CELESTICA INC
Form 20-F
March 24, 2009

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

**o Registration statement pursuant to Section 12(b) or (g)
of the Securities Exchange Act of 1934
or
ý Annual report pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934
for the fiscal year ended December 31, 2008
or
o Transition report pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934
or
o Shell company report pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of event requiring this shell company report:

Commission file number: 1-14832

CELESTICA INC.

(Exact name of registrant as specified in its charter)

Ontario, Canada

(Jurisdiction of incorporation or organization)

**12 Concorde Place, 5th Floor
Toronto, Ontario, Canada M3C 3R8**

(Address of principal executive offices)

**SECURITIES REGISTERED OR TO BE REGISTERED
PURSUANT TO SECTION 12(b) OF THE ACT:**

Subordinate Voting Shares	The Toronto Stock Exchange New York Stock Exchange
(Title of Class)	*(Name of each Exchange on which Registered)*

SECURITIES REGISTERED OR TO BE REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

N/A

SECURITIES FOR WHICH THERE IS A REPORTING OBLIGATION PURSUANT TO SECTION 15(d) OF THE ACT:

N/A

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

199,580,858 Subordinate Voting Shares 0 Preference Shares

29,637,316 Multiple Voting Shares

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ý No o

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes o No ý

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes o No ý

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

ý Large accelerated filer o Accelerated filer o Non-accelerated filer

Indicate by check mark which financial statement item the registrant has elected to follow. Item 17 o Item 18 ý

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No ý

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Part I

In this Annual Report, "Celestica," the "Company," "we," "us" and "our" refer to Celestica Inc. and its subsidiaries.

In this Annual Report, all dollar amounts are expressed in United States dollars, except where we state otherwise. All references to "U.S.$" or "$" are to U.S. dollars and all references to "C$" are to Canadian dollars. Unless we indicate otherwise, any reference in this Annual Report to a conversion between U.S.$ and C$ is a conversion at the average of the exchange rates in effect for the year ended December 31, 2008. During that period, based on the relevant noon buying rates in New York City for cable transfers in Canadian dollars, as certified for customs purposes by the Federal Reserve Bank of New York, the average daily exchange rate was U.S.$1.00 = C$1.066.

Unless we indicate otherwise, all information in this Annual Report is stated as of February 23, 2009, the date as of which we prepared information for our annual report to shareholders and management information circular and proxy statement.

Forward-Looking Statements

Item 4, "Information on the Company," "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in Item 5 and other sections of this Annual Report contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the U.S. Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the U.S. Exchange Act, including, without limitation, statements related to our future growth, trends in our industry, our financial or operational results and our financial or operational performance. Such forward-looking statements are predictive in nature, and may be based on current expectations, forecasts or assumptions involving risks and uncertainties that could cause actual outcomes and results to differ materially from the forward-looking statements themselves. Such forward-looking statements may, without limitation, be preceded by, followed by, or include words such as "believes," "expects," "anticipates," "estimates," "intends," "plans," or similar expressions, or may employ such future or conditional verbs as "may," "will," "should" or "would" or may otherwise be indicated as forward-looking statements by grammatical construction, phrasing or context. For those statements, we claim the protection of the safe harbor for forward-looking statements contained in the U.S. Private Securities Litigation Reform Act of 1995, and in applicable Canadian securities legislation.

Forward-looking statements are not guarantees of future performance. You should understand that the following important factors, in addition to those discussed in Item 3, "Key Information   Risk Factors," and elsewhere in this Annual Report, could affect our future results and could cause those results to differ materially from those expressed in such forward-looking statements: the challenges of effectively managing our operations during uncertain economic conditions, including significant changes in demand from our customers as a result of the impact of the global economic crisis and capital markets weakness; the risk of potential non-performance by counterparties, including but not limited to financial institutions, customers and suppliers, during uncertain economic conditions; the effects of price competition and other business and competitive factors generally affecting the electronics manufacturing services (EMS) industry, including the trend for outsourcing; variability of operating results among periods; our dependence on a limited number of customers; the challenge of responding to lower-than-expected customer demand; our dependence on industries affected by rapid technological change; our ability to successfully manage our international operations; our inability to retain or grow our business due to execution problems resulting from significant headcount reductions, plant closures and product transfers associated with restructuring activities; the challenge of managing our financial exposures to foreign currency fluctuations; and the delays in the delivery and/or general availability of various components used in our manufacturing process. Our forward-looking statements are also based on various assumptions which management believes are reasonable under the current circumstances, but may prove to be inaccurate and many of which may involve factors that are beyond the control of the Company. The material assumptions may include assumptions regarding the following: forecasts from our customers, which range from 30 days to 90 days; timing and investments associated with ramping new business; general economic and market conditions; currency exchange rates; pricing and competition; anticipated customer demand; supplier performance and pricing; commodity, labor, energy and transportation costs; operational and financial matters; technological developments; and the timing and execution of our restructuring plan. These assumptions are based on management's current views with respect to current plans and events, and are and will be subject to the risks and uncertainties discussed above. Forward-looking statements are provided for the purpose of providing information about management's current expectations and plans relating to the future. Readers are cautioned that such information may not be appropriate for other purposes.

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Except as required by applicable law, we disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. You should read this Annual Report and the documents, if any, that we incorporate by reference with the understanding that the actual future results may be materially different from what we expect. We may not update these forward-looking statements, even if our situation changes in the future. All forward-looking statements attributable to us are expressly qualified by these cautionary statements.

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

A. Selected Financial Data

You should read the following selected financial data together with Item 5, "Operating and Financial Review and Prospects," the Consolidated Financial Statements in Item 18, and the other information in this Annual Report. The selected financial data is derived from the consolidated financial statements for the years we present.

The Consolidated Financial Statements have been prepared in accordance with Canadian GAAP. These principles conform in all material respects with U.S. GAAP except as described in note 20 to the Consolidated Financial Statements in Item 18. For all the years presented, the selected financial data is prepared in accordance with Canadian GAAP unless otherwise indicated.

	Year ended December 31				
	2004[1]	**2005[1]**	**2006[1]**	**2007[1]**	**2008[1]**
	(in millions, except per share amounts)				
Consolidated Statements of Operations Data (Canadian GAAP):					
Revenue	$8,839.8	$8,471.0	$8,811.7	$8,070.4	$7,678.2
Cost of sales	8,431.9	7,989.9	8,359.9	7,648.0	7,147.1
Gross profit	407.9	481.1	451.8	422.4	531.1
Selling, general and administrative expenses[2]	331.6	296.9	285.6	295.1	303.8
Amortization of intangible assets	34.6	28.4	27.0	21.3	15.1
Integration costs related to acquisitions[3]	3.1	0.6	0.9	0.1	
Other charges[4]	603.2	130.9	211.8	47.6	885.2
Accretion of convertible debt (LYONs)	17.6	7.6			
Interest expense (income), net[5]	19.7	42.2	62.6	51.2	42.5
Earnings (loss) before income taxes	(601.9)	(25.5)	(136.1)	7.1	(715.5)
Income tax expense[6]	252.2	21.3	14.5	20.8	5.0
Net loss	$ (854.1)	$ (46.8)	$ (150.6)	$ (13.7)	$ (720.5)
Other Financial Data:					
Basic loss per share	$ (3.85)	$ (0.21)	$ (0.66)	$ (0.06)	$ (3.14)
Diluted loss per share	$ (3.85)	$ (0.21)	$ (0.66)	$ (0.06)	$ (3.14)
Property, plant and equipment expenditures	$ 142.2	$ 158.5	$ 189.1	$ 63.7	$ 88.8
Consolidated Statements of Operations Data (U.S. GAAP)[7]:					
Net loss	$ (867.5)	$ (42.8)	$ (149.3)	$ (16.1)	$ (725.8)
Shares used in computing per share amounts (in millions):					

Basic	222.1	226.2	227.2	228.9	229.3
Diluted	222.1	226.2	227.2	228.9	229.3

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	As at December 31				
	2004[1]	2005[1]	2006[1]	2007[1]	2008[1]
			(in millions)		
Consolidated Balance Sheet Data (Canadian GAAP):					
Cash and cash equivalents	$ 968.8	$ 969.0	$ 803.7	$1,116.7	$1,201.0
Working capital[8]	1,458.3	1,488.1	1,394.9	1,553.0	1,603.4
Property, plant and equipment	555.4	531.1	553.6	466.0	467.5
Total assets	4,939.8	4,857.8	4,686.3	4,470.5	3,786.2
Total long-term debt, including current portion[9]	627.5	751.4	750.8	758.5	733.1
Shareholders' equity	2,488.8	2,214.4	2,094.6	2,118.2	1,365.5
Consolidated Balance Sheet Data (U.S. GAAP)[7]:					
Total assets	$4,988.7	$4,876.2	$4,708.1	$4,485.8	$3,786.2
Total long-term debt, including current portion	846.1	751.4	750.8	757.2	723.4
Shareholders' equity	2,257.6	2,176.9	1,960.4	1,996.5	1,254.8

(1) Changes in accounting policies:

(i) Effective January 1, 2007, we adopted CICA Handbook Section 1530, "Comprehensive income," Section 3855, "Financial instruments recognition and measurement," Section 3861, "Financial instruments disclosure and presentation," and Section 3865, "Hedges." We were not required to restate prior results.

The transitional impact of adopting these standards and recording our derivatives on January 1, 2007 at fair value is as follows:

	Increase (decrease)
	(in millions)
Prepaid and other assets	$ 5.5
Other long-term assets	(10.3)
Accrued liabilities	5.8
Long-term debt embedded option and debt obligation	1.9
Long-term debt unamortized debt issue costs	(11.5)
Other long-term liabilities	8.1
Long-term deferred income tax liability	(2.2)
Opening deficit	6.4
Accumulated other comprehensive loss cash flow hedges	0.5

(2) Selling, general and administrative expenses include research and development costs.

(3) These costs include costs to implement new information systems and business processes, including salary and other costs, directly related to the integration activities in newly acquired facilities.

(4) In 2004, Other charges totaled $603.2 million, comprised primarily of: (a) a $153.7 million restructuring charge; (b) a non-cash write-down of $288.0 million relating to the annual goodwill impairment assessment; (c) a non-cash write-down of $99.3 million relating to the annual impairment assessment of long-lived assets, primarily intangible assets and property, plant and equipment; and (d) a $116.8 million non-cash write-down of receivables for a specific customer risk; offset, in part, by (e) a $32.9 million gain on repurchase of LYONs.

In 2005, Other charges totaled $130.9 million, comprised primarily of: (a) a $160.1 million restructuring charge; offset, in part, by (b) a $13.9 million gain on repurchase of LYONs; and (c) a $13.8 million recovery of additional amounts realized relating to a specific customer risk.

In 2006, Other charges totaled $211.8 million, comprised primarily of: (a) a $178.1 million restructuring charge; and (b) a $33.2 million non-cash loss resulting from the sale of our plastics business.

In 2007, Other charges totaled $47.6 million, comprised primarily of: (a) a $37.3 million restructuring charge; and (b) a non-cash write-down of $15.1 million relating to the annual impairment assessment of long-lived assets, primarily property, plant and equipment.

In 2008, Other charges totaled $885.2 million, comprised primarily of: (a) a non-cash write-down of $850.5 million relating to the annual goodwill impairment assessment; (b) a $35.3 million restructuring charge; and (c) a non-cash write-down of $8.8 million relating to the annual impairment assessment of long-lived assets against property, plant and equipment; offset, in part, by; (d) a $7.6 million gain on repurchase of long-term debt.

(5)

Interest expense (income), net is comprised of interest expense incurred on indebtedness and debt facilities, less interest income earned on cash and cash equivalents. As a result of adopting the standards on financial instruments and hedges in 2007, we have

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marked-to-market the embedded prepayment options in our debt instruments and have applied fair value hedge accounting to our interest rate swaps and our hedged debt obligation ($7^7/_8$% Senior Subordinated Notes due 2011). The changes in fair values each period are recorded in interest expense. The marked-to-market adjustment fluctuates each period as it is dependent on market conditions, including future interest rates, implied volatilities and credit spreads.

(6) The income tax expense for 2004 included a charge of $248.2 million relating to a valuation allowance for deferred income tax assets. The reduced future expected profits, the cost of restructuring actions and the planned program transfers negatively impacted our previous estimates of taxable income, particularly in the United States and Europe. We determined that the more likely than not criteria was no longer met and accordingly increased the valuation allowance.

(7) The significant differences between the line items under Canadian GAAP and those as determined under U.S. GAAP arise primarily from:

For 2004: interest and deferred taxes on convertible debt classified as a long-term liability rather than as a bifurcated instrument, impairment on certain long-lived assets, loss on repurchase of convertible debt and the adoption of fair-value accounting for stock-based compensation for Canadian GAAP only;

For 2005: interest on convertible debt classified as a long-term liability rather than as a bifurcated instrument, reversal of deferred taxes on convertible debt, loss on repurchase of convertible debt and the adoption of fair-value accounting for stock-based compensation for Canadian GAAP only;

For 2006: the transition adjustment resulting from adopting the fair-value accounting for stock-based compensation for U.S. GAAP in 2006;

For 2007: the transition adjustment resulting from adopting the standards on financial instruments, hedges and comprehensive income for Canadian GAAP in 2007; and

For 2008: reversal of gain on foreign exchange contract, the timing of recording certain tax uncertainties and the adjustments relating to the adoption of financial instruments, hedges and comprehensive income for Canadian GAAP.

Refer to note 20 to the Consolidated Financial Statements in Item 18.

(8) Calculated as current assets less current liabilities.

(9) Long-term debt includes capital lease obligations and the principal component of convertible debt instruments (LYONs). All remaining LYONs were redeemed in the third quarter of 2005.

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Our shareholders and prospective investors should carefully consider each of the following risks and all of the other information set forth in this Annual Report.

We are operating in unprecedented times, as global economies and global capital markets deal with a significant economic crisis.

Businesses in virtually all industries are dealing with an economic environment that may be unprecedented in terms of the rate and pace of change in end-market demand and global economic uncertainty. In this environment, visibility of end-market demand is more uncertain, there could be an increased risk of business failures among competitors, suppliers and customers. If these failures were to occur, this could negatively impact many aspects of our business including revenue and our operating profitability, asset utilization, increased accelerated pricing pressure, additional restructuring activities, market share shifts of existing programs, write-down of inventories and the failure to collect accounts receivables. Additionally, the weaker economic environment could result in significant volatility in currency fluctuation, which could also impact our operating profitability and increase other expenses related to running a global operation. While we have significant cash invested in short-term, high-quality financial instruments including money market funds and certificates of deposits with global banking leaders, we cannot guarantee that these deposits can be protected if the global economy and capital markets continue to experience significant and prolonged weakness.

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The global economic conditions and credit crisis may well accelerate or exacerbate the effect of the various risk factors described in this Annual Report as well as result in other unforeseen events that will affect our business and financial condition.

We are in an industry comprised of numerous competitors and aggressive pricing dynamics.

We are in a highly competitive industry. We compete on a global basis to provide electronics manufacturing services and solutions to original equipment manufacturers (OEMs) in the communications, enterprise computing, consumer, industrial, aerospace and defense, alternative energy and healthcare markets. Our competitors include major domestic and foreign companies such as Benchmark Electronics Inc., Flextronics International Ltd., Hon Hai Precision Industry Co., Ltd., Jabil Circuit, Inc. and Sanmina-SCI Corporation, as well as smaller EMS companies that often have a regional, product, service or industry specific focus. In addition, original design manufacturers (ODMs), companies that provide internally designed products and manufacturing services to OEMs, continue to increase their share of outsourced manufacturing services across several markets and product groups, including personal computer motherboards, notebook and desktop computers, and cell phones. While we do not generally participate in these segments, and we have not, to date, encountered significant direct competition from ODMs in the end-markets in which we participate, such competition may increase if our business in these markets grows, or if ODMs expand further into, or beyond, these markets. We also face indirect competition from the manufacturing operations of our current and prospective customers, as these companies could choose to manufacture products internally rather than to outsource to EMS providers.

Some of our competitors have a greater production presence in lower-cost geographies, as well as greater manufacturing, financial, procurement, research and development and marketing resources than we have. While we have increased the amount of capacity we have in lower-cost regions over the past several years, lower-cost regions may not provide the same operational benefits they have in the past as these regions are also being impacted by the global economic crisis. As a result, we may experience increased pricing pressure and other competitive pressures as the competitive landscape in lower-cost regions adjusts to the current economic environment. Additionally, our current or potential competitors may also increase or shift their presence in lower-cost regions to try to offset current end-market weakness or develop or acquire services comparable or superior to those we develop, combine or merge to form larger competitors, or adapt more quickly than we will to new technologies, evolving industry trends and changing customer requirements. Competition has caused and may continue to cause excessive pricing pressures, increased working capital requirements, reduced profit or loss of market share (from both program and customer disengagements), any of which could materially and adversely affect us. The current global economic crisis may also increase the competitive environment in all these areas which could impact our profitability. In addition, the EMS industry has excess manufacturing capacity and has seen increased competition from Asian competitors, which may begin to expand into new end-markets. These factors have exerted and will continue to exert additional pressures on pricing for components and services, thereby increasing the competitive pressures in the EMS industry. We may not be able to compete successfully against our current and future competitors, and the competitive pressures we face may have a material adverse effect on us.

We are dependent on a limited number of customers, primarily within the communications, enterprise computing and consumer markets, for a substantial portion of our revenue.

A decline in revenue from these customers or a loss of a large customer could have a material adverse affect on our financial condition and results of operations. During 2008, we had no individual customer that represented more than 10% of our total 2008 revenue. Our top 10 customers in 2008 represented 63% of our total 2008 revenue. Our two largest customers in 2007 were Cisco Systems and Sun Microsystems, each of which represented more than 10% of our total 2007 revenue and in aggregate represented 21% of our total 2007 revenue. Our top 10 customers in 2007 represented 61% of our total 2007 revenue. We expect to continue to depend upon a relatively small number of customers for a significant percentage of our revenue. To reduce this reliance, we have been targeting new customers and new business opportunities in our traditional segments, as well as newer markets such as industrial, aerospace and defense, alternative energy and healthcare markets.

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Although we generally enter into master supply agreements with our customers, the level of business to be transacted under those agreements is not guaranteed. Instead, we bid on a project by project basis and typically have supply contracts or purchase orders in place for a specific project. We are dependent on customers to fulfill the terms associated with these orders and/or contracts.

In addition, some of our customers routinely reduce or delay the volume of manufacturing services ordered from us. There is no assurance that present or future large customers will not terminate their manufacturing arrangements with us or significantly change, reduce, or delay the volume of manufacturing services they order from us, any of which would adversely affect our operating results. Significant reductions in, or the loss of, revenue from any of our large customers could have a material adverse effect on us. Additionally, the ramping of new program wins from new or existing customers can take from several months to more than a year before production starts. During this start-up period, these programs are subject to significant change or outright cancellation, in contrast to the initial expectations at the time of winning the new business, due to changes in end-market demand or changes in product viability in the marketplace.

We are dependent on customers operating in highly competitive markets and the inability of our customers to succeed in their markets can adversely impact our business, operating results and financial condition.

The end markets we serve can experience major swings in demand which, in turn, can significantly impact our operations. Our financial performance depends on our customers' ability to compete and succeed in their markets, which could be affected directly by the current global economic conditions. The majority of our customers' products are characterized by rapid changes in technologies, increased standardization of technologies and shortening of product lifecycles. In many instances, our customers have experienced severe revenue erosion, pricing and margin pressures, and excess inventories during the past few years.

We have recently increased the amount of our business in the consumer segment, which is characterized by shorter product lifecycles, significant increases and decreases of program volumes based on strength in end-market demand, rapid changes in consumer preferences for these products and devices, and greater ease in shifting these products among EMS competitors. The increased exposure to this segment may make revenue more volatile.

During the latter part of 2006 and in 2007, we experienced unexpected reductions in demand from our customers in the telecommunications segment, driven primarily by the weaker demand in North America, and from recent consolidations in the industry.

Inherent difficulties in managing capacity utilization and unanticipated changes in customer orders place strains on our planning and supply chain execution and may affect our results of operations.

Our customers are increasingly dependent on EMS providers for new product introductions and rapid response times to meet changes in volume requirements. Most of our customers typically do not commit to firm production schedules for more than 30 to 90 days in advance and we often experience volatility in customers' orders. Additionally, a significant portion of our revenue can occur in the last month of the quarter and could be subject to change or cancellation that will affect our quarter-to-quarter results. Accordingly, we cannot always forecast the level of customer orders with certainty. This can make it difficult to order appropriate levels of materials and to schedule production and maximize utilization of our manufacturing capacity.

In addition, customers may cancel their orders, change production quantities, or delay production for a number of reasons. Furthermore, in order to guarantee continuity of supply for many of our customers, we are required to manufacture and hold a specified amount of finished goods in our warehouses for our customers. The uncertainty of our customers' end-markets, intense competition in our customers' industries and general order volume volatility have resulted, and may continue to result, in some of our customers delaying or canceling the delivery of some of the products we manufacture for them and placing purchase orders for lower volumes of products than previously anticipated.

Changes in customers' orders could also cause a delay in the repayment to us for inventory expenditures we incurred in preparation for the customer's orders or, in certain circumstances, require us to return the inventory to our suppliers, re-sell the inventory or continue to hold the inventory, any of which may result in our taking

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additional reserves for the inventory should it become excess or obsolete. Order cancellations and delays could also lower our asset utilization, resulting in higher levels of unproductive assets and lower margins. In some cases, changes in circumstances for a customer could also negatively impact the collectability of receivables or carrying value of our inventory for that customer. On other occasions, customers have required rapid and sudden increases in production, which have placed an excessive burden on our manufacturing capacity. Rapid changes in product ramps and/or the weakening financial condition or deterioration of any single customer's financial condition could prevent us from collecting receivables or realizing the value of inventory on hand. Any of these factors or a combination of these factors could have a material adverse effect on our results of operations.

Competitors with component manufacturing capabilities may have greater opportunities than us to win additional business from some of our customers. This capability may have the potential to provide that competitor with additional capabilities or cost saving opportunities.

We procure all of our components from third party suppliers. In addition to traditional EMS services, some of our competitors also manufacture some of the components used in the products they assemble. This can include metal or plastic enclosures, connectors, semiconductors, cabling and other components used in the manufacturing of electronics. Those capabilities may provide additional incentives for some customers to do business with those EMS or ODM companies as there may be additional opportunity to reduce the total costs of their products by using more components and services from one company. If this were to occur, we may experience reduced revenue from certain customers and lower utilization rates.

Our customers and competitors are subject to mergers and acquisitions, and similar transactions which can adversely affect our business relationships or the volume of business we conduct with our customers.

Future mergers and acquisitions could result in a decrease in demand from our customers or a loss of business to our competitors as customers rationalize their business and consolidate their suppliers. In a weaker economic environment, there may be a higher risk of increased consolidation among our customers or competitors.

Mergers among our customers or their customers could increase concentration and/or reduce total demand as the combined entities may rationalize their businesses and consolidate their suppliers.

We may encounter difficulties expanding and/or restructuring our operations which could adversely affect our results of operations.

As we expand our business, enter into new market segments and products, or transfer our business from one region to another, we may encounter difficulties that result in higher than expected costs associated with our growth and customer dissatisfaction with performance. Potential difficulties related to our growth and/or operational restructuring could include:

- lack of trained personnel to manage the operations and customer contracts appropriately;
- maintaining customer, supplier and other favorable business relationships during a period of transition;
- effective training of staff to manage new customers and products;
- unanticipated disruptions in our operations which may impact our ability to deliver to the customer on time, to produce quality products and to ensure overall customer satisfaction;
- losing programs and customers that reduce their business risk by re-sourcing or dual/multi sourcing their business with us due to unforeseen disruptions in our operations; and
- market share shifts associated with customer consolidation or supplier consolidation.

Any of these factors could prevent us from realizing the anticipated benefits of growth in new markets or the benefits we expected to realize from our restructuring actions and could adversely affect our business and operating results.

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We face financial risks due to foreign currency fluctuations.

The principal currency in which we conduct our operations is the U.S. dollar. However, some of our subsidiaries transact business in other currencies, such as the Canadian dollar, Thai baht, Malaysian ringgit, Mexican peso, Czech koruna, Singapore dollar, Japanese yen, Chinese renminbi, Brazilian real, Philippine peso, Romanian lei, Indian rupee and the Euro. The current economic credit crisis has resulted in significant fluctuations of currency rates which has and will continue to affect profitability on a quarter to quarter basis. We often enter into hedging transactions to minimize our exposure to foreign currency risks. We may also enter into forward exchange contracts to hedge our balance sheet exposures. Our current hedging activity is designed to reduce the variability of our foreign currency costs and consists of contracts to purchase or sell foreign currencies at future dates. These contracts generally extend for periods ranging from one to 15 months. Our hedging transactions may not successfully minimize foreign currency risk, which could have a material adverse effect on our results of operations.

Failure of our customers to pay the amounts owed to us in a timely manner may adversely affect our financial condition and results of operations.

We generally provide payment terms ranging from 30 to 60 days. As a result, we generate significant accounts receivable from sales to our customers, historically representing 22% to 39% of current assets. Accounts receivable from sales to customers at December 31, 2008 were $1,074.0 million (December 31, 2007 $941.2 million; and December 31, 2006 $973.2 million). At December 31, 2008, two customers each represented more than 10% of total accounts receivable (December 31, 2007 no customer represented more than 10% of total accounts receivable; and December 31, 2006 no customer represented more than 10% of total accounts receivable). If any of our customers has insufficient liquidity, we could encounter significant delays or defaults in payments owed to us by customers, and may extend our payment terms or restructure the debt, which could have a significant adverse impact on our financial condition and results of operations. Any deterioration in the financial condition of our customers will increase the risk of collecting receivables. The current global economic crisis could also impact our customers' ability to pay receivables or put customers into bankruptcy or reorganization which could also impact our ability to collect our receivables. We regularly review our accounts receivable valuations and make adjustments when necessary. Our allowance for doubtful accounts at December 31, 2008 was $13.7 million (December 31, 2007 $21.5 million; and December 31, 2006 $21.4 million), which represented 1% of the gross accounts receivable balance (December 31, 2007 2%; and December 31, 2006 2%). In addition, payment terms could change which may adversely affect our financial results.

We face increased financial risk due to the potential non-performance of a counterparty, including but not limited to financial institutions, customers and suppliers, during the current uncertain economic environment.

The potential occurrence of default by a counterparty on its contractual obligations may result in a financial loss to us. To mitigate the risk of financial loss from defaults, we deal with counterparties we believe are creditworthy. We also expect the current global economic conditions and credit crisis to impact the financial condition of some of our customers and suppliers. The current economy could impact certain customers' ability to pay, or it could render them insolvent, which would impact the collectibility of their accounts. Similarly, an interruption in supply from a raw materials supplier, especially for single sourced components, could have a significant impact on our operations and on our customers if we are unable to deliver finished product in a timely manner. We continue to closely monitor our customers' ability to pay their receivables and to monitor our suppliers in an effort to ensure consistency of supply.

We may be required to make larger contributions to our defined benefit plans in the future, which may have an adverse impact on our liquidity and our results of operations.

We maintain multiple defined benefit plans as well as supplemental pension plans. Some employees in Canada, Japan, the United Kingdom and the Philippines participate in our defined benefit pension plans. We also have defined contribution plans for our other employees, primarily in Canada and the U.S.

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Our pension funding policy is to contribute amounts sufficient to meet minimum local statutory funding requirements that are based on actuarial calculations. Our obligations are based on certain assumptions relating to expected plan performance, including employee turnover and retirement rates, the performance of the financial markets and discount rates. If future trends differ from these assumptions, the amounts we are obligated to contribute to the pension plans may increase. If the financial markets result in returns lower than our assumptions, we may be required to make larger contributions in the future and our pension expense may also increase.

Our customers may be adversely affected by rapid technological changes which have an adverse impact on our business.

Many of our customers compete in markets that are characterized by rapidly changing technology, evolving industry standards and continuous improvements in products and services. These conditions frequently result in short product lifecycles. Our success will depend largely on the success achieved by our customers in developing and marketing their products. If technologies or standards supported by our customers' products become obsolete or fail to gain widespread commercial acceptance or are cancelled, our business could be materially adversely affected. In addition, an accelerating decline in end-market demand for customer-specific proprietary systems in favor of open systems with standardized technologies could have a material adverse impact on our business. Additionally, the ramping of new program wins from new or existing customers can take from several months to more than a year before production starts. During this start-up period, these programs are subject to significant change or outright cancellation, in contrast to the initial expectations at the time of winning the new business, due to changes in end-market demand or changes in product viability in the marketplace.

We may encounter difficulties completing or integrating our acquisitions which could adversely affect our results of operations.

Some of our growth may occur through acquisitions. These transactions may involve acquisitions of entire companies and/or acquisitions of selected assets from OEMs. Potential difficulties related to our acquisitions include:

- integrating acquired operations, systems and businesses;
- maintaining customer, supplier or other favorable business relationships of acquired operations and restructuring or terminating unfavorable relationships;
- addressing unforeseen liabilities of acquired businesses;
- making acquisitions in new end markets or in technologies where our knowledge or experience is limited;
- losing customers who want to transfer their business because of the change in ownership;
- losing key employees of acquired operations; and
- not achieving anticipated business volumes.

Any of these factors could prevent us from realizing the anticipated benefits of an acquisition, including operational synergies and economies of scale. Our failure to realize the anticipated benefits of acquisitions could adversely affect our business and operating results. Previous acquisitions have resulted in the recording of a significant amount of goodwill and intangible assets at the time of acquisition. Our failure to support the carrying value of goodwill and intangible assets in periods subsequent to the acquisitions could require write-downs that adversely affect our operating results. All goodwill from previous acquisitions has been written off.

We have had significant restructuring charges and losses for several years and may experience restructuring charges and losses in future periods.

We have a history of recording losses resulting primarily from restructuring charges and the write-down of goodwill and long-lived assets. These amounts have varied from period to period. In 2004, we also recorded a write-down of accounts receivable for one specific customer which subsequently went bankrupt. We have undertaken numerous initiatives to restructure and reduce our capacity and cost structures in

response to

changes in the EMS industry and end-market demand, with the intention of improving utilization and realizing cost savings in the future. We will continue to evaluate our operations and may propose additional restructuring actions in the future. Any failure to successfully execute these initiatives, including any delay in effecting these initiatives, can have a material adverse impact on our results. Furthermore, we may not be profitable in future periods.

Restrictions on our ability to restructure quickly enough can delay the timing and affect the benefits we expect from our restructuring efforts.

We have operations in multiple regions around the world. As a result, we are subject to different regulatory requirements and labor laws governing how quickly we are able to reduce manufacturing capacity and terminate related employees. These requirements are particularly stringent in Europe. Restrictions on our ability to close under-utilized facilities have resulted in higher expenses associated with carrying excess capacity and infrastructure while conducting restructuring activities. While it has typically been easier to restructure our operations in certain lower-cost regions, the current global economic conditions may change how governments in all regions regulate restructuring as the weaker demand environment impacts local economies. The speed of our restructuring can also be impeded by delays from our customers related to the timing of their product transfers, which can prevent us from transferring products to our other facilities in a timely and cost-effective manner. Since the restructuring of our plants requires some of our customers to move their production from one of our facilities to another, customers have, and may in the future, use this opportunity to shift their production to competitors' facilities.

Any failure to successfully manage our international operations would have a material adverse effect on our financial condition and results of operations.

We have facilities in numerous countries, including Brazil, China, the Czech Republic, India, Ireland, Japan, Malaysia, Mexico, the Philippines, Romania, Singapore, Spain and Thailand. During 2008, approximately two-thirds of our revenue was produced from locations outside of North America. We also purchase material from international suppliers for much of our business, including our North American business. We believe that our future growth depends largely on our ability to increase our business and penetration with global OEMs and selective markets, in both higher-cost and lower-cost regions.

Our international expansion has had and will continue to require significant management attention and financial resources. International operations are subject to inherent risks which may adversely affect us, including:

- labor unrest and differences in regulations and statutes governing employee relations;
- changes in regulatory requirements;
- inflation and rising costs;
- difficulties in staffing and managing foreign sales and support operations;
- ability to build infrastructure or new facilities on schedule to support operations;
- changes in local tax rates and other potentially adverse tax consequences, including the cost of repatriation of earnings;
- burdens of complying with a wide variety of foreign laws, including changing import and export regulations, which could erode our profit margins or restrict exports;
- adverse changes in trade policies between countries in which we maintain operations;

political instability;

potential restrictions on the transfer of funds;

inflexible employee contracts that restrict our flexibility in responding to business downturns; and

foreign exchange risks.

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Each of the regions we operate in has a history of promoting foreign investment but could experience economic and political turmoil and fluctuations in the value of its currencies that could adversely affect us.

Our results can be affected by limited availability of components.

A significant portion of our costs is for the purchase of electronic components. All of the products we manufacture or assemble require one or more components that we order from component suppliers. In many cases, there may be only one supplier of a particular component. Supply shortages for a particular component can delay production and thus delay the revenue of all products that use that component or can cause price increases in the products and services we provide. In the past, we have secured sufficient allocations of constrained components so that revenue was not materially impacted. In addition, at various times there have been industry-wide shortages of electronic components. Such shortages, or future fluctuations in the cost of components, may have a material adverse effect on our business or cause our results of operations to fluctuate from period to period. Changes in forecasted volumes by our customers, which require additional components that may not be readily available, could also impact our results. The financial condition of suppliers could affect their ability to supply us with components which could negatively impact our revenue. Additionally, quality or reliability issues at any of our component or materials providers, or financial difficulties that affect their production, could halt or delay production of a customer's product which could adversely impact our results.

The efficiency of our operations could be adversely affected by any delay in delivery from our transportation suppliers, including delays caused by work stoppages and natural disasters.

We rely on a variety of common carriers for the transportation of materials and products and for their ability to route these materials and products through various international ports. A work stoppage, strike or shutdown of any important supplier's facility or operations, or at any major port or airport, could result in manufacturing and shipping delays or expediting charges, which could have a material adverse effect on our results of operations. Increased political activism and worsening local economic conditions could impact receipt of materials and product shipments. Natural disasters such as tsunamis and earthquakes, and the severe and dramatic change to historical weather patterns in the regions where our facilities or our suppliers' facilities are located, could have an adverse impact on our ability to deliver products to our customers. Such events could disrupt supply to us, and from us to our customers, and adversely affect our operations.

If our products or services are subject to warranty claims, our business reputation may be damaged and we may incur significant costs.

In certain of our sales contracts, we provide warranties against defects or deficiencies in our products, services or designs. A successful claim for damages arising as a result of such defects or deficiencies, for which we are not insured or where the damages exceed our insurance coverage, or any material claim for which insurance coverage is denied or limited and for which indemnification is not available, could have a material adverse effect on our business, results of operations and financial condition. As we pursue new end-markets, warranty requirements will vary and we may be less effective in pricing our products to appropriately capture the warranty costs.

We are subject to the risk of increased income taxes which could adversely affect our financial condition and results of operations.

We conduct business operations in a number of countries, including countries where tax incentives have been extended to encourage foreign investment or income tax rates are low.

We develop our tax position based upon the anticipated nature and structure of our business and the tax laws, administrative practices and judicial decisions now in effect in the jurisdictions in which we have assets or conduct business, all of which are subject to change or differing interpretations, possibly with retroactive effect. We are subject to audits of historical information by local tax authorities which could result in additional tax expense in future periods relating to prior results. Any such increase in our income tax expense and related interest and penalties could have a significant impact on our future earnings and future cash flows.

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Certain of our subsidiaries provide financing, products and services to, and may from time to time undertake certain significant transactions with other subsidiaries in different jurisdictions. In general, related party transactions and, in particular, related party financing transactions, are subjected to close review by tax authorities. Moreover, several jurisdictions in which we operate have tax laws with detailed transfer pricing rules which require that all transactions with non-resident related parties be priced using arm's length pricing principles, and that contemporaneous documentation must exist to support such pricing.

Taxation authorities could challenge the validity of our related party financing and related party transfer pricing policies. Such a challenge generally involves a subjective area of taxation and generally involves a significant degree of judgment. If any of these taxation authorities is successful in challenging our financing or transfer pricing policies, our income tax expense may be adversely affected and we could also be subjected to interest and penalty charges. In connection with tax audits in the United States, tax authorities had asserted that our United States subsidiaries owed significant amounts of tax, interest and penalties arising from related party transactions. These asserted deficiencies were subsequently resolved in our favor. In connection with ongoing tax audits in Canada, tax authorities have taken the position that income reported by one of our Canadian subsidiaries in 2001 and 2002 should have been materially higher as a result of certain related party transactions. The successful pursuit of that assertion could result in that subsidiary owing significant amounts of tax, interest and possibly penalties. We believe that we have substantial defenses to the asserted position and have adequately accrued for any probable potential adverse tax impact. However, there can be no assurance as to the final resolution of this claim and any resulting proceedings, and if this claim and any ensuing proceedings are determined adversely against us, the amounts we may be required to pay could be material.

Changes in accounting standards enacted by the standard-setting bodies may adversely affect our reported revenue, profitability and financial condition.

Our consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles (GAAP) and are reconciled to U.S. GAAP. These accounting standards are revised periodically and/or expanded upon by the standard-setting bodies. Accordingly, we are required to adopt new or revised accounting standards or comply with revised interpretations issued from time to time by these authoritative bodies, which include the Canadian Accounting Standards Board, the Financial Accounting Standards Board and the U.S. Securities and Exchange Commission. Most recently, the Canadian Accounting Standards Board has decided to adopt the International Financial Reporting Standards effective 2011. The adoption of these changes could adversely affect our reported revenue, profitability or financial condition. Compliance with these changes could also increase our financial and accounting costs.

The efficiency of our operations could be adversely affected by any disruptions from our third-party IT providers.

We have outsourced certain IT systems support which includes database management, as well as application development support for our production control and inventory management systems. If these third-party providers are unable to fulfill their obligations on a timely and reliable basis, we may experience disruptions to our operations. Any inefficiencies or production down times resulting from these disruptions could have a negative impact on our ability to meet customers' orders, resulting in a delay or decrease to our revenue and our operating margins.

We may be unable to keep pace with manufacturing technology changes.

We continue to evaluate the advantages and feasibility of new manufacturing processes. Our future success will depend, in part, upon our ability to continually develop and market electronics manufacturing services that meet our customers' evolving needs. This could entail investing in new processes or equipment to support new technologies used in our customers' current or future products, and to support their supply chain processes. Additionally, as we enter new end-markets where our experience is limited, we may be less effective in adapting to technological change. Our manufacturing and supply chain processes, test development efforts and design capabilities may not be successful.

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In addition, various industry-specific standards, qualifications and certifications are required to produce certain types of products for our customers. Failure to maintain those certifications could adversely affect our ability to maintain existing levels of business or win new levels of business.

We may be unable to protect our intellectual property or the intellectual property of others.

We believe that certain of our proprietary intellectual property rights and information provide us with a competitive advantage. Accordingly, we have taken, and intend to continue to take, appropriate steps to protect this proprietary information. These steps include signing non-disclosure agreements with customers, suppliers, employees, and other parties, and implementing rigid security measures. Our protection measures may not be sufficient to prevent the misappropriation or unauthorized disclosure of our property or information.

There is also a risk that infringement claims may be brought against us, our customers or our suppliers in the future. If someone does successfully assert an infringement claim, we may be required to spend significant time and money to develop a manufacturing process that does not infringe upon the rights of such other person or to obtain licenses for the technology, process or information from the owner. We may not be successful in such development or any such licenses may not be available on commercially acceptable terms, if at all. In addition, any litigation could be lengthy and costly and could adversely affect us even if we are successful in such litigation. As we pursue new end markets, we may be less effective in anticipating the intellectual property risk related to the new manufacturing and design services.

We may not be able to increase revenue if the trend of outsourcing by OEMs slows.

Future growth in our revenue includes a dependence on new outsourcing opportunities in which we assume additional manufacturing and supply chain management responsibilities from OEMs. Our future growth will be limited to the extent that these opportunities are not available as a result of OEMs deciding to perform these functions internally or delaying their decision to outsource or our inability to win new contracts. The current economic slowdown may also impact the trend of outsourcing as some customers may reverse their outsourcing and shift production back to their own facilities to improve their factory utilization. Political pressures or negative sentiment by our customers' customers or local governments may impede the movement of production from one geography to another. These and other factors could adversely affect the rate of outsourcing generally or, adversely, affect the rate of outsourcing to EMS providers, such as Celestica, who have shifted substantial capacity to these lower-cost geographies.

Implementation of new information systems could adversely impact our results.

We currently use multiple Enterprise Resource Planning systems in support of our manufacturing sites and we may reduce the number and variety of these systems in the future. Our inability to effectively consolidate our information systems could have a material adverse impact on our results.

If we are unable to recruit or retain highly skilled personnel, our business could be adversely affected.

The recruitment of personnel in the EMS industry is highly competitive. We believe that our future success will depend, in part, on our ability to continue to attract and retain highly skilled executive, technical and management personnel. We generally do not have employment or non-competition agreements with our employees. To date, we have been successful in recruiting and retaining executive, managerial and technical personnel; however, the loss of services of certain of these employees could have a material adverse effect on our operations.

Our investment in Lean and Six Sigma initiatives may not produce the anticipated cost benefits or achieve the working capital benefits we expect.

We are continually investing in training, business process and information technology tools to eliminate waste, increase quality and reduce defects in the manufacturing process. This investment is critical in our industry, as our customers require us to continually produce cost savings through the elimination of waste and improved efficiencies. Failure to deliver these cost savings could affect our relationships with our customers in a manner which would adversely affect our volumes and operating results. The deployment of Lean and Six Sigma

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initiatives is part of the roadmap we are using to improve our own operating margins. Failure to achieve the anticipated benefits could have a negative impact on our margin improvement.

The complexity of moving our manufacturing base to lower-cost regions could have a material adverse effect on our financial condition and results of operations.

Due to the highly competitive nature of the electronics industry, our customers have required lower-cost solutions from their EMS providers. Over time, this has resulted in the movement of our production from higher-cost regions such as North America and Western Europe to lower-cost regions such as Asia, Latin America and Eastern Europe. This move has had, and could continue to have, a negative impact on current and future results by increasing the risks associated with, among other things, transferring production to new regions where skills or experience may be more limited than in higher-cost regions, incurring higher operating expenses during the transition, incurring additional restructuring costs associated with the decrease in production levels in higher-cost geographies and the risks of operating in new foreign jurisdictions. In certain situations, product transfers have resulted in, and may in the future result in our inability to retain our existing business or grow future revenue due to potential execution problems resulting from significant headcount reductions, plant closures and product transfers associated with restructuring activities.

Our compliance with environmental laws and obligations could be costly.

We are subject to various federal, state/provincial, local and multi-national environmental laws and regulations. Our environmental approach and practices have been designed to ensure compliance with these laws and regulations in a manner consistent with local practice. Future developments and increasingly stringent regulations could require us to incur additional expenditures relating to environmental matters at our facilities. Achieving and maintaining compliance with present, changing and future environmental laws could restrict our ability to modify or expand our facilities or to continue production. This compliance could also require us to acquire costly equipment or to incur other significant expenses. As well, we are increasingly expected to incur and satisfy contractual obligations with our customers with respect to environmental matters and such obligations may extend beyond our regulatory obligations.

We generally obtained environmental assessment reports, or reviewed recent assessment reports initiated by others, for most of the manufacturing facilities that we own or lease at the time we acquired or leased such facilities. Such assessments may not reveal all environmental liabilities and current assessments were not available for all facilities. Consequently, there may be material environmental liabilities of which we are not aware and ongoing remediation, mitigation and risk assessment measures may not be adequate for purposes of future laws. In many jurisdictions in which we operate, environmental laws impose liability for the costs of removal, remediation or risk assessment of hazardous or toxic substances on an owner, occupier or operator of real estate, even if such person or company was unaware of or not responsible for the presence of such substances. For the most part, our current operations are unlikely to cause significant environmental impacts to soil or groundwater. Contamination could have occurred as a result of past operations (our own or prior occupants of a site) and the condition of our properties could be affected by environmental conditions or activities in the vicinity of the properties. From time to time, we investigate, remediate or monitor soil and groundwater contamination at certain of our operating sites and may incur significant costs to do so. In instances where soil or groundwater contamination existed prior to our ownership or occupation of a site, landlords or former owners may have retained some contractual responsibility or regulatory liability for the contamination and its remediation. However, where such residual liability of landlords or former owners does not exist or where such landlords or former owners fail to fulfill their obligations, we may be required to remediate such contamination.

More stringent environmental legislation continues to be imposed, including laws which place increased responsibility and requirements on the "producers" of electronic equipment (*i.e.*, the OEMs) and, in turn, their EMS providers and suppliers. A significant investment of time and resources must be made to ensure compliance with ever-changing environmental legislation and any non-compliance could impact production. These laws include the European Union's Restriction of Hazardous Substances (RoHS), which restricts the use of lead and certain other specified substances in electronic products in the European Union and China's Administration on the Control of Pollution caused by Electronic Information Products (often referred to as

China's RoHS legislation). Where appropriate, we have transitioned our manufacturing processes and interfaced with suppliers and customers to conform to RoHS requirements. Noncompliance with the RoHS requirements could potentially result in substantial costs, including fines and penalties, as well as liability to our customers. The electronics industry is also subject to the European Union's requirements with respect to the collection, recycling and management of waste for electronic products and components. Under the European Union's Waste Electrical and Electronic Equipment (WEEE) directive, compliance responsibility rests primarily with OEMs rather than with EMS companies. However, OEMs may turn to EMS companies for assistance in meeting their WEEE obligations. Failure by our customers to meet the RoHS or WEEE requirements or obligations could have a negative impact on their businesses and revenue which would adversely impact our financial results. Similar restrictions are being proposed or enacted in other jurisdictions. Finally, the European Union regulation concerning the Registration Evaluation Authorisation and Restriction of Chemicals (REACH) requires manufacturers or importers of substances manufactured or imported into the EU in quantities of one tonne per year or more to register with a central European Chemicals Agency. We have assessed our obligations under REACH and are interfacing with suppliers and customers in order to conform. Noncompliance with the REACH requirements could potentially result in substantial fines and penalties as well as an inability to manufacture or supply substances, preparations or articles legally. We continue to monitor other emerging environmental legislation which may impact the industry going forward. We cannot currently assess the impact of such legislation on our operations.

Our customers are becoming increasingly concerned about environmental issues, such as waste management (including recycling), climate change (including the reduction of carbon footprints), and product stewardship, and expect their suppliers to be environmental leaders. Although we strive to meet such customer expectations, such demands may become more onerous and significant investments of time and resources may be required in order to attract and maintain customers.

We may be unable to renew our revolving credit facility during the current uncertain economic times.

Our revolving credit facility for $300.0 million will expire in April 2009. With the current global economic conditions and credit crisis and the weakening of capital markets, we may not be able to renew our facility, or the financing may not be available on terms acceptable to us. Given our strong cash position at December 31, 2008, we are assessing whether we will renew all or a portion of this facility. We cannot assure that we and our lenders will agree on mutually acceptable terms if we seek a renewal. Whether or not we renew the credit facility, we believe we have sufficient resources to satisfy our financial obligations. There were no direct borrowings outstanding under this facility at December 31, 2008.

Our credit agreement and certain indentures contain restrictive covenants that may impair our ability to conduct our business.

Our outstanding credit agreement, the indenture related to our $7^7/_8$% Senior Subordinated Notes due 2011 (2011 Notes) and the indenture related to our $7^5/_8$% Senior Subordinated Notes due 2013 (2013 Notes) contain financial and operating covenants that limit our management's discretion with respect to certain business matters. Among other things, these covenants restrict our ability and our subsidiaries' ability to incur additional debt, create liens or other encumbrances, change the nature of our business, sell or otherwise dispose of assets, make restricted payments such as dividends, repurchase our stock, and merge or consolidate with other entities. At February 23, 2009, we were in compliance with these covenants. At December 31, 2008, we had full access to the $300 million of credit available under our credit facility based on the required financial ratios.

We are exposed to interest rate fluctuations.

In June 2004, we issued our 2011 Notes with an aggregate principal amount of $500.0 million bearing a fixed interest rate of 7.875%. We also entered into agreements which hedge the fair value of our 2011 Notes by swapping the fixed rate of interest for a variable rate based on LIBOR plus a margin, thereby subjecting us to interest rate risk due to fluctuations in the LIBOR rate. The average interest rate on our 2011 Notes for 2008 was 6.5% (2007 8.3%; and 2006 8.2%) after reflecting the interest rate swap. A one percentage point increase in the LIBOR rate would increase our interest expense by approximately $5 million annually. We

terminated these interest rate swaps in February 2009. See note 22 to the Consolidated Financial Statements in Item 18.

The interest of our controlling shareholder may conflict with the interest of the remaining holders of our subordinate voting shares.

Onex owns, directly or indirectly, all of the outstanding multiple voting shares and 1% of the outstanding subordinate voting shares. The number of shares owned by Onex, together with those shares Onex has the right to vote, represents 79% of the voting interest in Celestica and less than 1% of the voting interest in our outstanding subordinate voting shares. Accordingly, Onex exercises a controlling influence over our business and affairs and has the power to determine all matters submitted to a vote of our shareholders where our shares vote together as a single class. Onex has the power to elect our directors and its approval is required for significant corporate transactions such as certain amendments to our articles of incorporation, the sale of all or substantially all of our assets and plans of arrangement. Onex's voting power could have the effect of deterring or preventing a change in control of our company that might otherwise be beneficial to our other shareholders. Under our revolving credit facility, it is an event of default entitling our lenders to demand repayment if Onex ceases to control Celestica unless the shares of Celestica become widely held ("widely held" meaning that no one person owns more than 20% of the votes). Gerald W. Schwartz, the Chairman, President and Chief Executive Officer of Onex and one of our directors, owns multiple voting shares of Onex, carrying the right to elect a majority of the Onex board of directors. Mr. Schwartz, therefore, effectively controls our affairs. The interests of Onex and Mr. Schwartz may differ from the interests of the remaining holders of subordinate voting shares. For additional information about our principal shareholders, see Item 7(A), "Major Shareholders." Onex has, from time to time, issued debentures exchangeable and redeemable under certain circumstances for our subordinate voting shares, entered into forward equity agreements with respect to subordinate voting shares, sold shares (after exchanging multiple voting shares for subordinate voting shares), or redeemed these debentures through the delivery of subordinate voting shares and could do so in the future. These sales could impact our share price, have consequences on our outstanding debt, and change our ownership structure.

We face securities class action and shareholder derivative lawsuits which could result in substantial costs, diversion of management's attention and resources and negative publicity.

Celestica has been named as a defendant in a purported class action lawsuit in the United States which asserts claims for violations of federal securities laws on behalf of persons who acquired our securities between January 27, 2005 and January 30, 2007. Celestica has been named as a defendant in a similar purported class action brought in Canada under Canadian law. Our former Chief Executive and Chief Financial Officers were also named as defendants in these lawsuits. In a consolidated amended U.S. complaint, the plaintiffs have added one of our directors and Onex Corporation as defendants. These lawsuits seek unspecified damages. All defendants have filed motions with the U.S. court to dismiss the amended Complaint. Those motions are pending. Although we believe the allegations in these claims are without merit and we intend to defend these claims vigorously, these lawsuits could result in substantial costs to us, divert management's attention and resources from our operations and negatively affect our public image and reputation.

Potential unenforceability of civil liabilities and judgments.

We are incorporated under the laws of the Province of Ontario, Canada. A significant number of our directors, controlling persons and officers are residents of Canada. Also, a substantial portion of our assets and the assets of these persons are located outside of the United States. As a result, it may be difficult to effect service within the United States upon those directors, controlling persons and officers who are not residents of the United States or to realize in the United States upon a judgment of courts of the United States predicated upon the civil liability provisions of the U.S. federal securities laws.

Shares eligible for public sale could adversely affect our share price.

Future sales of our subordinate voting shares in the public market, or the issuance of subordinate voting shares upon the exercise of stock options or otherwise, could adversely affect the market price of the subordinate voting shares.

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At February 23, 2009, we had 199,580,858 subordinate voting shares and 29,637,316 multiple voting shares outstanding. All of the subordinate voting shares are freely transferable without restriction or further registration under the U.S. Securities Act, except for shares held by our affiliates (as defined in the U.S. Securities Act). Shares held by our affiliates include all of the multiple voting shares and 1,996,231 subordinate voting shares held by Onex Corporation (Onex). An affiliate may not sell shares in the United States unless the sale is registered under the U.S. Securities Act or an exemption from registration is available. Rule 144 adopted under the U.S. Securities Act permits our affiliates to sell our shares in the United States subject to volume limitations and requirements relating to manner of sale, notice of sale and availability of current public information with respect to us.

In addition, as of February 23, 2009 there were approximately 27,000,000 subordinate voting shares reserved for issuance under our employee share purchase and option plans and for director compensation, including outstanding options to purchase approximately 11,100,000 subordinate voting shares. Moreover, we may, pursuant to our articles of incorporation, issue an unlimited number of additional subordinate voting shares without further shareholder approval (subject to any required stock exchange approvals). As a result, a substantial number of our subordinate voting shares will be eligible for sale in the public market at various times in the future. The issuances and/or sale of such shares would dilute the holdings of our shareholders and could adversely affect the market price of the subordinate voting shares.

Acts of terrorism and other political and economic developments could adversely affect our business.

Increased international political instability, evidenced by the threat or occurrence of terrorist attacks, enhanced national security measures, conflicts in the Middle East and Asia, security issues at the U.S./Mexico border related to illegal immigration or criminal activities associated with illegal drugs activities, strained international relations arising from these conflicts and the related decline in consumer confidence may hinder our ability to do business. Any escalation in these events or similar future events may disrupt our operations or those of our customers and suppliers and could affect the availability of materials needed to manufacture our products or the means to transport those materials to manufacturing facilities and finished products to customers. These events have had and may continue to have an adverse impact on the U.S. and world economy in general and customer confidence and spending in particular, which in turn could adversely affect our revenue and results of operations. The impact of these events on the volatility of the U.S. and world financial markets could increase the volatility of the market price of our securities and may limit the capital resources available to us and our customers and suppliers.

Item 4. Information on the Company

A. History and Development of the Company

We were incorporated in Ontario, Canada under the name Celestica International Holdings Inc. on September 27, 1996. Since that date, we have amended our articles of incorporation on various occasions, principally to modify our corporate name and our share capital. Our legal name and commercial name is Celestica Inc. We are a corporation domiciled in the Province of Ontario, Canada and operate under the Ontario Business Corporations Act. Our principal executive offices are located at 12 Concorde Place, 5th Floor, Toronto, Ontario, Canada M3C 3R8 and our telephone number is (416) 448-5800. Our website is http://www.celestica.com. Information on our website is not incorporated by reference in this Annual Report.

Prior to our incorporation, we were an IBM manufacturing unit and we provided manufacturing services to IBM for more than 75 years. In 1993, we began providing EMS services to non-IBM customers. In October 1996, we were purchased from IBM by an investor group, led by Onex, which included our then management.

Celestica provides a range of electronics manufacturing services and solutions to OEMs across many industries. We operate a global manufacturing and supply chain network.

Recent Acquisitions

Certain information concerning property, plant and equipment expenditures, including acquisitions and financing activities, is set forth in notes 3, 7, 8, 15 and 17 to the Consolidated Financial Statements in Item 18,

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and Item 5, "Operating and Financial Review and Prospects Management's Discussion and Analysis of Financial Condition and Results of Operations."

Certain information concerning our divestiture activities, including our restructurings, is set forth in note 10 to the Consolidated Financial Statements in Item 18, and Item 5, "Operating and Financial Review and Prospects Management's Discussion and Analysis of Financial Condition and Results of Operations."

B. Business Overview

We provide end-to-end product lifecycle solutions to OEMs in the communications, consumer, enterprise computing, industrial, aerospace and defense, alternative energy and healthcare sectors. We believe our services and solutions will help our customers eliminate waste from their supply chains, resulting in lower product lifecycle costs and better returns, and positioning them more competitively in their respective business environments.

Our global operating network spans the Americas, Asia and Europe. In an effort to drive speed and flexibility for our customers, we conduct the majority of our business through eight full-service mega-sites, strategically located around the world. Through our Ring Strategy, we strive to align a network of suppliers around each of our mega-sites in order to increase flexibility in our supply chain, deliver shorter overall product lead times and reduce inventory. We operate additional sites around the globe with certain supply chain management and high-mix/low-volume manufacturing capabilities to meet the specific requirements of customers in markets such as the industrial, aerospace and defense, alternative energy and healthcare sectors.

Through our mega-sites and the deployment of our Total Cost of Ownership Strategy, we strive to provide our customers with the lowest total cost throughout the product lifecycle. This approach enables us to focus our capabilities on broad solutions that address the total cost of production, delivery and after-market support for our customers' products, which can help drive greater levels of efficiency and improved service levels throughout our customers' supply chain.

The major end markets we serve include communications, consumer, enterprise computing, industrial, aerospace and defense. Serving these end markets has enabled us to diversify some of the market risk associated with concentration in a limited number of sectors. We supply products and services to over 100 OEMs. In aggregate, our top 10 customers represented 63% of revenue in 2008. In 2008, we segmented our end-markets as follows: enterprise communications (25% of revenue); consumer (26% of revenue); servers (16% of revenue); telecommunications (15% of revenue); storage (10% of revenue); and industrial, aerospace and defense (8% of revenue). The products we manufacture can be found in a wide array of end products, including networking, wireless, telecommunications and computing equipment; handheld communications devices primarily smartphones; peripherals; storage devices; servers; healthcare products; audio visual equipment, including flat-panel televisions; printers and related supplies; gaming products; aerospace and defense electronics such as in-flight entertainment and guidance systems; and a range of industrial and alternative energy electronic equipment.

We believe we are well-positioned to compete effectively in the EMS industry, given our financial strength and our position as one of the major EMS providers worldwide. Our focus is to (i) improve our operating margins and increase operating efficiency by driving costs lower and delivering market-specific supply chain solutions that provide value for us and our customers, (ii) leverage our supply chain practices to lower material costs and improve asset utilization, (iii) develop and enhance profitable and key relationships with leading OEMs across our strategic target market segments, and (iv) broaden the range of the services we provide to OEMs in areas that can reduce their overall product lifecycle costs. We believe that success in these areas will allow us to maintain acceptable financial performance and enhance shareholder value.

Our principal strengths include our advanced capabilities in the areas of technology and quality, our flexible service offerings, our financial strength and our market-specific supply chain management capabilities. We provide a wide range of advanced manufacturing technologies, test capabilities and processes to support our customers' needs. Our size, geographic reach and expertise in supply chain management allow us to purchase materials effectively and to deliver products to customers faster, thereby reducing overall product costs and reducing the time-to-market.

We believe that our highly skilled workforce differentiates us from our competitors. We have an entrepreneurial, participative and team-based culture, with a focus on continuous improvement, flexibility and customer service excellence.

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Electronics Manufacturing Services Industry

Overview

The EMS industry is comprised of companies that provide a broad range of electronics manufacturing services to OEMs. Since the 1990's, OEMs have become increasingly reliant upon these services to become more efficient and to enhance their competitive positions. Today, the leading EMS companies have global operating networks delivering worldwide supply chain management solutions. They offer end-to-end services for the entire product lifecycle, including design and engineering, manufacturing and systems integration, fulfillment and after-market services. By outsourcing their manufacturing and related services, OEMs are able to overcome their most pressing business challenges related to cost, asset utilization, quality, time-to-market and rapidly changing technologies.

We believe the adoption of outsourcing by OEMs will continue across a number of industries, because it allows OEMs to:

Reduce Operating Costs and Invested Capital. OEMs are under significant pressure to reduce total product lifecycle costs, and property, plant and equipment expenditures. The manufacturing process of electronics products has become increasingly automated, which requires greater levels of investment in property, plant and equipment. EMS companies enable OEMs to gain access to a global network of manufacturing facilities with supply chain management expertise, advanced engineering capabilities, flexible capacity, and economies of scale. By working with EMS companies, OEMs can reduce their overall product lifecycle and operating costs, working capital and property, plant and equipment investment requirements.

Focus Resources on Core Competencies. The electronics industry operates in a highly-competitive environment characterized by rapid technological change and shortening product lifecycles. In this environment, many OEMs are prioritizing their resources on their core competencies of product development, sales, marketing and customer service, and to outsource design, manufacturing, supply chain and other product support requirements to their EMS partners.

Improve Time-to-Market. Electronic products experience shorter product lifecycles, requiring OEMs to continually reduce the time required to bring products to market. OEMs can significantly improve product development cycles and enhance time-to-market by benefiting from the expertise and infrastructure of EMS providers. This includes capabilities relating to design services, prototyping and the rapid ramp-up of new products to high-volume production, all with the critical support of global supply chain management and manufacturing networks.

Utilize EMS Companies' Procurement, Inventory Management and Logistics Expertise. Successful manufacturing of electronic products requires significant resources to deal with the complexities in planning, procurement and inventory management, frequent design changes, shorter product lifecycles and product demand fluctuations. OEMs can address these complexities by outsourcing to EMS providers that (i) possess sophisticated global supply chain management capabilities and (ii) can leverage significant component procurement advantages to lower product costs.

Access Leading Engineering Capabilities and Technologies. Electronic products and the electronics manufacturing technology needed to support them have become complex. As a result, OEMs increasingly rely on EMS companies to provide design, engineering support, manufacturing and technological expertise. Through their design and engineering services, EMS companies can assist OEMs in the development of new product concepts, or the re-design of existing products, as well as with improvements in the performance, cost and time required to bring products to market. In addition, OEMs gain access to high-quality manufacturing expertise and capabilities in the areas of advanced process, interconnect and test technologies.

Improve Access to Global Markets. OEMs provide products and support services for a global customer base. EMS companies with global capabilities provide OEMs with efficient global manufacturing solutions and distribution capabilities.

Access to Broadening Service Offerings. In response to OEMs' continued desire to outsource activities that were traditionally handled internally, EMS providers are continually expanding their offerings to include

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services such as design, fulfillment and after-market support, including repair and recycling services. This enables OEMs to benefit from outsourcing more of their cost of goods sold.

Celestica's Focus

We are dedicated to building solid partnerships and providing flexible product lifecycle solutions in electronics manufacturing services. To achieve this goal, we work closely with our OEM customers to proactively identify and fulfill their requirements. We strive to exceed our customers' expectations by providing a broad range of services to lower cost, increase flexibility and predictability and improve quality. We also look at ways to invest in their future by continuing to deepen our knowledge of their businesses and to develop solutions to meet their needs. We constantly look to advance our technical capabilities to help our customers have a competitive advantage. By succeeding in the following areas, we believe we will maximize customer satisfaction, achieve superior financial performance and enhance shareholder value:

Steadily Improve Operating Efficiency to Increase Operating Margins. We continue to focus on: (i) improving utilization in regions or sites where volumes are below appropriate levels, (ii) completing our restructuring programs to ensure we have the appropriate global manufacturing network and cost structures in place to serve our customers, (iii) leveraging our best supply chain practices globally to lower material costs, minimize lead times and improve our planning cycle to better meet changes in customers' demand and improve asset utilization, (iv) compensating our employees based, in part, on the achievement of profitability and return on invested capital targets, and (v) leveraging our IT tools in order to reduce waste and redundancy and improve quality. We will continue our intensive focus on maximizing asset utilization, which we believe will, when combined with the margin enhancement measures described above, increase our return on invested capital.

Leverage Expertise in Technology, Quality and Supply Chain Management. We are committed to meeting our customers' needs in the areas of technology, quality and supply chain management. Our expertise in these areas enable us to meet the rigorous demands of our OEM customers, and allow us to produce a variety of electronic products ranging from high-volume consumer electronics to highly complex technology infrastructure products. Our commitment to quality allows us to deliver consistently reliable products to our customers. The systems and processes associated with our expertise in supply chain management have generally enabled us to rapidly adjust our operations to meet the lead time requirements of our customers, flexibly shift capacity in response to product demand fluctuations and quickly and effectively deliver products directly to end customers. We often work closely with suppliers to influence component design for the benefit of our customers. Based on the successes that we have had in these areas, we have been recognized with numerous customer and industry achievement awards.

Develop and Enhance Profitable, Key Relationships with Leading OEMs. We seek to build and sustain profitable, strategic relationships with targeted industry leaders in sectors that can benefit from the delivery of our services and solutions. We conduct ourselves as an extension of our customers' organizations and this enables us to respond to their needs with speed, flexibility and predictability in delivering results. We have established and maintain strong manufacturing relationships with a diverse mix of leading OEMs across several market segments. Going forward, we believe that our customer base will be a strong source of growth for us as we seek to strengthen these relationships through the delivery of additional services.

Expand Range of Service Offerings. We continually look to expand the breadth and depth of the services we provide to OEMs in areas that can reduce their overall product lifecycle costs. In recent years, we have significantly expanded our service offerings to facilitate the manufacture of a broader spectrum of products and to support the full product lines of leading OEMs in a variety of industry segments. During this period, we have also expanded or acquired additional capabilities in prototyping, design, systems assembly, logistics, fulfillment and after-market services.

Continue to Penetrate Strategic Target End-Markets. As a result of new or continued demand for outsourced electronics manufacturing services, we have established a diverse customer base with OEM customers in several industries. Our legacy of expertise in technology, quality and supply chain management, in addition to our broad service offerings, have positioned us as an attractive partner to companies across these market segments. Our

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diversification across many markets has reduced the risk associated with reliance on only a few sectors. Our revenue diversification is as follows:

	2006	2007	2008
Consumer	18%	22%	26%
Enterprise communications	28%	28%	25%
Servers	17%	19%	16%
Telecommunications	18%	14%	15%
Storage	10%	10%	10%
Industrial, aerospace and defense	9%	7%	8%

Selectively Pursue Strategic Acquisitions. We have completed numerous acquisitions and will continue to selectively seek acquisition opportunities in order to (i) further develop strategic relationships with OEMs in our target markets, (ii) expand our capacity and capabilities, and (iii) broaden and deepen the scope of our service offerings.

Celestica's Business

OEM Supply Chain Services and Solutions

We are a global provider of end-to-end supply chain solutions offering a full spectrum of product design, manufacturing, order fulfillment, delivery (including reverse logistics), after-market repair and product reclamation services. We capitalize on our global operating network, information technology and supply chain expertise using a team of highly skilled, customer-focused employees. We believe that our ability to deliver a wide spectrum of flexible solutions to our customers across several industries provides our customer with a competitive time to market and cost advantage. We also believe our full range of integrated product lifecycle service capabilities provides us with an advantage in the EMS industry.

Supply Chain Management. We use enterprise resource planning and supply chain management systems to optimize materials management from suppliers through to our customers' customers. The effective management of the supply chain is critical to the OEMs' success as it directly impacts the time required to deliver products to market and the capital requirements associated with carrying inventory. We feel that we have a differentiated supply chain offering compared to our competitors through our Total Cost of Ownership (TCOO) Strategy and Ring Strategy.

Through the development of our TCOO Strategy, we strive to provide our customers with the true cost of producing, delivering and supporting their products so that we can exceed their expectations for time-to-market and quality and provide them with the lowest TCOO. Through our Ring Strategy, we strive to align a network of suppliers around each of our mega-sites. This strategy strives to align the material supply in close proximity to our mega-sites so we can increase the agility and flexibility of our supply chain and deliver the shortest overall lead times for any given product.

Design. Our global design services and solutions architects are focused on opportunities that span the entire product lifecycle. Supported by a disciplined approach to program management, we provide flexible design solutions and expertise to help customers optimize the supply chain to reduce their overall product costs, improve time-to-market and introduce competitively differentiated products. A leader in design analysis, we leverage our proprietary CoreSim Technology to minimize design spins, speed time to market and provide improved manufacturing yields for our customers. Through our collective experience with common technologies across multiple industries and product groups, we can provide quality and cost-focused solutions for our customers' design needs.

Our teams work with OEM product designers in the early stages of product development. Our design team uses advanced tools to enable new product ideas to progress from electrical and application-specific integrated circuit design, to simulation, physical layout, and design for manufacturing. Collaborative links and databases between the customer and our design and manufacturing groups help to ensure that new designs are released rapidly, smoothly and cohesively into production.

We enhance our design services capabilities through strategic relationships with global engineering and research and development organizations, as well as other IT services and business process outsourcing firms. We believe that by combining our companies' strengths, we can create solutions to help our customers overcome design related challenges. The skills and scalability that we can access enable us to better manage projects throughout the life of the product, including software development and systems validation, as well as complete product sustainability.

Other key initiatives aimed at enhancing our design services offering include developing and marketing solutions accelerator platforms for server blades, storage, advanced telecommunications computing architecture and worldwide interoperability for microwave access (WiMAX). These customizable solution accelerators will help OEMs reach their markets faster by reducing design cycles without compromising their intellectual property.

Green Services . Since 2004, we have been developing a suite of services to help our customers comply with environmental legislation, including the European Union's (EU) RoHS and WEEE laws and China's RoHS directives. The EU's RoHS mandated the removal of a number of hazardous substances, including the lead commonly found in electronic products. Through WEEE, the EU requires that producers or distributors register with the government authorities in each member state and consider recycling costs in the pricing for any products placed in the EU markets after August 2005. We continue to develop and offer a comprehensive suite of services to help our customers design, prototype, introduce, manufacture, test, ship, takeback, repair, refurbish, reuse, recycle and properly dispose of end-of-life (EOL) products in compliance with the existing legislation and the evolving legislation in countries in which we operate.

Prototyping. Prototyping is a critical early-stage process in the development of new products. In prototyping, our engineers collaborate with OEM engineers to build early-stage products at our new product introduction centers. These centers are strategically located to enable us to provide a quick response in the early stages of the product development lifecycle. Upon completion of these prototypes, our new product introduction centers provide a seamless entry into our larger manufacturing facilities.

Systems Assembly and Test. We use sophisticated technologies in the assembly and testing of our products. We have continually made significant investments in the development of new assembly and test process techniques to enhance product quality, reduce cost and improve delivery time to customers. We work independently and also collaborate with customers and suppliers to develop leading assembly and test technologies. Systems assembly and testing require sophisticated logistics capabilities to rapidly procure components, assemble products, perform complex testing and distribute products to customers around the world. Our full systems assembly services involve combining and testing a wide range of subassemblies and components before shipping to their final destination. Increasingly, OEMs require custom build-to-order system solutions with very short lead times and we are focused on using our advanced supply chain management capabilities to exploit this trend.

Product Assurance. We provide product assurance to our OEM customers. Our product assurance teams perform product life testing and full circuit characterization to ensure that designs meet or exceed required specifications. We are accredited as a National Testing Laboratory capable of testing to international standards (e.g., Canadian Standards Association and Underwriters Laboratories). We believe that this service allows our customers to attain product certification significantly faster than is customary in the EMS industry.

Failure Analysis. Our extensive failure analysis capabilities concentrate on identifying the root cause of product failures and determining corrective actions. The root causes of failures typically relate to inherent component defects and/or deficiencies in design robustness. Products are subjected to various environmental extremes, including temperature, humidity, vibration, voltage and rate of use. Field conditions are simulated in failure analysis laboratories which employ advanced electron microscopes, spectrometers and other advanced equipment. We are also able to discover failures before products are shipped as our highly qualified engineers are proactive in working in partnership with suppliers and customers to develop and implement resolutions.

Fulfillment. We leverage our global scale in manufacturing, supply chain management and fulfillment to provide fully integrated logistics solutions to our customers. Our logistics offering includes warehouse and

distribution, freight management, logistics consulting services, product and materials visibility and reverse logistics. We ship worldwide to our customers or in many cases, directly to OEMs' customers.

After-Market Services. We help our customers extend the value of their product through our after-market repair, returns and recycling services, individualized to meet each customer's requirements. These services include field failure analysis, product upgrades, repair and engineering change management.

Quality Management

One of our strengths is our ability to consistently deliver high-quality services and products. We have an extensive quality management system that focuses on continual process improvement and achieving high levels of customer satisfaction. We employ a variety of advanced statistical engineering techniques and other tools to assist in improving product and service quality. All of our principal facilities are ISO certified to ISO 9001 or ISO 9002 standards. Most of our principal facilities are also certified to ISO 14001 (environmental) standards, as well as to other industry-specific certifications.

In addition to these standards, we continue to deploy Lean and Six Sigma initiatives throughout our manufacturing network. Implementing Lean throughout the manufacturing process improves the efficiency and reduces waste in areas such as inventory on hand, set up times, floor space and the number of people required for production. Six Sigma ensures continuous improvement by reducing process variation. Success in these areas helps our customers lower their costs, positioning them more competitively in their respective business environments.

We believe that quality management is one of the key services directly linked to meeting and exceeding our customers' expectations and we have a series of key performance indicators deployed across our operating network that allow our teams to focus on driving continuous improvement and meeting the customers' expectations around quality.

Geographies

Since 2005, approximately one-half of our revenue was produced in Asia and one-third of our revenue has been produced in North America. A listing of our principal manufacturing and non-manufacturing locations is included in Item 4, "Information on the Company Description of Property." We believe we have a competitive and strategic global manufacturing network with approximately 80% of our employees located in lower-cost regions. We have deployed many of our significant technical capabilities to a broad number of our global sites in both high-cost and low-cost regions which we believe differentiates us from our competitors.

Certain geographic information is set forth in note 17 to the Consolidated Financial Statements in Item 18.

Sales and Marketing

We have adopted a marketing approach focused on creating profitable, strategic relationships with leading OEMs in targeted end-markets. We have structured our business development teams by market with a focus on providing complete manufacturing and supply chain solutions. Our coordination of efforts with key global customers has been enhanced by the creation of customer-focused teams, each headed by a group general manager who oversees the global relationship with such customers. These teams work with our solutions architects to develop specific approaches that meet the unique needs of each customer's product or supply chain requirements. Our global network is comprised of customer-focused teams, including direct sales representatives, operational and project managers, account executives, supply chain management teams, as well as senior executives. Our global sales organization also leverages an integrated set of processes designed to provide consistency to customers worldwide.

Customers

We supply products and services to approximately 100 OEM customers and target industry leading customers in strategic market segments focused on key technologies. Our customers include Alcatel Lucent, Cisco Systems, EMC, Hewlett-Packard, Honeywell, IBM, Juniper, Microsoft, NEC, Raytheon, Research in Motion and Sun Microsystems. We are focused on strengthening our relationships with these strategic customers

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through the delivery of new and expanding end-to-end solutions, such as design and engineering, systems integration, fulfillment and after-market services, including managing end-of-life products for our customers.

During 2008, we had no customers that represented over 10% of total revenue. During 2007, our two largest customers, Cisco Systems and Sun Microsystems, each represented more than 10% of total revenue and in aggregate represented 21% of total revenue. Our top 10 customers represented 63% and 61%, respectively, of total revenue for 2008 and 2007.

We enter into contractual agreements with our key customers that provide the framework for our overall relationship. The majority of our customer arrangements require the customer to purchase from us any unused inventory that we have purchased to fulfill that customer's forecasted manufacturing demand.

Technology and Research and Development

We use advanced technology in the design, assembly and testing of the products we manufacture. We believe that our processes and skills are among the most sophisticated in the industry. We believe that this provides us with advantages over many of our smaller competitors and our competitors building less complex products.

Our customer-focused factories are highly flexible and are reconfigured as needed to meet customer specific product requirements and fluctuations in volumes. We have extensive capabilities across a broad range of specialized assembly processes. We work with a variety of substrate types based on the wide range of products we build for our customers, from thin, flexible printed circuit boards to highly complex, dense multi-layer boards as well as with a broad array of advanced component and attach technologies employed in our customers' products. Increasing demand for full-system assembly solutions continues to drive technical advancement in complex mechanical assembly and configuration.

Our assembly capabilities are complemented by advanced test capabilities. The technologies we use include high-speed functional testing, burn-in, vibration, radio frequency, in-circuit and in-situ dynamic thermal cycling stress testing. We believe that our inspection technology, which includes X-ray laminography, advanced automated optical inspection, three-dimensional laser paste volumetric inspection and scanning electron microscopy, is among the most sophisticated in the EMS industry. We work directly with the leaders in the equipment industry to optimize their products and solutions or to jointly design a solution to better meet our needs and the needs of our customers. Furthermore, we employ internally developed automated robotic technology to perform in-process repair.

Our ongoing research and development activities include the development of processes and test technologies, as well as some focused product development. We are proactive in developing manufacturing techniques that take advantage of the latest component, product and packaging designs. We work directly with our customers to understand their product roadmaps and to develop the technology solutions required to optimally solution their future needs. We often work with, and take a leadership role in, industry groups that strive to advance the state of technology in the industry.

Supply Chain Management

We have strong relationships with suppliers of every commodity we use. We employ electronic data interchange with our key suppliers and ensure speed of supply through strong relationships with our logistics partners and full-service distribution capabilities. During 2008, we procured and managed over $6 billion in materials and related services. We view the size and scale of our procurement activities as an important competitive advantage, as it enhances our ability to obtain better pricing, influence component packaging and design and obtain a supply of components in constrained markets.

We believe we have a differentiated supply chain offering compared to our competitors through our Total Cost of Ownership Strategy and Ring Strategy. Through our TCOO Strategy, we strive to provide our customers with the true cost of producing, delivering and supporting their products so that we can exceed their expectations for time-to-market and quality and provide them with the lowest TCOO. Through our Ring Strategy we strive to align a network of suppliers around our mega-sites. This strategy places an emphasis on

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dealing with suppliers in close proximity to our mega-sites so we can increase the agility and flexibility of our supply chain and deliver the shortest overall lead times for any given product.

We utilize two enterprise systems which provide comprehensive information on our logistics, financial and engineering support functions. These systems provide management with the data required to manage the logistical complexities of the business and are augmented by and integrated with other applications, such as shop floor controls, component and product database management and design tools.

To minimize the risk associated with inventory, we primarily order materials and components only to the extent necessary to satisfy existing customer orders and forecasts covered by the contract terms and conditions. We have implemented specific inventory management strategies with certain suppliers, such as "supplier managed inventory" (pulling inventory at the production line on an as-needed basis) and on-site stocking programs. Our initiatives in Lean and Six Sigma also focus on eliminating excess inventory throughout the supply chain. In providing electronics manufacturing services to our customers, we are largely protected from the risk of fluctuations in inventory costs, as these costs are generally passed through to customers.

All of the products we manufacture or assemble require one or more components. In many cases, there may be only one supplier of a particular component. Some of these components could be rationed in response to supply shortages. We attempt to ensure continuity in the supply of these components. In cases where unanticipated customer demand or supply shortages occur, we attempt to arrange for alternative sources of supply, where available, or defer planned production in response to the availability of the critical components.

Many of these suppliers are also involved with our Ring Strategy, whereby the supplier locates its operations in close proximity to our major facilities in order to reduce lead times and provide greater levels of flexibility to our customers.

Intellectual Property

We hold licenses to various technologies which we acquired in connection with acquisitions. In addition, we believe that we have secured access to all required technology that is material to the current conduct of our business.

We regard our manufacturing processes and certain designs as proprietary trade secrets and confidential information. We rely largely upon a combination of trade secret laws, non-disclosure agreements with our customers and suppliers and our internal security systems, confidentiality procedures and employee confidentiality agreements to maintain the trade secrecy of our designs and manufacturing processes. Although we take steps to protect our trade secrets, there can be no assurance that misappropriation will not occur.

We currently have a limited number of patents and patent applications pending. However, we believe that the rapid pace of technological change makes patent protection less significant than such factors as the knowledge and experience of management and personnel and our ability to develop, enhance and market electronics manufacturing services.

We license some technology from third parties which we use in providing electronics manufacturing services to our customers. We believe that such licenses are generally available on commercial terms from a number of licensors. Generally, the agreements governing such technology grant to us non-exclusive, worldwide licenses with respect to the subject technologies and terminate upon a material breach by us of the terms of such agreements.

Competition

We compete on a global basis to provide electronics manufacturing services and solutions to OEMs across various end-markets. Our competitors include a large number of domestic and foreign companies, such as Benchmark Electronics, Flextronics International, Hon Hai Precision Industry, Jabil Circuit and Sanmina-SCI, as well as smaller EMS companies that often have a regional, product, service or industry specific focus. ODMs, companies that provide internally designed products and manufacturing services to OEMs, continue to increase their share of outsourced manufacturing services provided to OEMs in several markets, such as personal computer motherboards, notebook and desktop computers, and cell phones. While we have not, to date,

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encountered significant direct competition from ODMs in our primary markets, such competition may increase if our business in these markets grows, or if ODMs expand further into, or beyond, these markets.

We may also face competition from current and prospective customers who evaluate our capabilities against the merits of manufacturing products internally. We compete with different companies depending on the type of service or geographic area. Some of our competitors may have greater manufacturing, financial, procurement, research and development, and marketing resources than we do. We believe our competitive advantage in our targeted markets is our track record in manufacturing technology, quality, responsiveness and providing cost-effective, value-added services. To remain competitive, we believe we must continue to provide technologically advanced manufacturing services and solutions, maintain quality levels, offer flexible delivery schedules, deliver finished products on time and compete favorably on price.

Human Resources

As of December 31, 2008, we employed over 38,000 permanent and temporary (contract) employees worldwide. Given the variable nature of our project flow and the quick response time required by our customers, it is critical that we are able to quickly ramp our production up or down to maximize efficiency. To achieve this, our approach has been to employ a skilled temporary labor force, as required.

We believe that our employees are our greatest asset. Culturally, we are team-oriented, values-driven and results-oriented, with a focus on customer service and quality at all levels. This culture is an important element of our strategy, as we need to be able to fully utilize the intellectual capital of our employees to be successful. Some of our employees in Brazil, China, Japan, Mexico, Singapore and Spain are represented by unions.

Environmental Matters

We are subject to various federal, state/provincial, local and multi-national environmental, health and safety laws and regulations, including measures relating to the release, use, storage, treatment, transportation, discharge, disposal and remediation of contaminants, hazardous substances and waste, as well as practices and procedures applicable to the construction and operation of our plants. We believe that we are currently in compliance in all material respects with applicable environmental laws.

Some of our operating sites have a history of industrial use. As is typical for such businesses, soil and groundwater contamination could have occurred. From time to time we investigate, remediate and monitor soil and groundwater contamination at certain of our operating sites.

Except for the facilities that we acquired in the Omni Industries Limited and MSL transactions, Phase I or similar environmental assessments (which involve general inspections without soil sampling or groundwater analysis) were obtained for most of the manufacturing facilities we lease or own in connection with our acquisition or lease of such facilities. Where contamination is suspected, Phase II intrusive environmental assessments (including soil and/or groundwater testing) are usually performed. We expect to conduct such environmental assessments in respect to future property acquisitions where consistent with local practice. These environmental assessments have not revealed any environmental liability that we believe, based on current information, will have a material adverse effect on our results of operations, business, prospects or financial condition, nor are we aware that we have any such material environmental liability, in part because of the contractual retention of liability for some contamination and its remediation by landlords and former owners at some sites. It is possible that our assessments do not reveal all environmental liabilities, or that there are material environmental liabilities of which we are not presently aware, or that future changes in law or enforcement standards will cause us to incur significant costs or liabilities in the future.

Environmental legislation also operates at the product level. Since 2004, we have developed our Green Services , offering a suite of services that helps our customers comply with environmental legislation, such as the EU's RoHS and WEEE laws and China's RoHS legislation.

Backlog

Although we obtain firm purchase orders from our customers, OEM customers typically do not make firm orders for delivery of products more than 30 to 90 days in advance. We do not believe that the backlog of

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expected product sales covered by firm purchase orders is a meaningful measure of future sales, since orders may be rescheduled or cancelled.

Seasonality

Seasonality is reflected in the mix and complexity of the products we manufacture. With a significant exposure to consumer, computing and communications infrastructure products, there will be a level of seasonality in our quarterly revenue patterns for many customers. The consumer electronics business has revenue peaks that are different than those of our communications and enterprise computing market segments. As a result of this mix, our efforts to diversify our revenue base, and limited visibility in technology end-markets, it is difficult to predict the extent and impact of seasonality on our business. With the current global economic crisis, it is difficult to assess how seasonality will impact us going forward.

C. Organizational Structure

We conduct our business through subsidiaries operating on a worldwide basis. The following companies are considered significant subsidiaries and each of them is wholly-owned:

Celestica Cayman Holdings 1 Limited, a Cayman Islands corporation.

Celestica Cayman Holdings 9 Limited, a Cayman Islands corporation.

Celestica Corporation, a Delaware corporation.

Celestica (Gibraltar) Limited, a Gibraltar corporation.

Celestica Holdings Pte Ltd., a Singapore corporation.

Celestica Hong Kong Limited, a Hong Kong corporation.

Celestica International Inc., an Ontario corporation.

Celestica Liquidity Management Hungary Limited Liability Company, a Hungary corporation.

Celestica (Luxembourg) S.ÀR.L., a Luxembourg corporation.

Celestica (Thailand) Limited, a Thailand corporation.

Celestica (US Holdings) Inc., a Delaware corporation.

IMS International Manufacturing Services Limited, a Cayman Islands corporation.

1282087 Ontario Inc., an Ontario corporation.

1755630 Ontario Inc., an Ontario corporation.

D. Description of Property

The following table summarizes our principal facilities as of February 23, 2009. Our facilities are used to provide electronics manufacturing services and solutions, such as the manufacture of printed circuit boards,

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assembly and configuration of final systems and other related manufacturing and customer support activities, including warehousing, distribution, and fulfillment.

Major manufacturing sites	Square Footage (in thousands)	Owned/Leased
Toronto, Ontario	888	Owned
Ottawa, Ontario	18	Leased
Fontana, California	334	Leased
San Jose, California[1]	101	Leased
Ontario, California[1]	443	Leased
Ventura, California	46	Leased
Arden Hills, Minnesota	154	Leased
Nashville, Tennessee[1]	529	Leased
Austin, Texas	51	Leased
Farmers Branch, Texas	150	Leased
McAllen, Texas	61	Leased
Reynosa, Mexico	153	Leased
Monterrey, Mexico[1]	637	Leased
Hortolandia, Brazil	105	Leased
Galway, Ireland	133	Leased
Valencia, Spain	418	Owned
Rajecko, Czech Republic	170	Owned
Kladno, Czech Republic[1]	185	Owned/Leased
Oradea, Romania	200	Owned
Shanghai, China[1]	43	Leased
Dongguan, China[1]	286	Leased
Suzhou, China	388	Owned/Leased
Songshan Lake, China	437	Owned/Leased
Johor Bahru, Malaysia[1]	554	Owned/Leased
Kulim, Malaysia	324	Owned
Laem Chabang, Thailand[1]	1,085	Owned/Leased
Singapore[1]	314	Leased
Miyagi, Japan	273	Owned
Kawasaki, Japan	42	Leased
Cebu, Philippines	125	Owned
Hyderabad, India[1]	53	Owned/Leased

(1) This represents multiple locations.

Our principal executive office is located at 12 Concorde Place, 5th Floor, Toronto, Ontario M3C 3R8. All of our principal facilities are ISO certified to ISO 9001 or ISO 9002 standards. Most of our principal facilities are also certified to the ISO 14001 (environmental) standards.

Our land and facility leases expire between 2009 and 2060. We currently expect to be able to extend the terms of expiring leases or to find replacement facilities on reasonable terms.

As part of our restructuring plans, we have been focused on increasing production in lower-cost geographies. We will continue to evaluate our operating network to ensure that it meets our customers' requirements. See Item 5, "Operating and Financial Review and Prospects Management's Discussion and Analysis of Financial Condition and Results of Operations Operating Results" for additional information concerning our restructurings.

Item 4A. Unresolved Staff Comments

None.

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Item 5. Operating and Financial Review and Prospects

**MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion of the financial condition and results of operations should be read in conjunction with the Consolidated Financial Statements, which we prepared in accordance with Canadian GAAP. A reconciliation to United States GAAP is disclosed in note 20 to the Consolidated Financial Statements. All dollar amounts are expressed in U.S. dollars. The information in this discussion is provided as of February 20, 2009.

Certain statements contained in the following Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) constitute forward-looking statements within the meaning of section 27A of the U.S. Securities Act and section 21E of the U.S. Exchange Act, including, without limitation, statements related to our future growth, trends in our industry, our financial or operational results, and our financial or operational performance. Such forward-looking statements are predictive in nature, and may be based on current expectations, forecasts or assumptions involving risks and uncertainties that could cause actual outcomes and results to differ materially from the forward-looking statements themselves. Such forward-looking statements may, without limitation, be preceded by, followed by, or include words such as "believes," "expects," "anticipates," "estimates," "intends," "plans," or similar expressions, or may employ such future or conditional verbs as "may", "will", "should" or "would" or may otherwise be indicated as forward-looking statements by grammatical construction, phrasing or context. For those statements, we claim the protection of the safe harbor for forward-looking statements contained in the U.S. Private Securities Litigation Reform Act of 1995, and in any applicable Canadian securities legislation. Forward-looking statements are not guarantees of future performance. You should understand that the following important factors could affect our future results and could cause those results to differ materially from those expressed in such forward-looking statements: the challenges of effectively managing our operations during uncertain economic conditions, including significant changes in demand from our customers as a result of the impact of the global economic crisis and capital markets weakness; the risk of potential non-performance by counterparties, including but not limited to financial institutions, customers and suppliers, during uncertain economic conditions; the effects of price competition and other business and competitive factors generally affecting the electronics manufacturing services (EMS) industry, including the trend for outsourcing; variability of operating results among periods; our dependence on a limited number of customers; the challenge of responding to lower-than-expected customer demand; our dependence on industries affected by rapid technological change; our ability to successfully manage our international operations; our inability to retain or grow our business due to execution problems resulting from significant headcount reductions, plant closures and product transfers associated with restructuring activities; the challenge of managing our financial exposures to foreign currency fluctuations; and the delays in the delivery and/or general availability of various components used in our manufacturing process. These and other risks and uncertainties, as well as other information related to the company, are discussed in our various public filings at www.sedar.com and www.sec.gov, including our Annual Report on Form 20-F and subsequent reports on Form 6-K filed with the U.S. Securities and Exchange Commission and our Annual Information Form filed with the Canadian Securities Commissions.

Except as required by applicable law, we disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. You should read this document with the understanding that our actual future results may be materially different from what we expect. We may not update these forward-looking statements, even if our situation changes in the future. All forward-looking statements attributable to us are expressly qualified by these cautionary statements.

Overview

What Celestica does:

We provide end-to-end product lifecycle solutions to original equipment manufacturers (OEMs) in the communications, consumer, enterprise computing, industrial, aerospace and defense, alternative energy and healthcare markets.

To support our customers' products throughout their entire lifecycle, we provide end-to-end solutions including design, supply chain management, manufacturing and systems integration, fulfillment and after-market

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services. We believe these solutions will help our customers eliminate waste from their supply chains, resulting in lower product lifecycle costs and greater returns.

Our global operating network spans the Americas, Asia and Europe. In an effort to drive speed and flexibility for our customers, we conduct the majority of our business through eight full-service mega-sites, strategically located around the world. Through our Ring Strategy, we strive to align a network of suppliers around each of our mega-sites in order to increase flexibility in our supply chain, deliver shorter overall product lead times and reduce inventory. We operate additional sites around the globe with certain supply chain management and high-mix/low-volume manufacturing capabilities to meet the specific requirements of customers in markets such as the industrial, aerospace and defense sectors.

Through our mega-sites and the deployment of our Total Cost of Ownership (TCOO) Strategy, we strive to provide our customers with the lowest total cost throughout the product lifecycle. This approach enables us to focus our capabilities on broad solutions that address the total cost of production, delivery and after-market support for our customers' products, which can help drive greater levels of efficiency and improved service levels throughout our customers' supply chain.

We depend upon a relatively small number of customers for a significant portion of our revenue. The majority of our revenue is derived from customers in the consumer, communications and enterprise computing markets.

Overview of business environment:

Since the 1990s, OEMs have shifted more of their manufacturing and supply chain activities to EMS providers in an effort to drive greater manufacturing flexibility and to improve their financial returns. In response to this shift by OEMs, the EMS industry has grown rapidly and its capabilities and services have evolved.

The EMS industry is highly competitive with multiple global EMS providers competing for the same customers and programs. Although the industry is characterized by significant revenue opportunities, operating margins are comparatively low. Asset utilization is an important factor affecting operating margins. The amount of available manufacturing capacity and the location of that capacity are vital considerations for EMS providers. Volatility in energy prices, which may affect raw materials and transportation costs, and rising labor costs could also impact operating margins for the EMS industry. The EMS industry is also working capital intensive. As a result, return on invested capital, which encompasses operating margins, inventory management, accounts receivable and accounts payable, is one of the most important metrics for measuring an EMS provider's financial success.

EMS companies are exposed to a variety of customers and end markets. Demand visibility is limited which makes revenue in each of our end markets difficult to predict. This is due primarily to the shorter product lifecycles inherent in technology markets, rapid shifts in technology for our customers' products, and the general economic environment. In the early 2000s, a global economic downturn led to a decline in demand for many technology products. This negatively impacted the operations of many EMS providers, including us.

Historically, significant economic uncertainty has had a negative impact on our customers' demand. Recent global economic conditions and uncertainty, including the current global economic crisis and volatile capital markets, have negatively impacted our financial results and will likely continue to have a negative impact over the next several quarters and beyond.

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Summary of 2008

The following table sets forth, for the periods indicated, certain key operating results and other financial information (in millions, except per share amounts):

	Year ended December 31		
	2006	2007	2008
Revenue	$8,811.7	$8,070.4	$7,678.2
Gross profit	451.8	422.4	531.1
Selling, general and administrative expenses (SG&A)	285.6	295.1	303.8
Net loss	(150.6)	(13.7)	(720.5)
Basic loss per share	$ (0.66)	$ (0.06)	$ (3.14)
Diluted loss per share	$ (0.66)	$ (0.06)	$ (3.14)

	As at December 31		
	2006	2007	2008
Cash and cash equivalents	$ 803.7	$1,116.7	$1,201.0
Total assets	4,686.3	4,470.5	3,786.2
Total long-term financial liabilities	750.8	758.5	733.1

Revenue for 2008 of $7.7 billion decreased 5% from $8.1 billion in 2007. The decrease in revenue was due to lower volumes, primarily from our servers, enterprise communications and storage end markets which more than offset the increase in revenue primarily from customers in our consumer, telecommunications and industrial end markets. The amount of revenue reduction in 2008 as a result of customer disengagements, primarily in the enterprise communications end market, was approximately 5%.

Gross profit for 2008 increased approximately 25% from 2007 primarily due to operational improvements in Mexico and Europe. We also continued to benefit from cost reductions, restructuring actions, the impact of renegotiating or exiting unprofitable accounts and the streamlining and simplifying of processes throughout the company. Gross margin as a percentage of revenue was 6.9% in 2008 compared to 5.2% for 2007.

SG&A expenses for 2008 as a percentage of revenue were 4.0% compared to 3.7% of revenue for 2007. The increase in percentage primarily reflects the impact of foreign exchange losses and higher variable compensation costs, partially offset by lower IT consulting and support costs and capital tax recoveries, as well as lower revenue levels in 2008.

In January 2008, we announced that we would incur additional restructuring charges of between $50 million and $75 million to complete our planned restructuring actions. As we finalized our 2009 plan in the fourth quarter of 2008, we estimated that our restructuring costs would reach the high end of our previously announced range of $50 million to $75 million. In 2008, we recorded restructuring charges of $35.3 million. We expect to complete the remainder of the restructuring actions by the end of 2009.

Our net loss for 2008 was $720.5 million compared to $13.7 million for 2007. Although operating earnings improved year-over-year, our net loss for 2008 was impacted primarily by a write-off of goodwill of $850.5 million.

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Other performance indicators:

In addition to the key financial, revenue and earnings-related metrics described above, management regularly reviews the following working capital metrics:

	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08
Days in accounts receivable	45	42	42	39	44	42	43	50
Days in inventory	59	50	44	38	42	42	40	41
Days in accounts payable	(80)	(66)	(66)	(64)	(73)	(71)	(72)	(79)
Cash cycle days	24	26	20	13	13	13	11	12

Days in accounts receivable (A/R) is calculated as the average A/R for the quarter divided by the average daily revenue. Days in inventory is calculated as the average inventory for the quarter divided by the average daily cost of sales. Days in accounts payable (A/P) is calculated as the average A/P (including accruals) for the quarter divided by average daily cost of sales. Cash cycle days is calculated as the sum of days in A/R and inventory, less the days in A/P.

Cash cycle days for the fourth quarter of 2008 improved one day compared to the fourth quarter of 2007. Although A/R days and inventory days have increased year-over year, we also increased our A/P days. A/R days worsened 11 days year-over-year, and seven days sequentially, primarily due to management's decision to reduce the amount of A/R sold under the A/R sales program from $225 million at the end of 2007 to zero at the end of 2008, and the timing of revenue during the period. Inventory days for 2008 reflect our improved inventory management. The increase in inventory days in the fourth quarter of 2008 compared to the third quarter of 2008 and to the fourth quarter of 2007 reflects the higher inventory levels required to support certain customer demand and the ramping of new programs. A/P days increased due to timing of payments, as well as extended payment terms offered by suppliers.

Impact of current economic environment:

The global economic crisis and capital market weakness is affecting virtually all companies and industries. Visibility to end-market demand has become even more uncertain. This economic environment could have a significant negative impact on our revenue and operating profitability, our cash flow and our liquidity. We may experience increased pricing pressure and other competitive pressures as customers adjust to the current environment. The trend towards outsourcing could also change as some customers may want to bring their production back in-house to fill capacity. Other customers may want to shift their production between EMS providers based on pricing concessions or their preference for consolidating their supply chain. This may result in additional restructuring actions and site closures as we respond to our customers' actions. We have experienced significant foreign currency fluctuations, especially in the second half of 2008, which will likely continue to impact us going forward. The uncertain environment has also impacted the fair value of our financial instruments, and the returns we earn on our pension assets, among other items. We also expect that the global economic environment will impact the financial condition of some of our customers and suppliers. We will continue to closely monitor our customers' ability to pay their receivables and monitor our suppliers, in an effort to ensure consistency of supply. The interruption of supply from a raw materials supplier, especially for single sourced components, could have a significant impact on our operations, and on our customers, if we are unable to deliver finished product in a timely manner.

During the fourth quarter of 2008, we experienced a significant decline in expected future demand for all of the end markets we serve. We conducted our goodwill impairment assessment in the fourth quarter of 2008. The deteriorating macro environment and economic uncertainty, along with the sustained decline in our own market capitalization, resulted in an $850.5 million goodwill write-down in the fourth quarter of 2008. Other major competitors in our industry have also taken similar write-downs. See note 10(b) to the Consolidated Financial Statements.

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Critical Accounting Policies and Estimates

We prepare our financial statements in accordance with Canadian GAAP with a reconciliation to United States GAAP, as disclosed in note 20 to the Consolidated Financial Statements.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and related disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Significant accounting policies and methods used in the preparation of the financial statements are described in note 2 to the Consolidated Financial Statements. We evaluate our estimates and assumptions on a regular basis, based on historical experience and other relevant factors. Actual results could differ materially from these estimates and assumptions, especially in light of the current economic environment and uncertainties. The following critical accounting policies are impacted by judgments, assumptions and estimates used in the preparation of the Consolidated Financial Statements.

Revenue recognition:

We derive most of our revenue from the sale of electronic equipment that we have built to customer specifications. We recognize revenue from product sales when all of the following criteria have been met: shipment has occurred; title has passed; persuasive evidence of an arrangement exists; performance has occurred; receivables are reasonably assured of collection; and customer specified test criteria have been met. We have contractual arrangements with the majority of our customers that require the customer to purchase unused inventory that we have purchased to fulfill that customer's forecasted manufacturing demand. We account for raw material returns as reductions in inventory and do not recognize revenue on these transactions.

We provide warehousing services in connection with manufacturing services to certain customers. We assess these contracts to determine whether the manufacturing and warehousing services can be accounted for as separate units of accounting. If the services do not constitute separate units of accounting, or the manufacturing services do not meet all of the revenue recognition requirements, we defer recognizing revenue until the products have been shipped to the customer.

Allowance for doubtful accounts:

We record an allowance for doubtful accounts related to accounts receivable that management believes are impaired. The allowance is based on our knowledge of the financial condition of our customers, the aging of the receivables, the current business environment, customer and industry concentrations, and historical experience. If any of our customers have insufficient liquidity or their financial condition deteriorates, we may encounter significant delays or defaults in payments owed to us by our customers. This may result in our restructuring the debt or extending payment terms which may have a significant adverse effect on our financial condition and results of operations. The current global economic crisis could impact our customers' ability to pay, or it could render them insolvent, which would impact the collectibility of their accounts. A change to these factors could impact the estimated allowance and the provision for bad debts recorded in SG&A. If actual defaults are higher than expected, additional provisions may be required.

Inventory valuation:

We value our inventory on a first-in, first-out basis at the lower of cost and net realizable value. We regularly adjust our inventory valuation based on shrinkage and management's estimates of net realizable value, taking into consideration factors such as inventory aging, future demand for the inventory, and the nature of the contractual agreements with customers and suppliers, including the ability to return inventory to them. A change to these assumptions could impact the valuation of inventory and have a resulting impact on gross margins. If actual market conditions or our customers' product demands are less favourable than those projected, additional valuation adjustments may be required.

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Warranty costs:

We have recorded a liability for warranty costs. As part of the normal sale of a product or service, we provide our customers with product or service warranties that extend for periods generally ranging from one to three years from the date of sale. The liability for the expected cost of warranty-related claims is established when products are sold and services are rendered. In estimating the warranty liability, historical material replacement costs and the associated labor to correct the defect are considered. Revisions to these estimates are made when actual experience differs materially from historical experience. Known product or service defects are specifically accrued as we become aware of such defects. Changes to the estimates could impact the liability and have a resulting impact on gross margins.

Income taxes:

We have recorded an income tax expense or recovery based on the income earned or loss incurred in each tax jurisdiction and the substantively enacted tax rate applicable to that income or loss. In the ordinary course of business, there are many transactions for which the ultimate tax outcome is uncertain. The final tax outcome of these matters may be different from the estimates originally made by management in determining our income tax provisions. We recognize a tax benefit related to tax uncertainties when it is probable based on our best estimate of the amount that will ultimately be realized. A change to these estimates could impact the income tax provision.

We record a valuation allowance against deferred income tax assets when management believes it is more likely than not that some portion or all of the deferred income tax assets will not be realized. Management considers factors such as the reversal of deferred income tax liabilities, projected future taxable income, the character of the income tax asset, tax planning strategies, changes in tax laws and other factors. A change to these factors could impact the estimated valuation allowance and income tax expense.

Goodwill:

We perform our annual goodwill impairment test in the fourth quarter of each year (to correspond with our planning cycle), and more frequently if events or changes in circumstances indicate that an impairment loss may have been incurred. To the extent our market capitalization is less than our book value for a sustained period of time, it could be an indicator that an impairment loss has occurred. We test impairment, using the two-step method, at the reporting unit level by comparing the reporting unit's carrying amount to its fair value. We estimate the fair value of the reporting units using a combination of a market capitalization approach, a multiples approach and discounted cash flows. The process of determining fair values is subjective and requires management to exercise judgment in making assumptions about future results, including revenue and expense projections, and discount rates and market multiples at the reporting unit level. A significant change to these assumptions could impact the fair value of the reporting units resulting in a change to the impairment charge. During the fourth quarter of 2008, we conducted our annual goodwill assessment, and determined that the entire remaining goodwill balance was impaired. See note 5(d) to the Consolidated Financial Statements.

Long-lived assets:

We perform our annual impairment tests on long-lived assets in the fourth quarter of each year (to correspond with our planning cycle), and more frequently if events or changes in circumstances indicate that an impairment loss has incurred. We estimate the useful lives of property, plant and equipment and intangible assets based on the nature of the asset, historical experience and the terms of any related supply contracts. The valuation of long-lived assets is based on the amount of future net cash flows that these assets are estimated to generate, as well as appraisals for real property. Revenue and expense projections are based on management's estimates, including estimates of current and future industry conditions. A significant change to these assumptions and estimates could impact the estimated useful lives or valuation of long-lived assets resulting in a change to depreciation or amortization expense and the impairment charge. We recorded a long-lived asset impairment loss in 2008. See note 10(c) to the Consolidated Financial Statements. Future impairment tests may result in further impairment charges.

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Restructuring charges:

We have recorded restructuring charges relating to workforce reductions, facility consolidations and costs associated with exiting businesses. The restructuring charges include employee severance and benefit costs, costs related to leased facilities that have been abandoned or subleased, owned facilities which are no longer used and are available-for-sale, costs of leased equipment that have been abandoned, impairment of owned equipment available-for-sale, and impairment of related intangible assets. The recognition of these charges requires management to make certain judgments and estimates regarding the nature, timing and amounts associated with these plans. For owned facilities and equipment, the impairment loss recognized is based on the fair value less costs to sell, with fair value estimated based on existing market prices for similar assets. For leased facilities that have been abandoned or subleased, the liability for lease obligations is calculated on a discounted basis based on future lease payments subsequent to abandonment less estimated sublease income. To estimate future sublease income, we work with independent brokers to determine the estimated tenant rents we could expect to realize. The estimated liability could change subsequent to its initial recognition, requiring adjustments to the restructuring expense and liability recorded. At the end of each reporting period, we evaluate the appropriateness of the remaining accrued balances.

Financial instruments:

We use a variety of methods and assumptions that are based on market conditions and risks existing on each reporting date to determine the fair value of our financial instruments. We use broker quotes and standard market conventions and techniques, such as discounted cash flow analysis and option pricing models, to determine the fair value of our financial instruments, including derivatives and hedged debt obligations. We also consider the credit quality of the financial instrument, including our own credit risk and the credit risk of the counterparty. All methods of fair value measurement result in a general approximation of value and such value may never be realized. A change in the fair value related to fair value hedges could impact our interest expense on long-term debt and a change in the fair value related to cash flow hedges could impact our other comprehensive income and our operating expenses.

Our derivative instruments are required to be recorded at fair value on our consolidated balance sheet. Hedge accounting is applied to certain designated hedge relationships when all the qualifying conditions are met. Hedge ineffectiveness, if significant, is recognized immediately in operations. There is no assurance that all hedge relationships will remain effective throughout their terms until maturity. Hedge accounting will be discontinued once we assess that a hedge relationship is no longer effective on a retroactive or prospective basis. Subsequent changes in the fair value of the derivatives, which were previously used as the hedging instruments, will flow through operations directly. There is no assurance that our hedging strategy will be successful in mitigating the volatility to operations when economic conditions become unstable.

Pension and non-pension post-employment benefits:

We have pension and non-pension post-employment benefit costs and liabilities, which are determined from actuarial valuations. Actuarial valuations require management to make certain judgments and estimates relating to expected plan investment performance, salary escalation and compensation levels at the time of retirement, retirement ages, the discount rate used in measuring the liability and expected healthcare costs. Actual future experience will differ from these assumptions, and the differences may be material. There is no assurance that our future benefit plans will be able to earn the assumed rate of return. Market driven changes may result in changes to our discount rates and other variables which could lead us to future contributions that differ significantly from our estimates.

The fair values of our pension assets were based on a measurement date of December 31, 2008. We evaluate these assumptions on a regular basis, taking into consideration current market conditions and historical data. A change in these factors could impact future pension expense and funding requirements. See notes 2(k) and 13 to the Consolidated Financial Statements.

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Operating Results

We are required to disclose certain information in our financial statements regarding operating segments, products and services, geographic areas and major customers. Operating segments are defined as components of an enterprise for which separate financial information is available that is regularly evaluated by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Our operating segment is comprised of our electronics manufacturing services business.

Our annual and quarterly operating results vary from period to period as a result of the level and timing of customer orders, fluctuations in materials and other costs, and the relative mix of value-add products and services. The level and timing of customer orders will vary due to their attempts to balance their inventory, changes in their supply chain strategies or suppliers, variation in demand for their products and general economic conditions. Our annual and quarterly operating results are affected by: the mix and seasonality of business in each of our end markets; price competition; mix of manufacturing value-add; the degree of automation used in the assembly process; capacity utilization; manufacturing effectiveness and efficiency; shortages of components or labor; costs associated with ramping new programs; customer product delivery requirements; costs and inefficiencies of transferring programs between facilities; the loss of programs and customer disengagements; the impact of foreign exchange fluctuations; the performance of third-party providers for certain IT systems and production support; the ability to manage inventory and property, plant and equipment effectively; the ability to manage changing labor, component, energy and transportation costs effectively; the timing of expenditures in anticipation of forecasted sales levels; the timing of acquisitions and related integration costs; and other factors.

In the EMS industry, customers award new programs or shift programs to other EMS providers for a variety of reasons including changes in demand for the customers' products, pricing benefits offered by other EMS providers, execution issues, preference for consolidation or a change in their supplier base, consolidation amongst OEMs, as well as a decision to outsource additional business. Our operating results for each quarter include the impacts associated with customer disengagements or program losses, as well as new customer or program wins from competitors. Customer or program transfers between EMS competitors are part of the competitive nature of our industry. Significant quarterly variations can result from the timing of when new programs reach full production and when existing programs are fully transferred to a competitor.

The table below sets forth certain operating data expressed as a percentage of revenue for the periods indicated:

	Year ended December 31		
	2006	**2007**	**2008**
Revenue	100.0%	100.0%	100.0%
Cost of sales	94.9	94.8	93.1
Gross profit	5.1	5.2	6.9
SG&A	3.2	3.7	4.0
Amortization of intangible assets	0.3	0.3	0.2
Other charges	2.4	0.6	11.5
Interest expense, net of interest income	0.7	0.6	0.5
Loss before income taxes	(1.5)		(9.3)
Income taxes expense	(0.2)	(0.2)	(0.1)
Net loss	(1.7)%	(0.2)%	(9.4)%

Revenue:

Revenue for 2008 of $7.7 billion decreased 5% from $8.1 billion for 2007. The decrease in revenue was due to lower volumes associated with weaker end-market demand, primarily in the servers, enterprise communications and storage end markets which more than offset the increase in revenue primarily from customers in our consumer, telecommunications and industrial end markets. The amount of revenue reduction

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for 2008 from customer disengagements, primarily in the enterprise communications end market, was approximately 5%.

Revenue for 2007 of $8.1 billion decreased 8% from $8.8 billion in 2006. Approximately 75% of our decline year-to-year was the result of program and customer disengagements, primarily in the industrial and communications markets. Further reductions, due to lower volumes primarily in the communications market, were partially offset by higher revenue from our consumer and server markets, which accounted for a 3% increase in total revenue from 2006. Revenue from our consumer and server markets increased primarily due to ramping volumes from previous program wins, new customers and stronger end market demand.

The following table shows the end markets we serve as a percentage of revenue for the periods indicated:

	Year ended December 31		
	2006	**2007**	**2008**
Consumer	18%	22%	26%
Enterprise communications	28%	28%	25%
Servers	17%	19%	16%
Telecommunications	18%	14%	15%
Storage	10%	10%	10%
Industrial, aerospace and defense	9%	7%	8%

Revenue from our consumer market increased from 2007 primarily as a result of new business wins from existing customers. Revenue from our enterprise communications and servers markets declined from 2007 due to lower volumes associated with weaker end-market demand. The decline in our enterprise communications revenue also reflects the impact of customer disengagements beginning in 2007. In 2007, our telecommunications market was negatively impacted by end market weakness and our industrial segment reflected the impact of customer disengagements, initiated in 2006. Revenue has increased in both of these markets in 2008, reflecting primarily new customer and program wins.

Our revenue and operating results vary from period to period depending on the level of business and seasonality in each of our end markets, as well as the mix and complexity of the products being manufactured, among other factors.

Although we have diversified our end markets over the past several years, we are dependent on a limited number of customers in the consumer, communications (comprised of enterprise communications and telecommunications) and enterprise computing (comprised of servers and storage) end markets for a substantial portion of our revenue.

For 2008, no customer represented more than 10% of total revenue. For 2007, two customers, Cisco Systems and Sun Microsystems, each represented more than 10% of total revenue. For 2006, two customers, Cisco Systems and IBM, each represented more than 10% of total revenue.

Whether any of our customers account for more than 10% of revenue in any period depends on various factors affecting our business with that customer or with other customers, including seasonality of business, new program wins, program consolidations or losses, the phasing in or out of programs, changes in end-market demand, price competition and changes in our customers' supplier base or supply chain strategies.

The following table shows our customer concentration as a percentage of total revenue for the periods indicated:

	Year ended December 31		
	2006	**2007**	**2008**
Top 10 customers	61%	61%	63%

We are dependent upon continued revenue from our largest customers. There can be no assurance that revenue from these or any other customers will not decrease in absolute terms or as a percentage of total revenue. Any material decrease in revenue from these or other customers could have a material adverse effect

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on our results of operations. Recent global economic conditions and uncertainty could adversely affect our customers and negatively impact our financial results.

We believe our growth depends on increasing sales to existing customers for their current and future product generations. We also actively pursue new customers to expand our end-market penetration and diversify our end-market mix. To achieve this, we are focused on offering end-to-end product lifecycle solutions to include design, supply chain management, manufacturing and systems integration, fulfillment and after-market services. In our industry, customers may cancel contracts and volume levels can be changed or delayed. Customers may also shift business to a competitor or bring programs in-house to improve their own utilization. We cannot assure the timely replacement of delayed, cancelled or reduced orders with new business. In addition, we cannot assure that any of our current customers will continue to utilize our services, which could have a material adverse impact on our results of operations.

Gross profit:

The following table is a breakdown of gross profit and gross margin as a percentage of revenue for the periods indicated:

	Year ended December 31		
	2006	**2007**	**2008**
Gross profit (in millions)	$451.8	$422.4	$531.1
Gross margin	5.1%	5.2%	6.9%

Gross profit for 2008 increased approximately 25% from 2007 primarily due to operational improvements in Mexico and Europe. In addition, we continued to benefit from cost reductions, restructuring actions, the impact of renegotiating or exiting unprofitable accounts and the streamlining and simplifying of processes throughout the company.

Gross profit for 2007 decreased 7% compared to 2006 and reflects the impact of lower volumes, underutilization of facilities in Europe and higher costs of disengaging from customers, primarily in Mexico. These factors more than offset the benefits from our restructuring actions, the exiting of non-profitable business and operational efficiencies. During the second half of 2006, we recorded net charges, primarily for increased inventory provisions at two of our facilities, which negatively impacted gross margin by 0.4% for 2006.

Multiple factors cause gross margins to fluctuate including: product volume and mix; production efficiencies; utilization of manufacturing capacity; material and labor costs; manufacturing and transportation costs; start-up and ramp-up activities; new product introductions; cost structures at individual sites; and other factors, including pricing pressures from competitors and foreign exchange volatility. We continue to experience pricing pressure from our customers and are frequently asked to re-bid on business previously won, which could lead to margin pressure in the future. In addition, the availability of components is subject to lead time and other constraints that could affect our revenue and margins.

Selling, general and administrative expenses:

SG&A increased 3% to $303.8 million (4.0% of revenue) in 2008 compared to $295.1 million (3.7% of revenue) in 2007. The increase in SG&A as a percentage of revenue reflects higher costs as well as the lower revenue levels in 2008. The increase in SG&A for 2008 is due primarily to foreign exchange losses, mainly in the second half of 2008, and higher variable compensation costs, partially offset by lower IT consulting and support costs and capital tax recoveries.

Each quarter, we incur unrealized foreign exchange gains or losses on the translation of foreign currency denominated asset and liability balances to U.S. dollars and these amounts are included in SG&A. The amount of these gains or losses fluctuates from quarter to quarter and is dependent on currency markets and the value of our foreign currency denominated asset or liability positions in each period. We also incur realized transactional foreign exchange gains or losses in the normal course of business.

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The foreign exchange losses were $16.4 million for 2008 compared to foreign exchange gains in 2007 of $2.9 million and foreign exchange gains in 2006 of $9.1 million. During the first half of 2008, we recorded approximately $8 million in foreign exchange gains in Canada and Europe as a result of changes to the Euro, Czech koruna and Canadian dollar compared to the U.S. dollar. However, during the second half of 2008, we incurred foreign exchange losses of approximately $24 million primarily as a result of the significant weakening of the Brazilian real and the British pound sterling (GBP) compared to the U.S. dollar. Although we enter into forward exchange contracts to hedge against our cash flow exposures associated with forecasted transactions in foreign currencies, we have not historically hedged against the translation gains or losses from the foreign currency denominated assets or liabilities on our balance sheet. The majority of these foreign exchange losses resulted from the translation of foreign currency denominated assets and liabilities to U.S. dollars. Approximately one-half of these losses resulted from the precipitous devaluation of the Brazilian real compared to the U.S. dollar from September through November 2008 and a higher net asset position in the Brazilian real. The GBP weakened considerably against the U.S. dollar during the fourth quarter of 2008. Although we no longer have manufacturing operations in the United Kingdom, we maintain a pension plan for former employees. We have recorded a pension asset on our consolidated balance sheet which is denominated in GBP and translated into U.S. dollars each period. The significant weakening of the GBP resulted in foreign exchange losses in the fourth quarter of 2008.

At the end of the fourth quarter of 2008, we entered into forward exchange contracts to hedge our balance sheet exposures in certain currencies to mitigate the foreign exchange translation volatility that impacted us in the second half of 2008. These balance sheet hedges are based on our forecasts of the future position of net assets or liabilities denominated in foreign currencies and, therefore, may not mitigate the full impact of any translation impacts in the future. There is no assurance that our hedging transactions will be successful.

SG&A increased 3% to $295.1 million (3.7% of revenue) in 2007 compared to $285.6 million (3.2% of revenue) in 2006. The increase in SG&A as a percentage of revenue reflects the lower revenue levels in 2007. On an absolute basis, SG&A increased year-over-year reflecting higher IT consulting and support costs and higher costs due to the weakened U.S. dollar, partially offset by the benefits from restructuring actions and lower variable compensation expenses.

Other charges:

(i) We have recorded the following restructuring charges for the periods indicated (in millions):

	Year ended December 31		
	2006	**2007**	**2008**
Restructuring	$178.1	$37.3	$35.3

Between 2001 and 2004, we announced global restructuring plans as a result of end market weakness and the shifting of manufacturing capacity from higher-cost regions in North America and Europe to lower-cost regions in Asia. During 2005 and 2006, we announced further plans to improve capacity utilization and accelerate margin improvements, primarily in our North America and Europe regions as end-market demand and profitability had not recovered to sustainable levels. In January 2008, we estimated that an additional restructuring charge of between $50 million to $75 million would be recorded throughout 2008 and 2009. As we finalized our 2009 plan in the fourth quarter of 2008, we estimated that our restructuring costs would reach the high end of our previously announced range of $50 million to $75 million. We will continue to evaluate our operations and may propose additional restructuring actions as a result. During 2008, we recorded $35.3 million in restructuring charges. We expect to complete the remainder of our restructuring actions by the end of 2009. As we complete these restructuring actions, we expect our overall utilization and operating efficiency to improve. As we finalize the detailed plans of these restructuring actions, we will recognize the related charges. The recognition of these charges requires management to make certain judgments and estimates regarding the amount and timing of restructuring charges or recoveries. Our estimated liability could change subsequent to its recognition, requiring adjustments to our expense and the liability amounts recorded.

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Our restructuring actions included consolidating facilities and reducing our workforce. The majority of the employees terminated were manufacturing and plant employees. Approximately 32,900 employees have been terminated since 2001. Approximately 70% of these employee terminations were in the Americas, 25% in Europe and 5% in Asia. For leased facilities that were no longer used, the lease costs included in the restructuring costs represent future lease payments less estimated sublease recoveries. Adjustments are made to lease and other contractual obligations to reflect incremental cancellation fees paid for terminating certain facility leases and to reflect higher accruals for other leases due to delays in the timing of sublease recoveries and changes in estimated sublease rates, relating principally to facilities in the Americas. We expect our long-term lease and other contractual obligations to be paid out over the remaining lease terms through 2015. Our restructuring liability is recorded in accrued liabilities.

As a result of our restructuring actions to date, we have closed or downsized over 50 facilities, primarily in the Americas and Europe. All cash outlays have been, and currently foreseeable outlays are expected to be, funded from cash on hand.

We will continue to evaluate our operations and may propose future restructuring actions as a result of changes in the marketplace and/or our exit from less profitable operations or services no longer demanded by our customers.

(ii) We have recorded the following impairment charges for the periods indicated (in millions):

	Year ended December 31		
	2006	**2007**	**2008**
Goodwill impairment	$	$	$ 850.5
Long-lived asset impairment	1.4	15.1	8.8

During the fourth quarter of 2008, we performed our annual goodwill impairment test. All of our goodwill is allocated to our Asia reporting unit. Our goodwill balance prior to the impairment charge was $850.5 million and was established primarily as a result of an acquisition in 2001. We completed our step one analysis using a combination of valuation approaches including a market capitalization approach, a multiples approach and discounted cash flow. The market capitalization approach uses our publicly traded stock price to determine fair value. The multiples approach uses comparable market multiples to arrive at a fair value and the discounted cash flow method uses revenue and expense projections and risk-adjusted discount rates. The process of determining fair value is subjective and requires management to exercise a significant amount of judgment in determining future growth rates, discount and tax rates and other factors. The current economic environment has impacted our ability to forecast future demand and has in turn resulted in our use of higher discount rates, reflecting the risk and uncertainty in current markets. The results of our step one analysis indicated potential impairment in our Asia reporting unit, which was corroborated by a combination of factors including a significant and sustained decline in our market capitalization, which is significantly below our book value, and the deteriorating macro environment, which has resulted in a decline in expected future demand. We therefore performed the second step of the goodwill impairment assessment to quantify the amount of impairment. This involved calculating the implied fair value of goodwill, determined in a manner similar to a purchase price allocation, and comparing the residual amount to the carrying amount of goodwill. Based on our analysis incorporating the declining market capitalization in 2008, as well as the significant end market deterioration and economic uncertainties impacting expected future demand, we concluded that the entire goodwill balance of $850.5 million was impaired. The goodwill impairment charge is non-cash in nature and does not affect our liquidity, cash flows from operating activities, or our compliance with debt covenants. The goodwill impairment charge is not deductible for income tax purposes and, therefore, we have not recorded a corresponding tax benefit in 2008.

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During the fourth quarters of 2006 and 2007, we performed our annual goodwill assessment and determined there was no impairment.

During the fourth quarter of each year, we conduct our annual recoverability review of long-lived assets. Impairment was measured as the excess of the carrying amount over the fair value of the assets determined on a discounted cash flow basis. We recorded an impairment charge of $8.8 million in 2008 (2007 $15.1 million; 2006 $1.4 million).

Interest expense on long-term debt and other interest income/expense:

The following table is a breakdown of interest expense or income for the periods indicated (in millions):

	Year ended December 31		
	2006	**2007**	**2008**
Interest costs on credit facilities and Senior Subordinated Notes (Notes)	$67.1	$67.0	$56.8
Mark-to-market loss (gain)		(0.6)	1.0
Interest expense on long-term debt	$67.1	$66.4	$57.8
Interest income, net of other interest expense	$ 4.5	$15.2	$15.3

Our interest expense primarily includes the interest costs on the Notes. The average interest rate on the Senior Subordinated Notes due 2011 (2011 Notes), after reflecting the variable interest rate swaps, was 6.5% for 2008 (2007 8.3%, 2006 8.2%). The interest rate on the Senior Subordinated Notes due 2013 (2013 Notes) is fixed at 7.625%.

In addition, we have marked-to-market the bifurcated embedded prepayment options in our debt instruments and have applied fair value hedge accounting to our interest rate swaps and our hedged debt obligation (2011 Notes). The changes in fair values each period are recorded in interest expense on long-term debt. The mark-to-market adjustment fluctuates each period as it is dependent on market conditions, including future interest rates, implied volatilities and credit spreads.

Although interest income for 2008 was relatively flat compared to 2007, the interest income earned on cash balances was lower compared to 2007 primarily due to lower rates. This was offset by the lower costs associated with the accounts receivable sales program. The increase in interest income for 2007 compared to 2006 primarily reflects higher interest earned on larger cash balances during the second half of 2007.

Income taxes:

Income tax expense for 2008 was $5.0 million on losses before tax of $715.5 million compared to an income tax expense of $20.8 million in 2007 on earnings before tax of $7.1 million and income tax expense of $14.5 million in 2006 on a loss before tax of $136.1 million. Current income taxes for 2008 consisted primarily of the tax expense in jurisdictions with current taxes payable and additional tax expense related to a Canadian tax audit. Deferred income taxes for 2008 were comprised primarily of the deferred tax recoveries for losses and future deductible temporary differences in Canada and certain foreign taxable jurisdictions. Current income taxes for 2007 consisted of tax expense in jurisdictions with current taxes payable and additional tax expense related to a Canadian tax audit, offset by the current tax recovery resulting from the resolution of a U.S. tax audit. Deferred income taxes for 2007 were comprised primarily of the deferred tax expense on unrealized foreign exchange gains in Canada, offset partially by a deferred tax recovery related to restructured European operations. In December 2007, we reorganized our inter-company loans to reduce our future exposure in Canada to taxable foreign exchange fluctuations and our exposure on our future deferred income taxes. Current income taxes for 2006 consisted primarily of the tax expense in certain jurisdictions with current taxes payable and a recovery related to income tax audits in the United States. In addition, net deferred income tax liabilities in 2006 reflected net unrealized foreign exchange gains.

We conduct business operations in a number of countries, including countries where tax incentives have been extended to encourage foreign investment or where income tax rates are low. Our effective tax rate can

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vary significantly quarter to quarter due to the mix and volume of business in lower tax jurisdictions within Europe and Asia, tax holidays and tax incentives that have been negotiated with the respective tax authorities (which expire between 2009 and 2015), restructuring charges, operating losses, certain tax exposures, the time period in which losses may be used under tax laws and the valuation allowances recorded on deferred income tax assets. We expect to continue to comply with the conditions governing the tax holidays.

In certain jurisdictions, we currently have significant net operating losses and other deductible temporary differences, which will reduce taxable income in these jurisdictions in future periods. We have determined that a valuation allowance of $591.9 million is required in respect of our deferred income tax assets as at December 31, 2008 (December 31, 2007 $588.8 million).

As at December 31, 2008, the net deferred income tax liability balance was $31.2 million (December 31, 2007 $57.3 million).

We develop our tax filing positions based upon the anticipated nature and structure of our business and the tax laws, administrative practices and judicial decisions currently in effect in the jurisdictions in which we have assets or conduct business, all of which are subject to change or differing interpretations, possibly with retroactive effect. We are subject to tax audits by local tax authorities of historical information which could result in additional tax expense in future periods relating to prior results. Any such increase in our income tax expense and related interest and penalties could have a significant impact on our future earnings and future cash flows.

Certain of our subsidiaries provide financing, products and services to, and may from time to time undertake certain significant transactions with other subsidiaries in different jurisdictions. In general, inter-company transactions, and in particular inter-company financing and transfer pricing policies, are subjected to close review by tax authorities. Moreover, several jurisdictions in which we operate have tax laws with detailed transfer pricing rules which require that all transactions with non-resident related parties be priced using arm's length pricing principles, and that contemporaneous documentation must exist to support such pricing.

We are subject to tax audits by local tax authorities. Tax authorities could challenge the validity of our inter-company transactions, including financing and transfer pricing policies which generally involve subjective areas of taxation and a significant degree of judgment. If any of these tax authorities are successful in challenging our inter-company transactions, our income tax expense may be adversely affected and we could also be subject to interest and penalty charges.

In connection with ongoing tax audits in Canada, tax authorities have taken the position that income reported by one of our Canadian subsidiaries in 2001 and 2002 should have been materially higher as a result of certain inter-company transactions. The successful pursuit of that assertion could result in that subsidiary owing significant amounts of tax, interest and possibly penalties. We believe we have substantial defenses to the asserted position and have adequately accrued for any probable potential adverse tax impact. However, there can be no assurance as to the final resolution of this claim and any resulting proceedings, and if this claim and any ensuing proceedings are determined adversely to us, the amounts we may be required to pay could be material.

In connection with tax audits in the United States, tax authorities asserted that our U.S. subsidiaries owed significant amounts of tax, interest and penalties arising from inter-company transactions. A significant portion of these asserted deficiencies were resolved in our favour in 2006 which resulted in a reduction to our current income tax liabilities in 2006. In the third quarter of 2007, we resolved the remaining deficiencies in our favour which resulted in a reduction to current income tax liabilities for 2007. The tax audit resolution also resulted in a small reduction in the amount of our U.S. tax loss carryforwards for years 1998 to 2004.

Recent acquisitions and divestitures:

In March 2006, we acquired certain assets located in the Philippines which strengthened our relationship with an existing customer. We may, at any time, be engaged in ongoing discussions with respect to possible acquisitions that we expect would enhance our global manufacturing network, expand our service offerings, increase our penetration in various industries and establish strategic relationships with new or existing customers. There can be no assurance that any of these discussions will result in a definitive purchase agreement and, if they do, what the terms or timing of any such agreement would be.

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In June 2006, we sold our plastics business which we operated primarily in Asia. In September 2006, we sold one of our European facilities to a third party as part of our restructuring program. We will continue to evaluate our operations and may propose future divestitures as a result of changes in the market place, and/or our exit from less profitable or non-strategic operations.

Liquidity and Capital Resources

Liquidity

The following table shows key liquidity metrics for the periods indicated (in millions):

	As at December 31		
	2006	**2007**	**2008**
Cash and cash equivalents	$803.7	$1,116.7	$1,201.0
	Year ended December 31		
	2006	**2007**	**2008**
Cash provided by operations	$ 39.2	$351.4	$208.2
Cash used in investing activities	(207.9)	(36.9)	(80.8)
Cash provided by (used in) financing activities	3.4	(1.5)	(43.1)

Cash provided by operations:

We generated $208.2 million in cash from operations in 2008 primarily from earnings after adding back non-cash charges, partially offset by higher working capital requirements. Higher working capital was driven primarily by an increase in A/R, partially offset by higher A/P. The year-over-year increase in A/R reflects a lower amount of A/R sold under our A/R sales program, partially offset by cash collections. Although we did not sell any A/R at the end of 2008, we maintained a cash balance of $1.2 billion at December 31, 2008.

In 2007, we generated $351.4 million in cash primarily from earnings after adding back non-cash charges and lower working capital requirements. Lower working capital was driven primarily by lower inventory levels, partially offset by lower A/P balances. The decrease in inventory reflects improved inventory management. The decrease in A/P is due primarily to the timing of payments. For 2006, we generated $39.2 million in cash from earnings after adding back non-cash charges, partially offset by higher working capital requirements. The higher working capital requirements in 2006 were to support inventory for new customers, partially offset by the timing of payments.

This represents our fourth consecutive year in which we have generated positive cash from operations.

Cash used in investing activities:

During 2008, our capital expenditures were incurred primarily to expand manufacturing capabilities in China, Mexico and Europe to support new customer programs. During 2007, the cash used to purchase equipment and expand facilities was partially offset by cash proceeds from the sale of facilities and assets. During 2006, we invested in capital expenditures primarily to support growth in our lower-cost geographies.

Our capital spending for 2008 totaled approximately 1.2% of revenue for the year. We anticipate similar spending levels for 2009.

Cash used in financing activities:

In December 2008, we repurchased Notes for an aggregate purchase price of $30.4 million in cash. We also used $11.9 million (2007 $3.2 million) in cash to purchase subordinate voting shares in the open market. We reissue these shares to employees as their share unit awards vest.

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Cash requirements:

As at December 31, 2008, we have contractual obligations that require future payments as follows (in millions):

	Total	2009	2010	2011	2012	2013	Thereafter
Long-term debt[(i)]	$713.5	$ 1.0	$	$489.4	$	$223.1	$
Interest on long-term debt[(ii)]	172.9	55.6	55.6	36.2	17.0	8.5	
Operating leases	151.5	47.2	33.4	22.0	8.8	7.7	32.4
Pension plan contributions (see (a) below)	31.9	31.9					
Non-pension post-employment plan payments	36.7	3.1	3.0	3.2	3.3	3.5	20.6

(i) Represents the principal repayments on long-term debt, including capital leases.

(ii) Interest payments are based on the fixed rate of interest on the Notes. Interest on the 2011 Notes does not reflect the impact of the interest rate swaps.

In June 2004, we issued Notes that are due July 2011 with an aggregate principal amount of $500.0 million and a fixed interest rate of 7.875%. In June 2005, we issued Notes that are due July 2013 with an aggregate principal amount of $250.0 million and a fixed interest rate of 7.625%. We entered into agreements to swap the fixed interest on the 2011 Notes with a variable interest rate based on LIBOR plus a margin. Interest on the Notes is payable in January and July of each year until maturity. These Notes are unsecured and are subordinated in right of payment to all our senior debt. We are entitled to redeem the 2011 Notes and will be entitled to redeem the 2013 Notes on or after July 1, 2009, in each case at various premiums above face value. The Notes have restrictive covenants that limit our ability to pay dividends, repurchase our own stock or repay debt that is subordinated to these Notes. These covenants also place limitations on debt incurrence, the sale of assets and our ability to incur additional debt. We were in compliance with all covenants at December 31, 2008.

In December 2008, we repurchased a portion of our Notes. We paid $30.4 million to repurchase Notes with a principal amount at maturity of $37.5 million. We may, from time to time, repurchase additional Notes in the open market, at our discretion. See "Capital Resources Subsequent Event."

(a) Our pension funding policy is to contribute amounts sufficient to meet minimum local statutory funding requirements that are based on actuarial calculations. We may make additional discretionary contributions based on actuarial assessments and, from time to time, make voluntary contributions to the pension plans. Based on our most recent actuarial valuations, we estimate our minimum funding requirements for 2009 to be $31.9 million. We also expect to contribute $3.1 million to the non-pension post-employment benefit plans to fund the estimated benefit payments in 2009.

The following outlines our pension contributions and pension expense for the periods indicated (in millions):

	Year ended December 31		
	2007	2008	2009 (estimated)
Contributions:			
Defined benefit plans	$21.0	$22.0	$ 20.1
Defined contribution plans	11.5	11.8	11.8
	$32.5	$33.8	$ 31.9
Expense:			
Defined benefit plans	$10.0	$ 6.2	$ 10.2
Defined contribution plans	11.5	11.8	11.8
	$21.5	$18.0	$ 22.0

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We maintain multiple defined benefit plans. Approximately one-half of our contribution amount for 2009 is pre-determined for the next two years based on recent actuarial valuations, and the other half is determined annually based on actuarial valuations. Accordingly, our minimum contribution requirements for future years cannot be quantified at this time. The current economic crisis impacted our asset returns, primarily in the second half of 2008. Continued volatility in the capital markets will impact future asset values in our pension plans. A significant deterioration in the asset values could lead to higher than expected future contributions. We fund our pension contributions from cash on hand. Although we have defined benefit plans that are currently in a net unfunded position, we do not expect our pension obligations will have a material adverse impact on our results of operations, cash flows or liquidity.

As at December 31, 2008, we have commitments that expire as follows (in millions):

	Total	2009	2010	2011	2012	2013	Thereafter
Foreign currency contracts	$587.1	$570.4	$16.7	$	$	$	$
Letters of credit, letters of guarantee and surety and performance bonds	55.4	46.2	5.6				3.6
Capital expenditures	12.0	12.0					

The contractual obligations chart above does not include our agreement with a third party for the outsourcing of our IT support. Our costs under this IT support agreement will fluctuate based on our usage. We are permitted to terminate this agreement at any time for a declining fee.

Cash outlays for our contractual obligations and commitments identified above are expected to be funded by cash on hand. We also have outstanding purchase orders with certain suppliers for the purchase of inventory. These purchase orders are generally short-term. Orders for standard items can typically be cancelled with little or no financial penalty. Our policy regarding non-standard or customized orders dictates that such items are generally ordered specifically for customers who have contractually assumed liability for the inventory. In addition, a substantial portion of the standard items covered by our purchase orders were procured for specific customers based on their purchase orders or forecasts under which the customers have contractually assumed liability for such material. Accordingly, the amount of liability from purchase obligations under these purchase orders cannot be quantified with a reasonable degree of accuracy.

As of December 31, 2008, we had committed approximately $12 million in capital expenditures, principally for machinery and equipment and facilities in our lower-cost geographies to support new customer programs. Based on our current operating plans, we anticipate capital spending for 2009 to be approximately 1% of revenue, and expect to fund this spending from cash on hand. In addition, we regularly review acquisition opportunities and, as a result, could require additional debt or equity financing to fund these transactions.

We have provided routine indemnifications, the terms of which range in duration and often are not explicitly defined. These include indemnifications against adverse impacts due to changes in tax laws and patent infringements by third parties. We have also provided indemnifications in connection with the sale of certain businesses and real property. The maximum potential liability from these indemnifications cannot reasonably be estimated. In some cases, we have recourse against other parties to mitigate our risk of loss from these indemnifications. Historically, we have not made significant payments relating to these indemnifications.

In 2007, securities class action lawsuits were commenced against the Company and our former Chief Executive and Chief Financial Officers, in the United States District Court of the Southern District of New York by certain individuals, on behalf of themselves and other unnamed purchasers of our stock, claiming that they were purchasers of our stock during the period January 27, 2005 through January 30, 2007. The plaintiffs allege violations of United States federal securities laws and seek unspecified damages. They allege that during the purported class period we made statements concerning our actual and anticipated future financial results that failed to disclose certain purportedly material adverse information with respect to demand and inventory in our Mexican operations and our information technology and communications divisions. In an amended complaint, the plaintiffs have added one of our directors and Onex Corporation as defendants. All defendants have filed motions to dismiss the amended complaint. These motions are pending. A parallel class proceeding has also been issued against the Company and our former Chief Executive and Chief Financial Officers, in the Ontario

Superior Court of Justice, but neither leave nor certification of the action has been granted by that court. We believe that the allegations in these claims are without merit and we intend to defend against them vigorously. However, there can be no assurance that the outcome of the litigation will be favorable to us or will not have a material adverse impact on our financial position or liquidity. In addition, we may incur substantial litigation expenses in defending these claims. We have liability insurance coverage that may cover some of our litigation expenses, potential judgments or settlement costs.

Capital Resources

Our main objectives in managing our capital resources are to ensure liquidity and to have funds available for working capital or other investments required to grow our business. Our capital resources consist of cash, short-term investments, access to credit facilities, senior subordinated notes and share capital.

At December 31, 2008, we had total cash of $1.2 billion, comprised of cash (approximately 35%) and short-term investments (approximately 65%). Our current portfolio consists of certificates of deposits and certain money market funds that are secured exclusively by U.S. government securities. Our short-term investments have maturities of less than three months. The majority of our cash and short-term investments are held with financial institutions each of which had at December 31, 2008 a Standard and Poor's rating of A-2 or above.

We manage our capitalization levels and make adjustments, as available, for changes in economic conditions. We have full access to a $300.0 million credit facility and we can sell up to $250.0 million, on a committed basis, under an accounts receivable sales program to provide short-term liquidity. Our credit facility has restrictive covenants relating to debt incurrence and the sale of assets. The facility also contains financial covenants that may limit the amount of debt that can be incurred under the facility. We closely monitor our business performance to evaluate compliance with our covenants. Our Notes also have restrictions on financing activities. We continue to monitor and review the most cost-effective methods for raising capital, taking into account these restrictions and covenants. Our access to capital markets may be restricted at this time because of the global economic crisis and capital market weakness.

There were no significant changes to our capital structure during 2008. We repurchased 5% of our Notes in December 2008; future repurchases will depend on the price of the Notes in the open market. We have not distributed, nor do we have any current plan to distribute, any dividends to our shareholders.

Our strategy on capital risk management has not changed since 2007. Other than the restrictive covenants associated with our debt obligations noted above, we are not subject to any contractual or regulatorily imposed capital requirements. While some of our international operations are subject to government restrictions on the flow of capital into and out of their jurisdictions, these restrictions have not had a material impact on our operations.

We have access to a revolving credit facility for $300.0 million. We have pledged certain assets, including the shares of certain North American subsidiaries, as security. The facility includes a $25.0 million swing-line facility that provides for short-term borrowings up to a maximum of seven days. Borrowings under the facility bear interest at LIBOR plus a margin except that borrowings under the swing-line facility bear interest at a base rate plus a margin. There were no borrowings outstanding under this facility at December 31, 2008. Commitment fees for 2008 were $1.9 million. The facility has restrictive covenants relating to debt incurrence and sale of assets and also contains financial covenants that require us to maintain certain financial ratios. We were in compliance with all covenants at December 31, 2008. This facility expires in April 2009. Given the current state of the credit markets and our strong liquidity position, we are assessing whether this facility is necessary in our capital structure. There is no assurance that we and our lenders will agree on mutually acceptable terms if we seek a renewal.

We have additional uncommitted bank overdraft facilities available for operating requirements which total $68.0 million at December 31, 2008. There were no borrowings outstanding under these facilities at December 31, 2008.

In November 2005, we entered into an agreement to sell certain accounts receivable to a third-party bank (which had at December 31, 2008 a Standard and Poor's rating of A+), and other qualified purchasers. We can

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sell up to $250.0 million in accounts receivable, on a committed basis, to provide short-term liquidity. The program also provides for the sale of certain accounts receivable in excess of the committed amount at the discretion of the purchasers. We sold approximately $75 million in accounts receivable as of September 30, 2008, and we reduced this to zero dollars sold at December 31, 2008 (December 31, 2007 $225 million). Based on the level of our cash balances, we had steadily reduced the amount of the accounts receivable sold under this arrangement. This program remains available to us until November 2009.

We believe that cash flow from operating activities, together with cash on hand and borrowings available under our credit facilities, will be sufficient to fund currently anticipated working capital, planned restructuring and capital spending, and debt service requirements for the next 12 months. Historically, we have funded our operations from the proceeds of public offerings of equity and debt securities, cash generated from operations, bank debt, sales of accounts receivable and equipment lease financings. We expect to continue to enter into debt and equity financings, sales of accounts receivable and lease transactions to fund anticipated growth and acquisitions. The issuance and timing of additional equity or convertible debt securities could dilute current shareholders' positions. Further, we may issue debt securities that have rights and privileges senior to equity holders, and the terms of this debt could impose restrictions on our operations. With the current global economic crisis and capital market weakness, such financings and other transactions may not be available on terms acceptable to us or at all. At December 31, 2008, we had cash balances in excess of our debt obligations.

Both Standard and Poor's and Moody's Investors Service provide ratings on our Notes and a corporate rating on Celestica. These credit ratings reflect the agencies' current opinion of the creditworthiness of an obligor with respect to a specific financial obligation, a specific class of financial obligations or a specific financial program. The agencies take many factors into consideration when providing a rating including, but not limited to, an industry's operating environment, financial performance of the debtor, creditworthiness of guarantors, insurers, or other forms of credit enhancement on the obligation and the currency in which the obligation is denominated. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating organization. A rating does not comment as to market price or suitability for a particular investor.

At February 20, 2009, our Standard and Poor's corporate rating is B+ and our Notes rating is B, with a stable outlook. The Notes rating, which is 15th out of 20 on the rating scale, means that the obligor currently has the capacity to meet its financial commitment on the obligation but adverse business, financial or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitment on the obligation. At February 20, 2009, our Moody's Investor Service corporate rating is B1 and our Notes rating is B3, with a stable outlook. The Notes rating is 16th out of 21 on the rating scale. Obligations rated B3 are considered to be in the lower-range of obligations that are judged to be speculative and subject to high credit risk. A reduction in our credit ratings could adversely impact our future cost of borrowing.

Subsequent event:

On February 26, 2009, we announced a cash tender offer to purchase up to $150 million aggregate principal amount of the 2011 Notes at a price of up to one thousand and ten dollars for each one thousand dollars principal amount. This offer to purchase will expire on March 26, 2009. We also terminated our interest rate swap agreements in the amount of $500 million related to the 2011 Notes. In connection with the termination of the swap agreements, we discontinued fair value hedge accounting on the 2011 Notes and will amortize the prior fair value adjustment on the 2011 Notes as a reduction to interest expense on long-term debt, over the remaining term of the 2011 Notes, using the effective interest rate method. As a result of discontinuing fair value hedge accounting, we will write down the carrying value of our embedded prepayment options on the 2011 Notes to reflect the change in the fair value after hedge de-designation. We will record the gain or loss on the purchase of the 2011 Notes, as well as the write-down of the embedded prepayment options, through other charges during the first quarter of 2009.

Financial instruments:

Our short-term investment objectives are to preserve principal and to maximize yields without significantly increasing risk, while at the same time not materially restricting our short-term access to cash. To achieve these

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objectives, we maintain a portfolio consisting of a variety of securities, including certificates of deposit and money market funds that are secured exclusively by U.S. government securities.

The majority of our cash balances are held in U.S. dollars. We price the majority of our products in U.S. dollars and the majority of our material costs are also denominated in U.S. dollars. However, a significant portion of our non-material costs (including payroll, facility costs and costs of locally sourced supplies and inventory) are denominated in various other currencies. As a result, we may experience foreign exchange gains or losses on translation or transactions due to currency fluctuations.

We have a foreign exchange risk management policy in place to control our hedging activities and we do not enter into speculative trades. Our current hedging activity is designed to reduce the variability of our foreign currency costs where we have local manufacturing operations and generally involves entering into contracts to trade U.S. dollars for various currencies at future dates. We traditionally enter into forward exchange contracts to hedge against our cash flows in foreign currencies. At the end of the fourth quarter of 2008, we entered into forward exchange contracts to hedge our balance sheet exposures in certain currencies in order to mitigate foreign exchange translation volatility. These balance sheet hedges are based on our forecasts of the future position of net assets or liabilities denominated in foreign currencies and, therefore, may not mitigate the full impact of any translation impacts in the future. There is no assurance that our hedging transactions will be successful.

At December 31, 2008, we had forward exchange contracts to trade U.S. dollars in exchange for the following currencies (in millions):

Currency	Amount of U.S. dollars	Weighted average exchange rate of U.S. dollars	Maximum period in months	Fair value gain/(loss)
Canadian dollar	$ 230.3	$ 0.91	15	$ (22.0)
Mexican peso	88.6	0.08	12	(9.2)
Thai baht	77.7	0.03	12	(2.6)
Malaysian ringgit	60.6	0.30	12	(2.7)
British pound sterling	48.1	1.49	4	1.7
Singapore dollar	31.0	0.71	12	(0.7)
Czech koruna	26.7	0.06	7	(3.8)
Euro	19.4	1.45	12	0.4
Brazilian real	4.7	0.41	2	
Total	$ 587.1			$ (38.9)

Our contracts generally extend for periods of up to 15 months and expire by March 2010. The counterparties to these contracts are financial institutions each of which had at December 31, 2008 a Standard and Poor's rating of A or above. The fair value of these contracts at December 31, 2008 was a net unrealized loss of $38.9 million (December 31, 2007 net unrealized gain of $20.0 million). During the first half of 2008, we settled most of the foreign currency forwards that had foreign currency gains at December 31, 2007. The unrealized loss on our forward exchange contracts at December 31, 2008 was due primarily to fluctuations in foreign exchange rates between the time the forward contracts were entered into and the valuation at period end, in particular the strengthening of the U.S. dollar in the fourth quarter of 2008.

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In 2004, we entered into agreements to swap the fixed rate of interest on our 2011 Notes for a variable rate based on LIBOR plus a margin. The notional amount of the agreements, which mature July 2011, is $500.0 million. The fair value of the interest rate swap agreements at 2008 was an unrealized gain of $17.3 million. The average interest rate on the 2011 Notes for 2008 was 6.5% (2007 8.3%; 2006 8.2%), after reflecting the interest rate swaps. The recent global economic crisis could introduce significant volatility to short-term interest rates. We are exposed to interest rate risks due to fluctuations in the LIBOR rate. A one-percentage point increase in the LIBOR rate would increase interest expense on the 2011 Notes by approximately $5.0 million annually. The counterparties to these interest rate swap agreements are financial institutions each of which had at December 31, 2008 a Standard and Poor's rating of A or above.

Financial risks:

We are exposed to a variety of financial risks associated with financial instruments as part of our normal operations. We have exposures to the following financial risks arising from financial instruments: market risk, credit risk and liquidity risk.

Market risk: This is the risk that results in changes to market prices, such as foreign exchange rates and interest rates, which could affect our operations or the value of our financial instruments. To manage this risk, we enter into various derivative hedging transactions.

Currency risk: Due to the nature of our international operations, we are exposed to exchange rate fluctuations on our cash receipts and cash payments denominated in various foreign currencies. The majority of our currency risk is driven by the operational costs incurred in local currencies by our foreign subsidiaries. We currently manage this risk through our cash flow hedging program.

Interest rate risk: We entered into interest rate swaps to hedge the fair value of our 2011 Notes by swapping the fixed rate of interest for a variable interest rate based on LIBOR plus a margin. We are exposed to interest rate risks due to fluctuations in the LIBOR rate. A one-percentage point increase in the LIBOR rate would increase interest expense by approximately $5.0 million annually. See "Capital Resources Subsequent Event."

Credit risk: Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss to us. To mitigate the risk of financial loss from defaults, we only deal with counterparties that we believe are creditworthy. The counterparties to our foreign currency forward contracts and our interest rate swap agreements are financial institutions each of which had at December 31, 2008 a Standard and Poor's rating of A or above. Therefore, we believe this credit risk of counterparty non-performance is low.

We also provide credit to our customers in the normal course of business. We mitigate this credit risk by monitoring our customers' financial condition and performing ongoing credit evaluations, as well as frequent communications with them, enabling us to monitor current changes in their business operations. We review concentration of credit risk in establishing our allowance for doubtful accounts and we believe our allowances are adequate. As at December 31, 2008, less than 1% of our gross accounts receivable were over 90 days past due and our allowance for doubtful accounts balance was $13.7 million.

Liquidity risk: Liquidity risk is the risk that we may not have cash available to satisfy our financial obligations as they come due. The majority of our financial liabilities recorded in accounts payable and accrued liabilities are due within 90 days. The repayment of our Senior Subordinated Notes is due July 2011 and July 2013. Management believes that cash flow from operations, together with cash on hand and borrowings available under our credit facilities will be sufficient to support our financial obligations. Our $300.0 million credit facility expires in April 2009. Given our current cash position and the state of the credit markets, we are currently assessing whether we will renew all or a portion of this facility. Regardless of our decision or ability to renew this facility, we believe we have sufficient resources to satisfy our financial obligations.

Related Party Transactions

We had entered into a management services agreement with our parent company (Onex) whereby Onex would provide certain strategic planning, financial and support services to us upon request. Our fee includes a

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base fee and a performance incentive fee. This agreement expired December 31, 2008. In 2008, we expensed management fees of approximately $2.7 million (2007 $1.2 million) payable to Onex.

In 2008, we entered into a manufacturing agreement with a company under the control of our parent company. During 2008, we recorded revenue of $19.3 million from this related party. All transactions with this related party were in the normal course of operations.

All amounts were recorded at the exchange amount, being the amount agreed to by the parties.

Outstanding Share Data

As of February 23, 2009, we had 199.6 million outstanding subordinate voting shares and 29.6 million outstanding multiple voting shares. We also had 11.1 million outstanding stock options, 7.6 million outstanding restricted share units and 7.2 million outstanding performance share units, each such option or unit entitling the holder to receive one subordinate voting share pursuant to the terms thereof (subject to time or performance-based vesting).

Controls and Procedures

Evaluation of disclosure controls and procedures:

Our management is responsible for establishing and maintaining a system of disclosure controls and procedures (as defined in Rules 13a-15 and 15d-15 under the Securities Exchange Act of 1934 (the Exchange Act)) designed to ensure that information we are required to disclose in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive officer or officers and principal financial officer or officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure.

Under the supervision of and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the year. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective to meet the requirements of Rules 13a-15 and 15d-15 under the Exchange Act.

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 evaluation of controls can provide absolute assurance that all control issues within a company have been detected. Accordingly, our disclosure controls and procedures are designed to provide reasonable, not absolute, assurance that the objectives of our disclosure control system are met.

Changes in internal controls over financial reporting:

During 2008, there were no changes in our internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Management's report on internal control over financial reporting:

Reference is made to our Management's report on page F-1 of our Annual Report. Our auditors, KPMG LLP, an independent registered public accounting firm, have issued an audit report on our internal controls over financial reporting for the year ended December 31, 2008. This report appears on page F-2.

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Unaudited Quarterly Financial Highlights (in millions, except per share amounts)

	2007				2008			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenue	$1,842.3	$1,937.0	$2,080.6	$2,210.5	$1,835.7	$1,876.3	$2,030.8	$1,935.4
Gross profit %	4.3%	4.7%	5.8%	6.0%	6.3%	6.7%	7.4%	7.3%
Net earnings (loss)	$ (34.3)	$ (19.2)	$ 51.5	$ (11.7)	$ 29.8	$ 39.8	$ 32.1	$ (822.2)
# of basic shares	228.4	229.0	229.1	229.1	229.1	229.2	229.4	229.4
# of diluted shares	228.4	229.0	229.1	229.1	229.2	230.4	230.3	229.4
Net earnings (loss):								
per share basic	$ (0.15)	$ (0.08)	$ 0.22	$ (0.05)	$ 0.13	$ 0.17	$ 0.14	$ (3.58)
per share diluted	$ (0.15)	$ (0.08)	$ 0.22	$ (0.05)	$ 0.13	$ 0.17	$ 0.14	$ (3.58)

Comparability quarter-to-quarter:

The quarterly data reflects the following:

- the fourth quarters of 2007 and 2008 include the results of our annual impairment testing of goodwill and long-lived assets; and

- all quarters of 2007 and 2008 were impacted by our announced restructuring plans. The amounts vary from quarter to quarter.

Fourth quarter 2008 compared to fourth quarter 2007:

Revenue for the fourth quarter of 2008 decreased 12% to $1.9 billion from $2.2 billion for the same period in 2007. Lower revenue primarily from our servers, enterprise communications and storage segments accounted for a 16% decrease in total revenue from the prior period. This was offset partially by our telecommunications and industrial segments which grew primarily due to new customer and program wins. Revenue from our consumer segment was flat year-over-year, reflecting new business wins from existing customers which offset the decrease in revenue as there was significant ramping in the fourth quarter of 2007. Gross margin increased to 7.3% of revenue for the fourth quarter of 2008 from 6.0% for the same period in 2007, primarily due to improved operational results for Mexico and Europe. The net loss in the fourth quarter of 2008 included a goodwill impairment charge of $850.5 million. We conduct our annual impairment assessment in the fourth quarter of each year and we determined that there was no impairment in 2007.

Fourth quarter 2008 compared to third quarter 2008:

Sequentially, revenue for the fourth quarter of 2008 decreased 5% to $1.9 billion from $2.0 billion for the third quarter of 2008 primarily due to declines from our servers, enterprise communication and storage segments. This was offset partially by increases in revenue from our consumer, telecommunications and industrial customers. The net loss of $822.2 million in the fourth quarter of 2008 included a goodwill impairment charge for $850.5 million, which resulted from the conduct of our annual impairment assessment in the fourth quarter of each year.

Fourth quarter 2008 actual compared to guidance:

On October 23, 2008, we provided the following guidance for the fourth quarter of 2008:

	Q4 08	
	Guidance	Actual
Revenue (in billions)	$1.75 to $2.0	$1.94
Adjusted net earnings per share	$0.16 to $0.24	$0.26

Our guidance is provided on an adjusted net earnings (defined below) basis only as it is difficult to forecast the various items impacting GAAP net earnings, such as the amount and timing of our restructuring activities.

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Management uses adjusted net earnings as a measure of enterprise-wide performance. As a result of restructuring activities, acquisitions made by the company, fair value accounting for stock options and securities repurchases, management believes adjusted net earnings are a useful measure for the company as well as its investors to facilitate period-to-period operating comparisons and to allow the comparison of operating results with its competitors in the U.S. and Asia. Excluded from adjusted net earnings are the effects of other charges, most significantly the write-down of goodwill and long-lived assets, gains or losses on the repurchase of shares or debt, the related income tax effect of these adjustments, and any significant deferred tax write-offs or recovery. We also exclude some recurring charges such as restructuring costs, option expense, amortization of intangible assets, and the related income tax effect of these adjustments. The term adjusted net earnings does not have any standardized meaning prescribed by GAAP and is therefore unlikely to be comparable to similar measures presented by other companies. Adjusted net earnings are not a measure of performance under Canadian or U.S. GAAP and should not be considered in isolation or as a substitute for net earnings (loss) prepared in accordance with Canadian or U.S. GAAP. See reconciliation below.

Revenue of $1.9 billion for the fourth quarter of 2008 was within our published guidance. Our adjusted net earnings per share of $0.26, includes a $0.07 per share benefit associated with the reduction in the income tax rate for adjusted net earnings. Excluding the tax benefit, adjusted net earnings per share was $0.19 and was within our published guidance for the fourth quarter of 2008.

The following table is a reconciliation of adjusted net earnings to Canadian GAAP net earnings (loss) for the indicated periods (in millions, except per share amounts):

		2007			**2008**	
Three months ended December 31	**GAAP**	**Adjustments**	**Adjusted**	**GAAP**	**Adjustments**	**Adjusted**
Revenue	$ 2,210.5	$	$ 2,210.5	$ 1,935.4	$	$ 1,935.4
Cost of sales[1]	2,078.5	(1.7)	2,076.8	1,794.8	(0.6)	1,794.2
Gross profit	132.0	1.7	133.7	140.6	0.6	141.2
SG&A[1]	75.6	(1.0)	74.6	80.0	(1.0)	79.0
Amortization of intangible assets	5.1	(5.1)		3.3	(3.3)	
Other charges	39.2	(39.2)		861.9	(861.9)	
Operating earnings (loss) EBIAT	12.1	47.0	59.1	(804.6)	866.8	62.2
Interest expense, net	9.5		9.5	13.7		13.7
Net earnings (loss) before tax	2.6	47.0	49.6	(818.3)	866.8	48.5
Income tax expense (recovery)	14.3	(1.9)	12.4	3.9	(14.5)	(10.6)
Net earnings (loss)	$ (11.7)	$ 48.9	$ 37.2	$ (822.2)	$ 881.3	$ 59.1
W.A. # of shares (in millions) diluted	229.1		229.2	229.4		229.4
Earnings (loss) per share diluted	$ (0.05)		$ 0.16	$ (3.58)		$ 0.26
Year ended December 31						
Revenue	$ 8,070.4	$	$ 8,070.4	$ 7,678.2	$	$ 7,678.2
Cost of sales[1]	7,648.0	(4.6)	7,643.4	7,147.1	(2.9)	7,144.2
Gross profit	422.4	4.6	427.0	531.1	2.9	534.0
SG&A[1]	295.1	(2.4)	292.7	303.8	(3.7)	300.1
Amortization of intangible assets	21.3	(21.3)		15.1	(15.1)	
Integration costs relating to acquisitions	0.1	(0.1)				
Other charges	47.6	(47.6)		885.2	(885.2)	
Operating earnings (loss) EBIAT	58.3	76.0	134.3	(673.0)	906.9	233.9
Interest expense, net	51.2		51.2	42.5		42.5
Net earnings (loss) before tax	7.1	76.0	83.1	(715.5)	906.9	191.4
Income tax expense	20.8		20.8	5.0	(1.3)	3.7
Net earnings (loss)	$ (13.7)	$ 76.0	$ 62.3	$ (720.5)	$ 908.2	$ 187.7
W.A. # of shares (in millions) diluted	228.9		229.0	229.3		229.6
Earnings (loss) per share diluted	$ (0.06)		$ 0.27	$ (3.14)		$ 0.82

(1) Non-cash option expense included in cost of sales and SG&A is added back for adjusted net earnings

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First quarter 2009 guidance:

On January 28, 2009, we provided the following guidance for the first quarter of 2009:

	Q1 09 Guidance
Revenue (in billions)	$1.4 to $1.6
Adjusted net earnings per share	$0.07 to $0.13

At the midpoint, our revenue guidance for the first quarter of 2009 represents a 22% sequential decrease from our fourth quarter of 2008. We expect revenue in all our end markets to decline in the first quarter, reflecting seasonality and the slower economic environment. With the lower revenue guidance, we expect adjusted net earnings to decrease. However, we believe we have made sustainable improvements in our cost structure, thus limiting some of the negative impact from the lower revenue levels.

Our guidance for the first quarter of 2009 is based on various assumptions which management believes are reasonable under the current circumstances, but may prove to be inaccurate, and many of which involve factors that are beyond the control of the company. The material assumptions may include assumptions regarding the following: forecasts from our customers, which range from 30 days to 90 days; timing and investments associated with ramping new business; general economic and market conditions; currency exchange rates; pricing and competition; anticipated customer demand; supplier performance and pricing; commodity, labor, energy and transportation costs; operational and financial matters; technological developments; and the timing and execution of our restructuring plan. These assumptions are based on management's current views with respect to current plans and events, and are and will be subject to the risks and uncertainties discussed above. Our guidance for the first quarter of 2009 is given for the purpose of providing information about management's current expectations and plans relating to the first quarter of 2009. Readers are cautioned that such information may not be appropriate for other purposes.

Recent Accounting Developments

(a)

Goodwill and intangible assets:

On January 1, 2009, we adopted CICA Handbook Section 3064, "Goodwill and intangible assets." This revised standard establishes guidance for the recognition, measurement and disclosure of goodwill and intangible assets, including internally generated intangible assets. This standard, which is effective for our first quarter of 2009, requires us to retroactively reclassify our computer software assets on our consolidated balance sheet from property, plant and equipment to intangible assets. In addition, the amortization of computer software will be reclassified from depreciation expense, included in SG&A, to amortization of intangible assets.

(b)

International financial reporting standards (IFRS):

In February 2008, the Canadian Accounting Standards Board announced the adoption of International Financial Reporting Standards for publicly accountable enterprises in Canada. Effective January 1, 2011, companies must convert from Canadian GAAP to IFRS. IFRS is effective for our first quarter of 2011.

We have initiated an IFRS transition project with a formal and detailed project plan and a dedicated project manager. A multi-functional project team consisting of management from finance, taxation, treasury, legal, human resources, IT and operations has been assigned to the project. We have also engaged an external IFRS consulting partner. We have established a formal governance structure that includes both a steering committee and an accounting technical review committee, and regular reporting is provided to our senior executive management and to our Board of Directors on the project's progress.

At this time, we cannot reasonably estimate the impact of adopting IFRS on our consolidated financial statements.

(c)

Business combinations:

In January 2009, the CICA issued Handbook Section 1582, "Business combinations," which replaces the existing standards. This section establishes the standards for the accounting of business combinations, and states

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that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. This standard is equivalent to IFRS on business combinations. This standard is applied prospectively to business combinations with acquisition dates on or after January 1, 2011. Earlier adoption is permitted. We are currently evaluating the impact of adopting this standard on our consolidated financial statements.

(d)

Consolidated financial statements:

In January 2009, the CICA issued Handbook Section 1601, "Consolidated financial statements," which replaces the existing standards. This section establishes the standards for preparing consolidated financial statements and is effective for 2011. Earlier adoption is permitted. We are currently evaluating the impact of adopting this standard on our consolidated financial statements.

(e)

Credit risk and the fair value of financial assets and financial liabilities:

In January 2009, the CICA issued EIC-173, "Credit risk and the fair value of financial assets and financial liabilities," which requires us to consider our own credit risk as well as the credit risk of our counterparty when determining the fair value of financial assets and liabilities, including derivative instruments. This standard is effective for our first quarter of 2009 and should be applied retrospectively without restatement of prior periods to all financial assets and liabilities measured at fair value on the date this abstract was issued. Early adoption is encouraged. We adopted this abstract as of December 31, 2008. The adoption of this abstract did not have a material impact on our consolidated financial statements.

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Item 6. Directors, Senior Management and Employees

A. Directors and Senior Management

Each director of Celestica is elected by the shareholders to serve until the next annual meeting or until a successor is elected or appointed. The following table sets forth certain information regarding the current directors and senior management of Celestica.

Name	Age	Position with Celestica	Residence
Robert L. Crandall	73	Chairman of the Board and Director	Florida, US
William A. Etherington	67	Director	Ontario, Canada
Richard S. Love	71	Director	California, US
Eamon J. Ryan	63	Director	Ontario, Canada
Gerald W. Schwartz	67	Director	Ontario, Canada
Don Tapscott	61	Director	Ontario, Canada
Craig H. Muhlhauser	60	Director, President and Chief Executive Officer	New Jersey, US
Paul Nicoletti	41	Executive Vice President and Chief Financial Officer	Ontario, Canada
John J. Boucher	49	Executive Vice President, Supply Chain Management Solutions and Chief Procurement Officer	New Hampshire, US
Elizabeth L. DelBianco	49	Executive Vice President, Chief Legal and Administrative Officer and Corporate Secretary	Ontario, Canada
John Peri	47	Executive Vice President, Global Operations	Ontario, Canada
Michael L. Andrade	45	Senior Vice President, and General Manager, North America	Ontario, Canada
Peter J. Bar	51	Senior Vice President, Finance	Ontario, Canada
Mary Gendron	43	Senior Vice President and Chief Information Officer	Illinois, US
Peter A. Lindgren	46	Senior Vice President and General Manager, Growth and Emerging Markets Segment	Colorado, US
Michael P. McCaughey	47	Senior Vice President and General Manager, Communications Market Segment	Quebec, Canada
Darren Myers	35	Senior Vice President and Corporate Controller	Ontario, Canada
Robert J. Sellers	42	Senior Vice President and General Manager, Enterprise and Consumer Market Segments, Asia Business Development	Hong Kong, China

The following is a brief biography of each of Celestica's directors and senior management:

Robert L. Crandall has been a director of Celestica since 1998 and Chairman of the Board of Directors of Celestica since January 2004. He is the retired Chairman of the Board and Chief Executive Officer of AMR Corporation/American Airlines Inc. Mr. Crandall currently serves on the board of Anixter International Inc., which is a public corporation. He is also Chairman and CEO of Pogo, Inc. and a director of Air Cell, Inc., both of which are privately held companies. Mr. Crandall is a member of the Federal Aviation Administration Management Advisory Committee. He holds a Bachelor of Science degree from the University of Rhode Island and a Master of Business Administration degree from the Wharton School of the University of Pennsylvania.

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William A. Etherington has been a director of Celestica since 2001. He was a director and the Non-Executive Chairman of the Board of the Canadian Imperial Bank of Commerce until February 26, 2009 and is a director of MDS Inc. and Onex Corporation, each of which is a public corporation. Mr. Etherington is also a director of SS&C Technologies Inc., a private firm. He is the former Senior Vice President and Group Executive, Sales and Distribution, IBM Corporation, and Chairman, President and Chief Executive Officer of IBM World Trade Corporation. He retired from IBM in 2001 with over 37 years of service. Mr. Etherington is a member of the President's Council, The University of Western Ontario and director of St. Michael's Hospital. He holds a Bachelor of Science degree in Electrical Engineering and a Doctor of Laws (Hon.) from the University of Western Ontario.

Richard S. Love is a former Vice President of Hewlett-Packard and a former General Manager of the Computer Order Fulfillment and Manufacturing Group for Hewlett-Packard's Computer Systems Organization. Mr. Love has been a director of Celestica since 1998. From 1962 until 1997, he held positions of increasing responsibility with Hewlett-Packard, becoming Vice President in 1992. He is a former director of HMT Technology Corporation (electronics manufacturing) and the Information Technology Industry Council. Mr. Love holds a Bachelor of Science degree in Business Administration and Technology from Oregon State University and a Master of Business Administration degree from Fairleigh Dickinson University.

Eamon J. Ryan has been a director of Celestica since 2008. He is the former Vice President and General Manager, Europe, Middle East and Africa for Lexmark International Inc. Prior to that, he was the Vice President and General Manager, Printing Services and Solutions Manager, Europe, Middle East and Africa. Mr. Ryan joined Lexmark in 1991 as the President of Lexmark Canada. Before Lexmark, he spent 22 years at IBM Canada, where he held a number of sales and marketing roles in their Office Products and Large Systems divisions. Mr. Ryan's last role at IBM Canada was Director of Operations for their Public Sector, a role he held from 1986 to 1990. He holds a Bachelor of Arts degree from the University of Western Ontario.

Gerald W. Schwartz is the Chairman of the Board, President and Chief Executive Officer of Onex. Mr. Schwartz has been a director of Celestica since 1998. Prior to founding Onex in 1983, Mr. Schwartz was a co-founder and President (in 1977) of what is now CanWest Global Communications Corp. Mr. Schwartz was inducted into the Canadian Business Hall of Fame in 2004 and was appointed as an Officer of the Order of Canada in 2006. He is also an honorary director of the Bank of Nova Scotia and is a director of Indigo Books & Music Inc., a public corporation. Mr. Schwartz is Vice Chairman of Mount Sinai Hospital and is a director, governor or trustee of a number of other organizations, including Junior Achievement of Toronto, the Canadian Council of Christians and Jews, and The Simon Wiesenthal Center. He holds a Bachelor of Commerce degree and a Bachelor of Laws degree from the University of Manitoba, a Master of Business Administration degree from the Harvard University Graduate School of Business Administration, a Doctor of Laws (Hon.) from St. Francis Xavier University, and a Doctor of Philosophy (Hon.) from Tel Aviv University.

Don Tapscott is Chairman of the thinktank, nGenera Insight and an adjunct Professor of Management at the University of Toronto's Joseph L. Rotman School of Management. Mr. Tapscott is also an internationally respected authority, consultant and speaker on business strategy and organizational transformation and the author of thirteen widely-read books on the application of technology in business. Mr. Tapscott is a founding member of the Business and Economic Roundtable on Addiction and Mental Health, and a fellow of the World Economic Forum. He has been a director of Celestica since 1998. Mr. Tapscott holds a Bachelor of Science degree in Psychology and Statistics, and a Master of Education degree, specializing in Research Methodology, as well as Doctor of Laws (Hon.) degrees from the University of Alberta and Trent University.

Craig H. Muhlhauser is President and Chief Executive Officer and a member of the Board of Directors. Prior to holding his current position, Mr. Muhlhauser was President and Executive Vice President of Worldwide Sales and Business Development. Before joining Celestica in May 2005, Mr. Muhlhauser was the President and Chief Executive Officer of Exide Technologies. Mr. Muhlhauser was serving as President of Exide Technologies when that entity filed for bankruptcy in 2002, was named Chief Executive Officer of Exide Technologies shortly thereafter and successfully led the company out of bankruptcy protection in 2004. Prior to that, he held the role of Vice President, Ford Motor Company and President, Visteon Automotive Systems. Mr. Muhlhauser also serves on the board of directors of Intermet Corporation, a manufacturer of cast metal components for the automotive, commercial-vehicle and industrial markets, which filed for bankruptcy in the US in August 2008 and

is currently operating under bankruptcy protection. Throughout his career, he has worked in a range of industries spanning the consumer, industrial, communications, utility, automotive and aerospace and defense sectors. Mr. Muhlhauser holds a Master of Science degree in Mechanical Engineering and a Bachelor of Science degree in Aerospace Engineering from the University of Cincinnati.

Paul Nicoletti has been Celestica's Executive Vice President and Chief Financial Officer since June 2007. He is responsible for overseeing Celestica's accounting, financial and investor relations functions in order to protect and enhance Celestica's shareholder value. Previously, he was Senior Vice President, Finance and held the role of Corporate Treasurer, with responsibility for Celestica's global financial operations, segment financial reporting, strategic pricing, corporate tax and all corporate finance and treasury-related matters. Prior to that, Mr. Nicoletti was Vice President, Global Financial Operations, responsible for all financial aspects of Celestica's Canadian and Latin American operations. He was also previously the Controller of Celestica's Canadian EMS operations. Mr. Nicoletti joined IBM in 1989 and was part of the founding management team of Celestica. Throughout his career, he has held a number of senior financial roles in mergers and acquisitions, planning, accounting, pricing and financial strategies. Mr. Nicoletti holds a Bachelor of Arts degree from the University of Western Ontario and a Master of Business Administration degree from York University.

John J. Boucher is Executive Vice President, Supply Chain Management Solutions and Chief Procurement Officer. He has led the company's Supply Chain Management Organization since November 2004. In 2008, this organization expanded into a complete Supply Chain Solutions Organization encompassing Solutions Development and integrated services offerings spanning design, fulfillment, after-market and automated manufacturing services. Previously, Mr. Boucher held the position of President, Americas, and was responsible for manufacturing operations in Canada, the U.S., Mexico and Brazil. Before joining Celestica through the company's acquisition of Manufacturers' Services Limited (MSL) in March 2004, he was MSL's Corporate Vice President of Global Supply Chain Management. Prior to joining MSL as part of the company's founding team, Mr. Boucher guided the start-up of after-market operations at Circuit Test Inc. He also spent over 17 years with Digital Equipment Corporation, where he held a number of senior roles, including managing supply chain strategies for the company's Personal Computer Division.

Elizabeth L. DelBianco is Executive Vice President, Chief Legal and Administrative Officer and Corporate Secretary. In this role she oversees human resources, global branding, legal, contracts and communications. Ms. DelBianco joined Celestica in 1998 and since that time has been responsible for managing legal, governance, and compliance matters for Celestica on a global basis. In March of 2007, Ms. DelBianco assumed the leadership of the Global Human Resources function. In this role, she oversees all human resources policies and practices and leads Celestica's efforts to attract, develop and retain key talent. In 2008, her role expanded to include responsibility for overseeing the Global Branding Organization. Ms. DelBianco came to Celestica following a 13-year career as a senior corporate legal advisor in the telecommunications industry. She holds a Bachelor of Arts degree from the University of Toronto, a Bachelor of Laws degree from Queen's University, and a Master of Business Administration degree from the University of Western Ontario. She is admitted to practice in Ontario and New York.

John Peri is Executive Vice President, Global Operations. He is responsible for overseeing Celestica's manufacturing and supply chain operations in Asia, Europe and the Americas. Mr. Peri previously held the role of President, Asia Operations, with responsibility for Celestica's manufacturing footprint in China, Hong Kong, India, Japan, Malaysia, Philippines, Singapore and Thailand. Prior to that, he held senior level positions in the areas of quality, manufacturing excellence, services and regional leadership. Mr. Peri joined IBM Canada in 1984 and was part of the founding management team of Celestica. Over the course of his career, he has held a number of leadership positions in operations, engineering and account management. He holds a Bachelor of Applied Science degree in Industrial Engineering from the University of Toronto.

Michael L. Andrade is Senior Vice President and General Manager, North America. In this role, he is responsible for ensuring Celestica's operating model and business strategies are aligned to drive growth and accelerate customers' success. His primary focus is helping customers overcome obstacles associated with the more sophisticated use of electronics in North America. Mr. Andrade joined Celestica from IBM in 1994 as part of the company's original management team, and has since held positions of increasing responsibility with the company. Prior to his current role, he was the Senior Vice President, Strategic Business Development. His diverse experience spans engineering, finance, operations management, mergers and acquisitions and commodity management. He holds a Bachelor of Engineering Science degree from the University of Western Ontario, a Master of Business Administration degree from York University in Ontario, and is a member of the Professional Engineers of Ontario.

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Peter J. Bar is Senior Vice President, Finance. He is responsible for providing financial leadership for the Americas region. Previously, he was Senior Vice President and Corporate Controller, with responsibility for Celestica's external reporting, financial planning, strategic pricing and corporate tax. He joined Celestica in March 1998, as Vice President, Finance, Power Systems. Prior to joining Celestica, Mr. Bar was the Controller for the Personal Systems Group of IBM Canada. During his 14-year career in the information technology industry, he has served in several senior management positions for both IBM Canada and IBM's headquarters in Armonk, New York. Mr. Bar holds a Bachelor of Commerce degree from the University of Toronto and a Chartered Accountant designation.

Mary Gendron is Senior Vice President and Chief Information Officer. She is responsible for aligning Celestica's information technology strategy with its business goals by ensuring that the company's strategic investments in IT tools and processes drive its customers' success. Ms. Gendron recently joined Celestica following a five-year career at The Nielsen Company, one of the largest global information measurement and media companies. Most recently, she was the Senior Vice President, IT Infrastructure Shared Services. Prior to that, she was the Chief Information Officer at ACNielsen US. Over the course of her career, Ms. Gendron has held management positions of increasing seniority in information technology and supply chain management at Motorola and Bell Canada. Ms. Gendron holds a Bachelor of Engineering degree from McGill University in Montreal, Quebec.

Peter A. Lindgren is Senior Vice President and General Manager, Growth and Emerging Markets Segment. He leads a focused business unit that drives the strategic direction and growth of Celestica's business within key customer accounts in emerging markets. Previously, Mr. Lindgren held the role of Senior Vice President, Industry Market Segment and prior to that, was Senior Vice President, Business Development, overseeing Celestica's regional marketing and business development teams on a global basis. Prior to that, Mr. Lindgren was Vice President and General Manager, Cisco Global Customer Business Unit. He joined Celestica in February 1998, as Director of Operations in Corporate Development. Mr. Lindgren has worked in the electronics manufacturing services industry since 1985, and held a number of management positions in international operations, sales and marketing, program management and materials with SCI Systems and MTI International. He holds a Bachelor of Arts degree in Business Economics from Colorado College.

Michael P. McCaughey is Senior Vice President and General Manager, Communications Market Segment. He is responsible for the strategic direction of the company's communications business and all key activities associated with Celestica's customer accounts in this sector. Prior to joining Celestica in June 2005, Mr. McCaughey held the role of Senior Vice President, Wireline Network Systems, at Sanmina-SCI. Before joining Sanmina-SCI, Mr. McCaughey held senior roles at Hyperchip Inc. and SCI Systems (prior to that company's merger with Sanmina). He holds a DEC in Electrotechnology from Vanier College, Quebec and studied Electrical Engineering at McGill University in Montreal, Quebec.

Darren Myers is Senior Vice President and Corporate Controller. He is responsible for Celestica's corporate external reporting, financial planning and budgeting related matters. Mr. Myers rejoined Celestica in 2008 following two years as the Vice President, Finance, Small Medium Business for Bell Canada. Prior to that, Mr. Myers was the Vice President, Finance, Global Services at Celestica. He originally joined Celestica in 2000 where he was a key member of the Corporate Development team. Over the course of his career, Mr. Myers has held a number of leadership positions in the areas of operational finance, mergers and acquisitions and controls compliance and disclosure. He holds an Honours Bachelor of Commerce degree from McMaster University in Ontario. He is also a Chartered Accountant.

Robert J. Sellers is Senior Vice President and General Manager, Enterprise and Consumer Market Segments, Asia Business Development. In this role, he is responsible for the strategic direction and growth of Celestica's customers in the global enterprise and consumer markets as well as Asian regional customers. Previously, Mr. Sellers was Senior Vice President, Global Sales, and prior to that, led the sales organization for Celestica's Americas and Asia regions. He joined Celestica in 2003 in the role of Vice President, Market Development in the area of Consumer Electronics. Mr. Sellers has had a 14-year career in the EMS industry with various leadership positions at Sanmina-SCI, SCI, Solectron and Avex. Prior to entering the EMS industry, Mr. Sellers was a highly decorated United States Army officer. He holds a Bachelor of Science degree in Industrial and Operations Engineering from the University of Michigan.

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There are no family relationships among any of the foregoing persons, and there are no arrangements or understandings with any person pursuant to which any of our directors or members of senior management were selected.

B. Compensation

Compensation of Directors

Director compensation is set by the Board of Directors on the recommendation of the Compensation Committee and in accordance with director compensation guidelines established by the Nominating and Corporate Governance Committee (Governance Committee). Under these guidelines, the Board of Directors seeks to maintain director compensation at a level that is competitive with director compensation at comparable companies. The Compensation Committee engaged Towers Perrin Inc. (Towers Perrin) to provide benchmarking information in this regard. See " Compensation Process" and " Comparator Companies" for a discussion regarding the role of Towers Perrin. The guidelines also contemplate that at least half of each director's annual retainer and meeting fees be paid in deferred share units (DSUs). Each DSU represents the right to receive one subordinate voting share or an equivalent value in cash of the Company when the director ceases to be a director.

2008 Fees

Table 1 sets out the annual retainers and meeting fees paid in 2008 to the Company's directors (other than Messrs. Schwartz and Muhlhauser who, as officers of Onex and the Company, respectively, did not receive such compensation).

Table 1: Retainers and Meeting Fees for 2008

Annual Board Retainer	$ 65,000
Annual Retainer for non-executive Chairman[1]	$130,000
Annual Retainer for Audit Committee Chair	$ 20,000
Annual Retainer for Compensation Committee Chair	$ 10,000
Annual Retainer for Executive Committee Chair	$ 10,000
Board and Committee Per Day Meeting Fee[2]	$ 2,500
Travel Fee[3]	$ 2,500
Annual DSU Grant (for directors other than the Chairman)	$ 65,000
Annual DSU Grant Chairman	$130,000

(1) The non-executive Chairman of the Board of Directors also serves as chair of the Governance Committee, for which no additional fee is paid.

(2) Attendance fees are paid per day of meetings, regardless of whether a director attends more than one meeting in a single day, except that a separate attendance fee is paid for each Executive Committee meeting, even if it occurs on the same day as other meetings.

(3) The travel fee is available only to directors who travel outside of their home state or province to attend a Board of Directors or Committee meeting.

DSUs

Directors receive half of their annual retainer and meeting fees (or all such fees, if they so elect) in DSUs. The number of DSUs granted in lieu of cash meeting fees is calculated by dividing the cash fee that would otherwise be payable by the closing price of subordinate voting shares on the New York Stock Exchange (NYSE) on the last business day of the quarter in which the applicable meeting occurred. In the case of annual retainer fees, the number of DSUs granted is calculated by dividing the cash amount that would otherwise be payable quarterly by the closing price of subordinate voting shares on the NYSE on the last business day of the quarter.

Directors also receive annual grants of DSUs. In 2008, each director received $65,000 worth of DSUs, except for the Chairman, who received $130,000. The number of DSUs granted is calculated by dividing the cash amount that would otherwise be payable quarterly by the closing price of subordinate voting shares on the NYSE on the last business day of the quarter.

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Eligible directors also receive an initial grant of DSUs when they are appointed to the Board of Directors. For individuals who become eligible directors after December 31, 2008, the initial grant is equal to the amount of the annual board retainer multiplied by 150% and divided by the closing price of subordinate voting shares on the NYSE on the last business day of the fiscal quarter immediately preceding the date when the individual becomes an eligible director. The DSUs comprising the initial grant vest upon the retirement of the eligible director. However, if an eligible director retires within a year of becoming an eligible director, all of the DSUs comprising the initial grant are forfeited and cancelled. If an eligible director retires less than two years but more than one year after becoming an eligible director, then two-thirds of the DSUs comprising the initial grant are forfeited and cancelled. If an eligible director retires within three years but more than two years after becoming an eligible director, then one-third of the DSUs comprising the initial grant are forfeited and cancelled. Forfeiture does not apply if a director ceases to be a director due to a change of control.

The compensation paid in 2008 by the Company to its directors is set out in Table 2. None of the directors received any fee or payment from the Company except as set out below. Mr. Schwartz is an officer of Onex and did not receive any compensation in his capacity as a director of the Company in 2008. Mr. Muhlhauser, as President and Chief Executive Officer of the Company, also did not receive any director's fees from the Company in 2008.

Table 2: Director Fees Earned in 2008

Name	Board Annual Retainer (a)	Chairman Annual Retainer (b)	Committee Chair Annual Retainer (c)	Total Meeting Attendance Fees (d)	Total Annual Retainer and Meeting Fees Payable ((a)+(b)+(c)+(d)) (e)	Portion of Fees Taken in Cash or Applied to DSUs and Value of DSUs (f)	Annual DSU Grant (#) and Value of DSUs[1] (g)	Initial DSU Grant (#) and Value of DSUs (h)	Total ((e)+(g)+(h))
Robert L. Crandall		$ 130,000	$ 30,000	$ 70,000	$ 230,000	100% DSUs/ $230,000	20,788/$130,000		$ 360,000
William A. Etherington	$ 65,000		$ 10,000	$ 50,000	$ 125,000	100% DSUs/ $125,000	10,394/$65,000		$ 190,000
Richard S. Love	$ 65,000			$ 55,000	$ 120,000	50% Cash & 50% DSUs/ $60,000	10,394/$65,000		$ 185,000
Anthony R. Melman[2]	$ 20,357			$ 7,500	$ 27,857	100% DSUs/ $27,857	3,029/$20,357		$ 48,214
Eamon J. Ryan[3]	$ 16,250			$ 7,500	$ 23,750	100% DSUs/ $23,750	3,525/$16,250	27,950/ $ 180,000	$ 220,000
Charles W. Szuluk[4]	$ 32,500			$ 12,500	$ 45,000	100% DSUs/ $45,000	4,346/$32,500		$ 77,500
Don Tapscott	$ 65,000			$ 25,000	$ 90,000	100% DSUs/ $90,000	10,394/$65,000		$ 155,000

(1) The annual retainer, meeting fees and annual grant for 2008 were paid quarterly and the number of DSUs granted in respect of the amounts paid quarterly, for each such item was determined using the closing prices of subordinate voting shares on the NYSE on the last business day of each quarter, which were $6.72 on March 31, 2008, $8.43 on June 30, 2008, $6.44 on September 30, 2008 and $4.61 on December 31, 2008.

(2) Dr. Melman did not stand for re-election to the Board of Directors at the Company's previous annual meeting and accordingly he ceased being a director on April 24, 2008.

(3)

Mr. Ryan was appointed a director on October 24, 2008. He received an initial grant of DSUs valued at $180,000.

(4)

Mr. Szuluk retired from the Board of Directors on June 30, 2008.

The total fees earned by the Board of Directors in 2008 were $661,607. In addition, a total annual grant of DSUs worth $394,107 and an initial grant of DSUs worth $180,000 were issued.

Outstanding Option-Based and Share-Based Awards

In 2005, the Company amended its Long Term Incentive Plan (LTIP) to prohibit the granting of options to acquire subordinate voting shares to directors. Table 3 sets out information relating to option grants to directors which were made between 1998 and 2004 and which remain outstanding. All option grants were made with exercise prices set at the closing market price on the business day prior to the date of grant. Exercise prices range from $10.62 to C$72.60. Options vest over three or four years and expire after ten years. The final grant of

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options occurred on May 10, 2004; those options will expire on May 10, 2014. Mr. Schwartz, as an employee of Onex during that period, was not granted options. Mr. Ryan became a director on October 24, 2008 and was not granted any options under the LTIP.

DSUs that were granted prior to January 1, 2007 will be paid out in the form of subordinate voting shares issued from treasury. DSUs granted after January 1, 2007 will be paid out in the form of subordinate voting shares purchased in the open market or an equivalent value in cash. The date used in valuing the DSUs shall be a date within 90 days of the date on which the individual in question ceases to be a director. The DSUs shall be redeemed and payable on or prior to the 90th day following the date on which the individual ceases to be a director. The total number of DSUs outstanding is included in Table 3.

The following table sets out for each director information concerning all option-based and share-based awards outstanding as of December 31, 2008 (this includes awards granted before the most recently completed financial year).

Table 3: Outstanding Option-Based and Share-Based Awards

	Option-Based Awards[1]				Share-Based Awards[2]	
Name	**Number of Securities Underlying Unexercised Options (#)**	**Option Exercise Price ($)**	**Option Expiration Date**	**Value of Unexercised In-the-Money Options ($)**	**Number of Outstanding Units (#)**	**Market Payout Value of Outstanding Units ($)**
Robert L. Crandall	20,000	$ 23.41	Jul. 7, 2009			
Jul. 7, 1999	20,000	$ 48.69	Jul. 7, 2010			
Jul. 7, 2000	20,000	$ 44.23	Jul. 7, 2011			
Jul. 7, 2001	10,000	$ 10.62	Apr. 18, 2013			
Apr. 18, 2003	10,000	$ 18.25	May 10, 2014			
May 10, 2004					248,621	$ 1,146,143
William A. Etherington	20,000	$ 35.95	Oct. 22, 2011			
Oct. 22, 2001	5,000	$ 32.40	Apr. 21, 2012			
Apr. 21, 2002	5,000	$ 10.62	Apr. 18, 2013			
Apr. 18, 2003	5,000	$ 18.25	May 10, 2014			
May 10, 2004					97,111	$ 447,682
Richard S. Love	10,000	$ 23.41	Jul. 7, 2009			
Jul. 7, 1999	10,000	$ 48.69	Jul. 7, 2010			
Jul. 7, 2000	10,000	$ 44.23	Jul. 7, 2011			
Jul. 7, 2001	2,500	$ 10.62	Apr. 18, 2013			
Apr. 18, 2003	2,500	$ 18.25	May 10, 2014			
May 10, 2004					52,114	$ 240,246
Eamon J. Ryan					36,627	$ 168,850
Don Tapscott	20,000	C$ 34.50	Jul. 7, 2009			
Jul. 7, 1999	20,000	C$ 72.60	Jul. 7, 2010			

Jul. 7, 2000	20,000	C$	66.78	Jul. 7, 2011		
Jul. 7, 2001	5,000	$	10.62	Apr. 18,		
Apr. 18, 2003	5,000	$	18.25	2013		
May 10, 2004				May 10,		
				2014		
						$ 454,694
					98,632	

(1)
All options granted under the option-based awards have vested.

(2)
Represents all outstanding share units. The market payout value was determined using a share price of $4.61, which was the closing price of subordinated voting shares on the NYSE on December 31, 2008.

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Directors' Equity Interest

The following table sets out each director's direct or indirect beneficial ownership of, or control or direction over, equity in the Company, and any changes therein since February 25, 2008.

Table 4: Equity Interest Other than Options and Outstanding Share-Based Awards[1]

Name	Date	SVS[2] #	Market Value*
Robert L. Crandall	Feb. 25, 2008	20,000	$ 219,100
	Feb. 23, 2009	70,000	
	Change	50,000	
William A. Etherington	Feb. 25, 2008	10,000	$ 31,300
	Feb. 23, 2009	10,000	
	Change		
Richard S. Love	Feb. 25, 2008	5,000	$ 15,650
	Feb. 23, 2009	5,000	
	Change		
Eamon J. Ryan	Feb. 25, 2008		$
	Feb. 23, 2009		
	Change		
Gerald W. Schwartz[3]	Feb. 25, 2008	2,236,713	$ 6,838,972
	Feb. 23, 2009	2,184,975	
	Change	(51,738)	
Don Tapscott	Feb. 25, 2008	5,700	$ 17,841
	Feb. 23, 2009	5,700	
	Change		

* *Based on the NYSE closing share price of $3.13 on February 23, 2009.*

(1) Information as to securities beneficially owned, or controlled or directed, directly or indirectly, is not within the Company's knowledge and therefore has been provided by each nominee.

(2) Certain subordinate voting shares subject to options granted pursuant to management investment plans of Onex are included as owned beneficially by named individuals although the exercise of these options is subject to Onex meeting certain financial targets. More than one person may be deemed to have beneficial ownership of the same securities.

(3) Mr. Schwartz is deemed to be the beneficial owner of the 29,637,316 multiple voting shares owned by Onex, which have a market value of $92,764,799 as of February 23, 2009 and which result, together with the market values of his subordinate voting shares in a total market value of $99,603,771 as of February 23, 2009 for his aggregate equity interest in the Company.

Shareholding Requirements

The Company has minimum shareholding requirements for independent directors (the "Guideline"). The Guideline provides that an independent director who has been on the Board of Directors:

- for five years or more must hold securities of the Company having a market value of at least five times that director's then applicable annual retainer and after such level of ownership has been obtained, shall continue to invest a significant portion of the annual retainer in securities of the Company;
- for two years or more (but less than five years) must hold securities of the Company having a market value of at least three times that director's then applicable annual retainer;
- for one year or more (but less than two years) must hold securities of the Company having a market value of at least one times that director's then applicable annual retainer; and
- for less than a year are encouraged, but not required, to hold securities of the Company.

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Although directors will not be deemed to have breached the Guideline by reason of a decrease in the market value of the Company's securities, the directors may be required to purchase further securities within a reasonable period of time to comply with the Guideline. The Guideline came into effect on April 22, 2004 and each director's holdings of securities which for the purposes of the Guideline include all subordinate voting shares, DSUs and RSUs are reviewed annually each year on December 31. Given the recent downturn in the performance of financial markets as a result of uncertainty in the global economy, the Company has extended the targeted compliance date by one year to April 22, 2010. As of December 31, 2008 all of the directors of the Company were, or were on track to be, in compliance with the Guideline as set out in the following table.

Table 5: Shareholding Requirements

		Shareholding Requirements		
Director	**Target Value (5x annual retainer)**	**Date by which Target to be Met**	**Value as of December 31, 2008[3]**	**On Track as of December 31, 2008[4]**
Robert L. Crandall	$ 800,000	Apr. 22, 2010	$ 1,468,843	Yes
William A. Etherington	$ 375,000	Apr. 22, 2010	$ 493,782	Yes
Richard S. Love	$ 325,000	Apr. 22, 2010	$ 263,296	Yes
Eamon J. Ryan[1]				
Gerald W. Schwartz[2]				
Don Tapscott	$ 325,000	Apr. 22, 2010	$ 480,971	Yes

(1) As Mr. Ryan has been on the Board of Directors for less than one year, he is not required to hold securities of the Company pursuant to the Guideline.

(2) As Mr. Schwartz is not an independent director, he is not subject to the minimum shareholding requirements of the Guideline.

(3) The value of the aggregate number of subordinate voting shares, DSUs and RSUs held by each director is determined using a share price of $4.61, which was the closing price of subordinate voting shares on the NYSE on December 31, 2008.

(4) For the purposes of determining compliance with the Guideline, directors' fees to be earned in 2009 are included. It should be noted that the annual DSU grant for 2009 has been increased to $120,000 for directors (other than the Chairman) and $180,000 for the Chairman. All other fees remain the same in 2009.

Attendance of Directors at Board of Directors and Committee Meetings

The following table sets forth the attendance of directors at Board of Directors and Committee meetings in 2008.

Table 6: Directors' Attendance at Board of Directors and Committee Meetings

						Meetings Attended %	
Director	**Board**	**Audit**	**Compensation**	**Governance**	**Executive**	**Board**	**Committee**
Robert L. Crandall[1]	6 of 6	6 of 6	5 of 5	5 of 5	14 of 14	100%	100%
William A. Etherington[2]	6 of 6	6 of 6	5 of 5	5 of 5	14 of 14	100%	100%
Richard S. Love	6 of 6			5 of 5		100%	100%
Anthony R. Melman[3]	1 of 3					33%	

Craig H. Muhlhauser	6 of 6				100%	
Eamon J. Ryan[(4)]	2 of 2				100%	
Gerald W. Schwartz	5 of 6				83%	
Charles W. Szuluk[(5)]	2 of 3		1 of 2		67%	50%
Don Tapscott	6 of 6	3 of 6	4 of 5	3 of 5	100%	63%

(1) Mr. Crandall is chair of each of the Audit, Governance and Executive Committees.

(2) Mr. Etherington is chair of the Compensation Committee.

(3) Mr. Melman did not stand for election at the previous annual meeting of the Company and accordingly ceased being a director on April 24, 2008.

(4) Mr. Ryan became a director on October 24, 2008.

(5) Mr. Szuluk retired as a director on June 30, 2008.

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COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis (CD&A) sets out the policies of the Company for determining compensation paid to the Company's Chief Executive Officer (CEO), its Chief Financial Officer (CFO), and the three other most highly compensated executive officers (collectively, the "Named Executive Officers" or "NEOs"). A description and explanation of the significant elements of compensation awarded to the NEOs during 2008 is set out in the section entitled *2008 Compensation Decisions* of this Annual Report.

Compensation Objectives

The Company's executive compensation philosophies and practices are designed to attract, motivate and retain the leaders who will drive the success of the Company. The Company benchmarks itself against a comparator group of similarly sized technology companies as set out in Table 7 (the "Comparator Group"), including four direct competitors of the Company in the electronics manufacturing services industry: Benchmark Electronics, Flextronics International, Jabil Circuit and Sanmina-SCI (collectively, the "EMS Competitors").

Compensation for executives is linked to the Company's performance. Target compensation is positioned at the median of the comparator group for median level performance, with the opportunity for above median compensation for performance that exceeds the median of the Comparator Group and less than median compensation for performance that is below the median of the Comparator Group.

The compensation package is designed to:

- provide competitive fixed compensation (i.e., base salary and benefits), and a substantial amount of at risk pay, which will be realized through the annual, mid-term and long term incentive plans;
- reward executives for achieving operational and financial results that meet or exceed our business plan and that are superior to those of the EMS Competitors through both annual incentives and equity-based mid-term and long-term incentives;
- align the interests of executives and shareholders through equity-based compensation (i.e., mid-term and long-term incentives);
- recognize that the executives work as a team to achieve corporate results; and
- ensure direct accountability for the annual operating results and the long term financial performance of the Company.

Independent Advice

The Compensation Committee has engaged Towers Perrin as its independent compensation consultant to assist in identifying appropriate comparator companies against which to evaluate the Company's compensation levels, to provide data about those companies, and to provide observations and recommendations with respect to the Company's compensation practices versus the comparator group.

Management works with Towers Perrin to review and, where appropriate, develop and recommend compensation programs that will ensure the Company's practices are competitive with market practices. Towers Perrin also provides advice to the Compensation Committee on the policy recommendations prepared by management and keeps the Compensation Committee apprised of market trends in executive compensation. Towers Perrin attended portions of all Compensation Committee meetings held in 2008, in person or by telephone, as requested by the Chairman of the Compensation Committee. The Compensation Committee holds *in camera* sessions with Towers Perrin at each of its meetings.

Decisions made by the Compensation Committee, however, are the responsibility of the Compensation Committee and may reflect factors and considerations other than the information and recommendations provided by Towers Perrin.

Each year, the Chairman of the Compensation Committee reviews the scope of activities of Towers Perrin and approves the corresponding budget. Any services and fees not related to executive compensation must be approved by the Chairman. In 2008, the compensation advisor

retainer fees paid to Towers Perrin totaled approximately C$200,500. Additional consulting services fees paid to Towers Perrin regarding US executive

benefits totaled approximately C$87,300 for 2008. Towers Perrin did not provide any non-executive compensation services in 2008.

Compensation Process

The Compensation Committee reviews and approves compensation for the CEO and the other NEOs, including base salaries, annual incentive awards and equity-based incentive grants. Compensation for the other NEOs is reviewed in consultation with the CEO. The Compensation Committee works with Towers Perrin when determining the compensation of the NEOs, including the CEO. The Compensation Committee's decisions are then reviewed with the Board of Directors.

The Compensation Committee generally meets five times a year. At the July meeting, the Compensation Committee, based on recommendations from Towers Perrin, approves the comparator group that will be used for the compensation review. At the October meeting, Towers Perrin presents a competitive analysis of the total compensation for each of the NEOs, including the CEO, based on the established comparator group. Using this analysis, the Chief Legal and Administrative Officer (CLO), who has responsibility for Human Resources, together with Towers Perrin and the CEO develop base salary and equity-based incentive recommendations for the NEOs, except that the CEO and CLO do not participate in the preparation of their own compensation recommendations. At the December meeting, base salary recommendations for the NEOs for the following year and the value of their equity-based incentives are approved. Previous grants of equity-based awards are not taken into consideration when making this decision. At the January meeting, the Compensation Committee approves the final mix of the equity-based incentives. The CLO is not present at the Compensation Committee meetings when her compensation is discussed.

The foregoing process is also followed for determining the CEO's compensation except that the CLO works with Towers Perrin to develop a proposal for base salary and equity-based incentive grants. The Compensation Committee then reviews the proposal with Towers Perrin in the absence of the CEO. At that time, the Compensation Committee also considers the potential value of the total compensation package for the CEO at different levels of performance and different stock prices.

In terms of the Company's annual incentive plan, targets based on a management plan approved by the Board of Directors are approved by the Compensation Committee at the beginning of the year. The Compensation Committee reviews the Company's performance relative to these targets and the projected payment at the December Compensation Committee meeting. At the January meeting of the following year, final payments under the plan, as well as the vesting percentages for any previously granted equity-based incentives that have performance vesting criteria, are calculated and approved by the Compensation Committee based on the Company's year end results as approved by the Audit Committee. These amounts are then paid in February.

Comparator Companies

The Compensation Committee benchmarks salary, target bonus and equity-based incentive awards to the Comparator Group. The revenues of the Comparator Group companies are generally in the range of half to twice the Company's revenues. In addition, the Committee included in the Comparator Group two of the EMS Competitors whose revenues were outside this range: Benchmark Electronics and Flextronics International. Each year the Compensation Committee reviews and approves constituent companies of this comparator group.

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The Company's 2008 Comparator Group consisted of the following companies.

Table 7: Comparator Group

Company Name	2007 Annual Revenue (millions)	Company Name	2007 Annual Revenue (millions)
Advanced Micro Devices Inc.	$ 6,013	NVIDIA Corp.	$ 4,098
Agilent Technologies Inc.	$ 5,420	QUALCOMM Inc.	$ 8,871
Applied Materials Inc.	$ 9,735	***Sanmina-SCI Corp.****	***$ 10,384***
Benchmark Electronics Inc.*	***$ 2,916***	Sun Microsystems Inc.	$ 13,873
Corning Inc.	$ 5,860	Texas Instruments Inc.	$ 13,835
EMC Corp.	$ 13,230	Western Digital Corp.	$ 5,468
Flextronics International Ltd.*	***$ 27,558***	Xerox Corp.	$ 17,228
Harris Corp.	$ 4,243		
Jabil Circuit Inc.*	***$ 12,291***	25th Percentile	$ 5,308
Lexmark International Inc.	$ 4,974	50th Percentile	$ 7,442
Micron Technology Inc.	$ 5,738	75th Percentile	$ 12,525
NCR Corp.	$ 4,970		
Nortel Networks Corp.	$ 10,948	**Celestica Inc.**	**$ 8,070**

Financial data as of June 30, 2008. Source: Standard & Poor's Research Insight.

* *Denotes an EMS Competitor*

Additionally, broader market compensation data for other similarly sized organizations provided by Towers Perrin is referenced in accordance with a process approved by the Compensation Committee.

Compensation Elements for the Named Executive Officers

The compensation of the Company's NEOs is comprised of the following elements:

- base salary,
- annual incentives (annual variable cash payments),
- mid-term equity-based incentives (restricted and performance share units),
- long-term equity-based incentives (stock options),
- benefits, and
- perquisites.

Weighting of Compensation Elements

The variable portion of total compensation has the highest weighting at the most senior levels. Annual and equity-based incentive plan rewards are contingent upon organizational performance and ensure a strong alignment with shareholder interests. The weighting of

compensation elements for 2008 is set out in the following table.

Table 8: Weighting of Compensation Elements

	Base Salary	Annual Incentive	Equity-Based Incentives
CEO	14.3%	14.3%	71.4%
EVPs	20.0%	16.0%	64.0%
SVPs	27.1%	16.2%	56.7%

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Base Salary

The objective of base salary is to attract, reward and retain top talent. Executive positions are benchmarked against the Comparator Group, with base pay targeted at the market median of this group. Base salaries are reviewed annually and adjusted as appropriate, with consideration given to individual performance, relevant knowledge, experience and an executive's level of responsibility within the organization.

Celestica Team Incentive Plan (CTI)

The objective of the CTI is to reward all employees, including the NEOs, for the achievement of annual corporate, business unit, and individual goals and objectives. Target awards for each of the NEOs are expressed as a percentage of salary and established based on the median of the Comparator Group. Actual awards are based on (i) the achievement of pre-determined corporate and individual goals, and (ii) corporate performance relative to that of the EMS Competitors. Actual payouts can vary from 0% for performance below a threshold up to a maximum of 200% of the target bonus. Awards are derived according to the following formula:

For 2008, the business performance goals were comprised of the following elements:

- Corporate EBIAT (40%);
- Corporate ROIC (40%); and
- Customer Loyalty (20%).

Individual contribution is recognized through the individual component and individual performance factor (IPF). The IPF is based on a review of each NEO's individual performance relative to business results, teamwork and the executive's key accomplishments. This factor can adjust the executive's actual award by a factor of between 0x and 1.5x.

The Compensation Committee also applies a relative performance factor (RPF) based on an evaluation of the Company's performance for the year relative to that of the EMS Competitors. This evaluation is based on a ROIC based performance metric but is ultimately within the Committee's discretion. This factor can adjust the executive's actual award by a factor of between 0.5x and 1.5x.

Actual results relative to the targets, as described above, determine the amount of the annual incentive subject to the following: (i) a minimum corporate profitability threshold must be achieved to pay the business performance component and (ii) the maximum award is two times the target.

Equity-Based Incentives

The Company's equity-based incentives for the NEOs consist of restricted share units (RSUs), performance share units (PSUs) and stock options. The objectives of the equity-based incentive plans are to:

- align interests with those of shareholders and incent appropriate behavior for long-term performance;
- reward contribution to the Company's long-term success; and

enable the Company to attract and retain the qualified and experienced employees who are critical to the Company's success.

At the December meeting, the Compensation Committee determines the dollar value of the equity-based grants to be awarded to the NEOs based on the comparator data analysis. Prior to the January meeting, this amount is converted into the number of units that will be granted using an assumed share price that is determined with reference to the then current trading range of the Company's subordinate voting shares. For the 2008 grants, the assumed share price was $4.50. The actual equity mix to be awarded is then approved at the

January meeting of the Compensation Committee. The grants are made immediately following the blackout period that ends 48 hours after the Company's year end results have been released.

Target equity-based incentives are determined based on the median awards of the Comparator Group; however, consideration is given to individual performance when determining actual awards. The equity mix varies by employee level and targets a higher percentage of performance elements at the NEO levels where there is a stronger influence on results. The target mix of equity-based incentives is reviewed by the Compensation Committee each year and for 2008 the targets for the NEOs were as follows:

- 40% RSUs,
- 35% PSUs, and
- 25% stock options.

The CEO has the discretion to issue equity-based awards throughout the year to attract new hires and to retain current employees within limits set by the Compensation Committee. The number of units available throughout the year for these grants is pre-approved by the Compensation Committee at the January meeting. Subject to the Company's blackout periods, these grants typically take place at the beginning of each month. Any grants to senior executives must be reviewed with the Compensation Committee at the next meeting and in practice are reviewed in advance with the Chairman of the Compensation Committee.

RSUs

NEOs are granted RSUs under the Celestica Share Unit Plan (CSUP). RSUs granted prior to February 2008 are released on December 1st two years following the grant (*i.e.*, RSUs granted in February 2007, will be released on December 1st, 2009). RSUs granted in February 2008 or later, are released one-third on each of the first two anniversaries of the grant date and the final third is released on December 1st two years following the grant. Each RSU entitles the holder to one subordinate voting share of the Company on the release date. The payout value of the award is based on the number of RSUs being released and the share price at the time of release.

PSUs

NEOs are granted PSUs under the CSUP. PSUs vest at the end of a three-year performance period subject to pre-determined performance criteria. The number of PSUs that actually vests will range from 0% to 200% of target depending on the Company's ranking in the third year of the performance period relative to that of the EMS Competitors based on an ROIC metric approved by the Compensation Committee. The vesting schedule is outlined in the following table.

Table 9: PSU Vesting Schedule

Celestica's ROIC Metric	Performance Multiplier
Equal to/greater than highest performance of EMS Competitors	200% of target
Between the median and highest performance	Prorated between 100%-200%
Equal to median performance of EMS Competitors	100% of target
Between the median and lowest performance	Prorated between 0%-100%
Equal to/lower than lowest performance of EMS Competitors	0% of target

The payout value of the award is based on the number of PSUs that vests and the share price at the time of release. Each PSU entitles the holder to receive one subordinate voting share of the Company on the release date.

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Stock Options

Stock options are awarded under the Long Term Incentive Plan (LTIP). Stock options vest at a rate of 25% annually on the anniversary of the date of grant and expire after a 10-year term. The payout value of the award is equal to the increase, if any, in share price at the time of exercise over the exercise price, which is the closing market price on the business day prior to the date of the grant.

The value of the stock options granted in respect of 2008 was determined at the December meeting of the Compensation Committee using (i) an assumed share price of $4.50, and (ii) a Black-Scholes factor of 0.40 determined using the same methodology as is used to determine Black-Scholes for stock option expensing purposes. The Black-Scholes factor was determined using the following variables: (i) volatility of the price of subordinate voting shares, and (ii) the risk-free rate over the expected life of the options.

In determining the number of options to be granted, the Company keeps within a maximum level for both option "burn rate" and "overhang". "Burn rate" refers to the number of shares issued under equity plans in a given year relative to the total number of shares outstanding. "Overhang" refers to the total number of shares reserved for issuance under equity plans at any given time relative to the total number of shares outstanding. The Company has significantly reduced the number of stock option grants awarded and currently has an "overhang" of 11.7%. In 2005, the Company amended the LTIP to provide that the number of options awarded under the plan in any given year cannot exceed 1.2% of the total number of shares outstanding.

Other Compensation

Benefits

Executives participate in the Company's health, dental, pension, life insurance and long-term disability programs. Benefit programs are based on market median levels, in the local geography.

Perquisites

Executives are entitled to an annual comprehensive medical at a private health clinic. The Company also pays housing expenses for Mr. Muhlhauser in Toronto, travel costs between his home in New Jersey and Toronto, and the services of a tax advisor. The Company does not provide any other perquisites.

Celestica Employee Share Ownership Plan (CESOP)

The CESOP enables eligible employees, including NEOs, to acquire subordinate voting shares, so as to encourage continued employee interest in the Company's operation, growth and development. Under the CESOP, an eligible participant may elect to contribute an amount representing no more than 10% of his or her salary. The Company will contribute 25% of the amount that the employee contributes, up to a maximum of 1% of the employee's salary for the relevant payroll period. Contributions are used to purchase subordinate voting shares of the Company on the open market.

Executive Share Ownership

The Company has share ownership guidelines for the CEO and the other NEOs. The guidelines provide that these individuals are to hold a multiple of their salary in Celestica subordinate voting shares as shown in Table 10 below. Executives subject to ownership guidelines are expected to achieve the specified ownership within a period of five years following the latest of: (i) the date of implementation of the guidelines (January 26, 2005); (ii) the date of hire; or (iii) the date of promotion to a level subject to ownership guidelines. Compliance is reviewed annually as of December 31 of each year.

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Table 10: Share Ownership Guidelines

Name	Ownership Guidelines	Share Ownership (Value)[1]	Share Ownership (Multiple of Salary)
Craig H. Muhlhauser	$3,000,000 (3 × salary)	$ 4,472,548	4.5x
Paul Nicoletti	$1,024,000 (2 × salary)	$ 1,586,859	3.1x
John Peri	$1,008,000 (2 × salary)	$ 1,418,681	2.8x
Elizabeth L. DelBianco	$888,000 (2 × salary)	$ 1,178,265	2.7x
John J. Boucher	$860,000 (2 × salary)	$ 1,039,716	2.4x

(1) Includes the following, as of December 31, 2008: (i) subordinate voting shares beneficially owned, (ii) all unvested RSUs, (iii) PSUs that vested on January 31, 2009 at 200% of target, which on December 31, 2008, was the Company's anticipated payout and was in fact the resulting payout, and (iv) all other PSUs at 100% of the target level of performance; in each case, the value of which was determined using a share price of $4.61 being the closing price of subordinate voting shares on the NYSE on December 31, 2008.

Recoupment Provisions

The Company is subject to the *Sarbanes-Oxley Act of 2002*. Accordingly, if the Company is required to restate financial results due to misconduct or material non-compliance with financial reporting requirements, the CEO and CFO would be required to reimburse the Company for any bonuses or incentive-based compensation they had received during the 12-month period following the restatement, as well as any profits they had realized from the sale of corporate securities during that period.

Under the terms of the stock option grants and the grants made under the CSUP plan, a NEO may be required by the Company to repay an amount equal to the market value of the shares at the time of release, net of taxes, if, within 12 months of the release date the executive:

- Accepts employment or accepts an engagement to supply services, directly or indirectly, to a third party, that is in competition with the Company or any of its subsidiaries; or

- Fails to comply with, or otherwise breaches, the terms and conditions of a confidentiality agreement or non-disclosure agreement with, or confidentiality obligations to, the Company or any of its subsidiaries; or

- On his or her behalf or on another's behalf, directly or indirectly recruits, induces or solicits, or attempts to recruit, induce or solicit any current employee or other individual who is/was supplying services to the Company or any of its subsidiaries.

Executives who resign or are terminated for cause also forfeit all unvested stock options, RSUs and PSUs.

2008 Compensation Decisions

Each element of compensation is considered independently of the other elements. However, the total package is reviewed to ensure that the median total compensation objective for median levels of corporate and individual performance is achieved.

Comparator Companies and Market Positioning

Benchmarking for all elements of NEO compensation was based on the Comparator Group. Salary, target annual incentive and equity-based incentive grants for the NEOs were benchmarked at the market median of the Comparator Group.

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Base Salary

The base salaries for the NEOs were reviewed taking into account individual performance and experience, level of responsibility and median competitive data.

In 2008, Mr. Muhlhauser's base salary was increased from $750,000 to $1,000,000 to meet the median of the market. Mr. Boucher received a 24.8% increase in base salary as a result of his promotion to Executive Vice President. Messrs. Nicoletti and Peri and Ms. DelBianco received increases in the 0% 3% range as their existing salaries were competitive with the market.

Celestica Team Incentive Plan (CTI)

Target annual incentive awards for the CEO and other NEOs are 100% of salary and 80% of salary, respectively. For 2008, annual incentive payments to the NEOs were paid at the maximum 200% of target incentive due to above average performance that exceeded the Company's objectives and the performance of the EMS Competitors on certain metrics.

Business Performance

In 2008, the business performance component payout factor was 119% based on the following results:

Table 11: Business Performance

Measure	Weight	Percentage Achievement Relative to Target
EBIAT[1]	40%	112%
ROIC, excluding intangibles[2]	40%	136%
Customer Loyalty[3]	20%	100%
Payout Factor		119%

(1) EBIAT was calculated as earnings/loss before interest, amortization of intangible assets, gains or losses on the repurchase of shares and debt, integration costs related to acquisitions, option expense and other charges (most significantly restructuring costs and the write-down of goodwill and long-lived assets) and the related income tax effects of these adjustments.

(2) ROIC, excluding intangibles, was calculated as EBIAT divided by average net invested capital where average net invested capital includes tangible assets less cash, accounts payable, accrued liabilities and income taxes payable.

(3) Customer loyalty was measured by a customer relationship index related to a customer's willingness to recommend the Company to others or to place new business with the Company. Results were based on customer feedback obtained to a large extent through a survey process administered by an independent third-party service provider.

Relative Performance Factor (RPF)

The Company's 2008 performance was ranked relative to that of the EMS Competitors on a ROIC performance metric. The Company ranked first amongst the EMS Competitors which resulted in a RPF that exceeded the 1.5x cap, resulting in the maximum RPF of 1.5x. For this comparison, the Company used adjusted ROIC, which is calculated as adjusted net earnings divided by average net invested capital.

Individual Performance Factor (IPF)

Each year, the Board of Directors and the CEO agree on performance goals. Goals for the NEOs that will support the CEO's goals are then agreed to and established. For 2008, the CEO's goals focused on: financial performance, customer loyalty, operational effectiveness, growing the business, and leadership. Each NEO's

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performance is then measured on a number of factors including the formal goals established for the year. Specific measures and achievements for each NEO in 2008 were:

Chief Executive Officer

Financial performance: ROIC grew from 6.4% in 2007 to 13.6% in 2008 and exceeded the target for 2008 by 31%. ROIC for this measure was calculated by dividing EBIAT (as defined in footnote 1 to Table 11) by average net invested capital, including intangibles. Average net invested capital, including intangibles, included total assets less cash, accounts payable, accrued liabilities and income taxes payable.

Customer loyalty: Customer loyalty improved from 2007 and met the target of 83% for 2008.

Operational effectiveness: Total spend, as a percentage of manufacturing value add, decreased by 5.6% as compared to 2007 and exceeded the targeted reduction for 2008 by 1.3%.

Growing the business: The revenue objective was not met but the bookings objective was met at target.

Leadership: The goal of improving the employee commitment index was not achieved.

In addition to the goals listed above, the Committee's assessment of Mr. Muhlhauser's performance in 2008 reflected outstanding results in a number of non-GAAP areas.

In 2008, the Company achieved:

200% year-over-year improvement in adjusted earnings per share;

year-over-year EBIAT growth of approximately 75%;

its best adjusted gross margin (7.0%) since 2001;

its best operating margin (3.0%) since 2002;

its best ROIC (13.6%) since 2000;

its best ever inventory turns (8.8x) for the Company;

outstanding performance relative to that of the EMS Competitors;

highest adjusted ROIC (including intangibles);

highest inventory turns;

second highest adjusted gross margins; and

second highest operating margins.

The Committee assessed Mr. Muhlhauser's IPF at the maximum of 1.5x reflecting the Company's strong performance in 2008.

Other NEOs

Each of the NEOs has responsibility for the achievement of the CEO's corporate goals and objectives. The CEO's assessment of each of the NEO's contributions to the Company's results is largely subjective and based on his judgment of the NEO's contributions as a part of the senior leadership team. The achievement of individual goals is not quantitatively tied to compensation; however, the CEO's overall assessment of each NEO's contributions is used to determine the IPF.

Other factors considered in the evaluation of each NEO included the following. Under the leadership of Mr. Nicoletti (who received an IPF of 1.4), the Company's financial performance on a number of metrics improved significantly. The Company met or exceeded its earnings guidance for each quarter of 2008, generated operating cash flow significantly above expectations and the Company's credit outlooks with credit agencies were upgraded. Under the leadership of global operations by Mr. Peri (who received an IPF of 1.2), the Company made significant productivity and quality improvements while meeting or exceeding customer satisfaction targets. Global operations contributed to earnings growth and increased customer satisfaction through

significant improvements in the Company's overall operations. Under the leadership of Ms. DelBianco (who received an IPF of 1.2), the functions for which she is responsible made significant contributions in the areas of human resources and legal strategy, contract training, dispute resolution, customer support, governance and compliance initiatives and leadership development. The Company's talent management programs were significantly enhanced and the global incentive plan for production employees was redesigned for 2009. Under the leadership of Mr. Boucher (who received an IPF of 1.3), the supply chain function was reorganized to create a supply chain solutions organization encompassing solutions development and integrated service offerings spanning design, fulfillment, after-market service and automated manufacturing services. In addition, the sales team, under his leadership, contributed to the revenue growth of some of our largest customers.

Equity-Based Incentives

Equity grants to NEOs in respect of 2008 performance consisted of RSUs, PSUs and stock options. The number of RSUs, PSUs and options to be issued to the NEOs was based on an assumed share price of $4.50, which was derived from the trading range of the Company's subordinate voting shares prior to the January Compensation Committee meeting. The actual mix of the grants was approved by the Compensation Committee at a meeting on January 28, 2009 and the grants were issued on February 3, 2009.

The Company provided the NEOs the following equity-based compensation in February 2009 in respect of 2008 performance.

Table 12: NEO Equity Awards

Name	RSUs (#)	PSUs[1] (#)	Stock Options (#)	Intended Compensatory Value of LTI Award[2]
Craig H. Muhlhauser	444,444	388,889	694,444	$ 5,000,000
Paul Nicoletti	160,000	140,000	250,000	$ 1,800,000
John Peri	133,333	116,667	208,333	$ 1,500,000
Elizabeth L. DelBianco	133,333	116,667	208,333	$ 1,500,000
John J. Boucher	133,333	116,667	208,333	$ 1,500,000

(1) The number of PSUs is included at 100% of target level of performance.

(2) Based on the assumed $4.50 share price at the time the grant was approved by the Compensation Committee and with respect to stock options, a Black-Scholes factor of 0.40.

See "Compensation Discussion and Analysis Equity-Based Incentives" for the discussion regarding the calculation, terms and vesting schedules of equity awards.

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Performance Graph

The subordinate voting shares of the Company have been listed and posted for trading under the symbol "CLS" on the NYSE and the TSX since June 30, 1998 (except for the period commencing on November 8, 2004 and ending on May 15, 2006 during which the symbol on the TSX has been CLS.SV). The following chart compares the cumulative total shareholder return of C$100 invested in subordinate voting shares of the Company on December 31, 2003 (the Company did not declare or pay any dividends during this period) with the cumulative total shareholder return of the S&P/TSX Composite Index for the period December 31, 2003 to December 31, 2008.

As can be seen from the performance above, an investment in the Company on January 1, 2004 would have resulted in a 74% loss in value over the five year period ended December 31, 2008 compared with a 36% increase that would have resulted from an investment in the S&P/TSX Composite Index over the same period.

The compensation of the Company's NEOs has fluctuated over the same period as the Company dealt with, amongst other things, competitive pressures, operational issues, significant restructuring and various leadership changes. In 2005, total compensation for NEOs decreased by 46% compared to 2004, from $21.1 million to $11.3 million and, in 2006, by a further 57% compared to the previous year, to $4.9 million (excluding severance costs). The reduction in total compensation for NEOs was largely attributable to reduced long-term incentive grants to certain NEOs. In 2006, total annual compensation for NEOs during this five-year period reached its lowest point and was 77% less than that paid in 2004.

After significant operational challenges were experienced in the second half of 2006, senior management changes were made across the Company. The new management team implemented major process improvements across all areas of the Company with a specific focus on improving profitability, reducing working capital and strengthening the Company's financial position. As management has implemented these changes during 2007 and 2008, the Company's operating performance and financial results have shown significant improvements to the point where the Company was the strongest financial performer amongst the EMS Competitors by the end of 2008. The Company's performance over this two-year period was its best operating performance during the past six years, as well as its being amongst the best performers in the EMS industry on key operating performance metrics. This strong financial performance also contributed to improved outlooks from the Company's key financial rating agencies and multi-year highs in customer satisfaction levels. The performance

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graphs set out below illustrate the Company's significant improvements on non-GAAP measures of gross margins, operating margins, asset utilization and ROIC.

Gross margins

Excluding non-cash option expense.

Operating margins

Excluding non-cash option expense.

Asset utilization

Return on invested capital

Including intangible assets.

During this period of improved performance, total compensation for the NEOs increased to $15.2 million in 2007 and $19.8 million in 2008. These increases were a result of implementing competitive compensation packages for the Company's leadership team, as well as maximum annual incentive payouts due to strong corporate performance in 2008. In 2008, total compensation for NEOs was 6% less than that paid in 2004.

Compensation of Named Executive Officers

The following table sets forth the compensation of the Company's Chief Executive Officer, Chief Financial Officer and the three other most highly compensated executives of the Company and its subsidiaries (collectively, the "Named Executive Officers" or "NEOs") for the financial year ended December 31, 2008.

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Table 13: Summary Compensation for 2008

Name & Principle Position	Salary ($)	Share-Based Awards ($)[1][3]	Option-Based Awards ($)[2][3]	Non-Equity Incentive Plan Compensation Annual Incentive Plans ($)[4]	Pension Value ($)	All Other Compensation ($)[5]	Total Compensation ($)
Craig H. Muhlhauser *President and Chief Executive Officer*	$937,500	$3,750,000	$1,250,000	$ 2,000,000	$13,800	$ 168,278	$ 8,119,578
Paul Nicoletti[6] *EVP, Chief Financial Officer*	$507,562	$1,350,000	$ 450,000	$ 818,056	$48,180	$ 16,982	$ 3,190,780
John Peri[6] *EVP, Global Operations*	$503,977	$1,125,000	$ 375,000	$ 806,364	$41,959	$ 298,286	$ 3,150,586
Elizabeth L. DelBianco[6] *EVP, Chief Legal & Administrative Officer and Corporate Secretary*	$439,924	$1,125,000	$ 375,000	$ 709,042	$33,906	$ 17,274	$ 2,700,146
John J. Boucher[7] *EVP, Supply Chain Management Solutions & CPO*	$422,525	$1,125,000	$ 375,000	$ 673,667	$10,278	$ 1,431	$ 2,607,901

(1) Amounts in the column represent the value of RSUs and PSUs granted on February 3, 2009 under the CSUP in respect of 2008 performance. The value shown is the value intended to be paid to the NEO. The actual number of RSUs and PSUs granted was based on an assumed share price of $4.50 when the grants were approved by the Compensation Committee. Please see *Compensation and Discussion Analysis Equity-Based Incentives* for a description of the vesting terms of the awards and the process followed in determining the grant. The value included for PSUs is at 100% of target level performance. The number that will actually vest will vary from 0%-200% of the target grant depending on performance.

(2) Amounts in the column represent the value of stock options that were issued under the LTIP on February 3, 2009 in respect of 2008 performance. The value shown is the value intended to be paid to the NEO. The actual number of options granted was based on an assumed share price of $4.50 when the grants were approved by the Compensation Committee. See *Compensation and Discussion Analysis Equity-Based Incentives* for a description of the vesting terms of the awards and the process followed in determining the value of the grant.

(3) The accounting fair value of the equity-based awards is calculated using a share price of $4.13, which was the closing price of the subordinate voting shares on the NYSE on February 2, 2009, the day before the grants were actually made. Based on this share price, the accounting fair value of the total of share-based and option-based awards to the NEOs during 2008 are as follows: Mr. Muhlhauser $4,589,000; Mr. Nicoletti $1,652,000; Mr. Peri $1,377,000; Ms. DelBianco $1,377,000, and Mr. Boucher $1,377,000.

(4) Amounts in this column represent incentive payments made to the NEOs through the CTI Plan. See *Compensation and Discussion Analysis Celestica Team Incentive Plan (CTI)* for a description of the plan and the results achieved in respect of 2008.

(5) Amounts in this column represent: (i) contributions to the CESOP for Messrs. Muhlhauser and Peri, (see *Celestica Employee Share Ownership Plan*), (ii) for Mr. Muhlhauser, tax equalization and tax gross-up payments of $97,692, housing expenses while in Canada and travel expenses between Toronto and New Jersey, and (iii) for Mr. Peri, expenses related to his foreign assignment and subsequent repatriation that include cost of living allowance, housing and moving expenses of $176,510 and tax equalization payments of $81,314.

(6) The compensation of Messrs. Nicoletti and Peri and Ms. DelBianco is paid in Canadian dollars. Their compensation is reported in U.S. dollars using a currency exchange rate of C$1.00/$0.9381, being the average currency exchange rate for 2008.

(7) Mr. Boucher was promoted to Executive Vice President on February 1, 2008. Prior to this date, he was a Senior Vice President. His target incentive for 2008 was 78.3% prorated at 60% for one month and 80% for 11 months.

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The following table provides details of each option grant outstanding and the aggregate number of unvested equity-based awards for each of the Named Executive Officers as of December 31, 2008.

Table 14: Outstanding Option-Based and Share-Based Awards[(1)]

Name	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price ($)	Option Expiration Date	Value of Unexercised In-the-money Options ($)	Number of Shares or Units that have not Vested (#)	Market Payout Value of Share Awards that have not Vested at Minimum ($)(2)	Market Payout Value of Share Awards that have not Vested at Target ($)(2)	Market Payout Value of Share Awards that have not Vested at Maximum ($)(2)
Craig H. Muhlhauser								
Jun. 6, 2005	50,000	$ 13.00	Jun. 6, 2015					
Jan. 31, 2006	74,244*	$ 10.00	Jan. 31, 2016		63,000		$ 290,430	$ 580,860
Feb. 2, 2007	500,000	$ 6.05	Feb. 2, 2017		167,000	$ 258,160	$ 769,870	$ 1,281,580
Feb. 2, 2007	202,000*	$ 6.05	Feb. 2, 2017					
Feb. 5, 2008	450,000	$ 6.51	Feb. 5, 2018		592,500	$ 1,694,175	$ 2,731,425	$ 3,768,675
Feb. 3, 2009	694,444	$ 4.13	Feb. 3, 2019		833,333	$ 1,835,554	$ 3,441,665	$ 5,047,777
Paul Nicoletti								
Jan. 1, 1999	5,600	C$ 20.63	Jan. 1, 2009					
Dec. 3, 2002	15,000	C$ 29.11	Dec. 3, 2012					
Jan. 31, 2004	13,333	C$ 22.75	Jan. 31, 2014					
May 11, 2004	3,333	C$ 24.92	May 11, 2014					
Dec. 9, 2004	13,600	C$ 18.00	Dec. 9, 2014					
Jan. 31, 2006	21,591	C$ 11.43	Jan. 31, 2016		19,000		$ 87,590	$ 175,180
Feb. 2, 2007	37,880	C$ 7.10	Feb. 2, 2017		48,610	$ 160,068	$ 224,092	$ 288,116
May 7, 2007					10,700	$ 49,327	$ 49,327	$ 49,327
Jul. 31, 2007	91,500	C$ 6.27	Jul. 31, 2017		15,000	$ 69,150	$ 69,150	$ 69,150
Feb. 5, 2008	150,000	C$ 6.51	Feb. 5, 2018		197,500	$ 564,725	$ 910,475	$ 1,256,225
Feb. 3, 2009	250,000	C$ 5.13						