) |
| Segment net earnings | $ 657 | $ 32 | $ 689 | $ 283 | $ 16 | $ 299 |
| Stock-based compensation expense | | | (49) | | | (27) |
| Amortization of property and equipment, and other intangible assets, excluding right-of-use assets | | | (11) | | | (7) |
| Acquisition and integration expense | | | (1) | | | (44) |
| Earnings before income taxes | | | $ 628 | | | $ 221 |
| Recovery of income taxes | | | 1 | | | 37 |
| Net earnings | | | $ 629 | | | $ 258 |

(i) The asset and wealth management segment includes an allocation of $6 (2019 – less than $1) from the investing segment, representing carried interest that would have been earned by the asset and wealth management segment had Onex' capital been subject to carried interest under the same terms as third-party limited partners of the Onex Partners and ONCAP Funds.

(ii) The asset and wealth management segment includes an allocation of $14 (2019 – $15) from the investing segment, representing management fees that would have been earned by the asset and wealth management segment had Onex' capital been subject to management fees under the same terms as third-party limited partners of the Onex Partners and ONCAP Funds.

| | Six Months Ended June 30, 2020 | | | Six Months Ended June 30, 2019 | | |
|---|---|---|---|---|---|---|
| *(Unaudited)* | Investing | Asset and Wealth Management | Total | Investing | Asset and Wealth Management | Total |
| Net gain (loss) on corporate investments (including an increase (decrease) in carried interest and incentive fees) | $ (342)[(i)(ii)] | $ (61)[(i)] | $ (403)[(i)(ii)] | $ 460[(i)(ii)] | $ 2[(i)] | $ 462[(i)(ii)] |
| Management and advisory fees | – | 149[(ii)] | 149[(ii)] | – | 138[(ii)] | 138[(ii)] |
| Interest and net treasury investment income | 14 | – | 14 | 7 | – | 7 |
| Other income | – | 1 | 1 | – | 1 | 1 |
| Total segment income (loss) | (328) | 89 | (239) | 467 | 141 | 608 |
| Compensation | – | (94) | (94) | – | (84) | (84) |
| Amortization of right-of-use assets | – | (5) | (5) | – | (4) | (4) |
| Other expense | – | (25) | (25) | (1) | (25) | (26) |
| Segment net earnings (loss) | $ (328) | $ (35) | $ (363) | $ 466 | $ 28 | $ 494 |
| Stock-based compensation recovery (expense) | | | 105 | | | (35) |
| Amortization of property and equipment, and other intangible assets, excluding right-of-use assets | | | (23) | | | (11) |
| Acquisition and integration expense | | | (2) | | | (44) |
| Impairment of goodwill | | | (85) | | | – |
| Gain on derecognition of previously consolidated corporate investments | | | – | | | 3,719 |
| Reclassification from accumulated other comprehensive loss on derecognition of previously consolidated corporate investments | | | – | | | (170) |
| Earnings (loss) before income taxes | | | $ (368) | | | $ 3,953 |
| Recovery of income taxes | | | – | | | 37 |
| Net earnings (loss) | | | $ (368) | | | $ 3,990 |

(i) The asset and wealth management segment includes an allocation of $16 (2019 – less than $1) to the investing segment, representing a net reversal of carried interest that would have been recognized (2019 – carried interest that would have been earned) by the asset and wealth management segment had Onex' capital been subject to carried interest under the same terms as third-party limited partners of the Onex Partners and ONCAP Funds.

(ii) The asset and wealth management segment includes an allocation of $28 (2019 – $31) from the investing segment, representing management fees that would have been earned by the asset and wealth management segment had Onex' capital been subject to management fees under the same terms as third-party limited partners of the Onex Partners and ONCAP Funds.

Segmented assets include the following:

| | As at June 30, 2020 | | | As at December 31, 2019 | | |
|---|---|---|---|---|---|---|
| *(Unaudited)* | Investing | Asset and Wealth Management | Total | Investing | Asset and Wealth Management | Total |
| Cash and cash equivalents | $ 617 | $ 99[i] | $ 716 | $ 832 | $ 156[i] | $ 988 |
| Treasury investments | 630 | – | 630 | 306 | – | 306 |
| Management and advisory fees, recoverable fund expenses and other receivables | 192[ii] | 103 | 295 | 190[ii] | 142 | 332 |
| Corporate investments | 4,623 | – | 4,623 | 5,233 | – | 5,233 |
| Other assets | – | 80 | 80 | – | 126 | 126 |
| Property and equipment | – | 170 | 170 | – | 181 | 181 |
| Intangible assets | – | 136 | 136 | – | 158 | 158 |
| Goodwill | – | 169 | 169 | – | 261 | 261 |
| Total segment assets | $ 6,062 | $ 757 | $ 6,819 | $ 6,561 | $ 1,024 | $ 7,585 |
| Net intercompany loans receivable, comprising part of the fair value of Investment Holding Companies | | | 4,321 | | | 4,217 |
| Total assets | | | $ 11,140 | | | $ 11,802 |

(i) Cash and cash equivalents allocated to the asset and wealth management segment relate to accrued employee incentive compensation and the liability relating to the retirement of the Onex Credit chief executive officer, as described in note 20 to the 2019 audited annual consolidated financial statements.

(ii) Represents management fees receivable that Onex has elected to defer cash receipt from the Onex Partners and ONCAP Funds.